

SWEDBANK P&C INSURANCE AS

Interim Report

As of 30 June 2016

Business name	Swedbank P&C Insurance AS
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Principal activity	Provision of insurance services
Chairman of the Management Board	Margus Liigand
Auditors	AS Deloitte Audit Eesti

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OVERVIEW OF THE BUSINESS RESULTS

Swedbank P&C Insurance AS (hereinafter also the Company) operates through its branches in Estonia, Latvia and Lithuania. The Company provides motor own damage, motor third party liability, home and apartment building insurance and travel insurance. The Company also renders financial loss and accident insurance as well as travel insurance to credit card customers of Swedbank. The products of Swedbank P&C Insurance AS 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 Business Operations of Q2 of 2016

Q2 financial results of the Company improved in comparison to Q2 2015 due to increase of premiums earned. Claim ratio was 58.4%, year ago 58.7%.

Six months financial results of the Company remained weaker mainly due to increased claims. Six months claim ratio increased in all business lines, but mainly in home insurance, where 2015 first half claim ratio was very low and in comparison to 2015 the growth in frequency has been significant. Furthermore, colder winter with more snow had negative impact to the results of vehicle related insurances. Net profit was lower, since income tax on dividends was significantly higher this year.

In euros	Q2 2016	Q2 2015	30.06.2016	30.06.2015
Premiums earned net of reinsurance	16 000 812	13 368 324	31 379 541	26 467 249
Claims incurred net of reinsurance	9 341 436	7 845 371	19 827 250	14 841 471
Net operating expenses	2 386 667	1 996 969	4 416 825	3 683 801
Return of insurance activities	4 272 709	3 525 984	7 135 466	7 941 977
Net profit	4 115 959	3 244 355	2 052 331	5 355 914
Net claims ratio	58.4%	58.7%	63.2%	56.1%
Net expense ratio	14.9%	14.9%	14.1%	13.9%
Combined ratio	73.3%	73.6%	77.3%	70.0%
Net claims ratio =	$\frac{\text{Claims incurred net of reinsurance}}{\text{Premiums earned net of reinsurance}}$			
Net expense ratio =	$\frac{\text{Net operating expenses}}{\text{Premiums earned net of reinsurance}}$			
Combined ratio =	Net claims ratio + net expense ratio			

Insurance premium by products and countries:

Sales results of Company in Estonia

in thousands of euros	Q2 of 2016	Proportion	6 months 2016	Proportion
Motor own damage insurance	4 416	39.3%	9 117	40.6%
Home insurance	3 880	34.6%	7 612	33.9%
Motor third party liability insurance	1 396	12.4%	2 656	11.8%
Payment protection insurance	868	7.7%	1 695	7.6%
Travel insurance	572	5.1%	1 180	5.3%
Apartment building insurance	91	0.8%	163	0.7%
Other	6	0.1%	11	0.1%
TOTAL	11 229	100%	22 434	100%

Sales Results of Company in Latvia

in thousands of euros	Q2 of 2016	Proportion	6 months 2016	Proportion
Home insurance	1 375	53.0%	2 679	52.5%
Motor own damage insurance	728	28.0%	1 465	28.7%
Motor third party liability insurance	205	7.9%	403	7.9%
Travel insurance	175	6.7%	344	6.8%
Payment protection insurance	98	3.8%	177	3.5%
Other	16	0.6%	32	0.6%
TOTAL	2 597	100%	5 100	100%

Sales Results of Company in Lithuania

in thousands of euros	Q2 of 2016	Proportion	6 months 2016	Proportion
Home insurance	1 956	65.0%	3 806	65.7%
Motor own damage insurance	379	12.6%	738	12.7%
Travel insurance	289	9.6%	564	9.7%
Payment protection insurance	336	11.1%	590	10.2%
Other	51	1.7%	99	1.7%
TOTAL	3 011	100%	5 797	100%

Insurance premiums have increased compared to Q2 2015 18.5%. The main source of the increase of insurance premiums is still continuing active sales in home insurance, where insurance premium growth in comparison to Q2 2015 was 27.9%. Motor own damage insurance premiums have increased in comparison to Q2 2015 6.2%. Payment protection insurance premiums grew 49.3%, since of the active sales of mortgage related insurance

products in the Baltics as well as credit card payment protection insurance was launched in Latvia and Lithuania in Q3 2015.

Important events during the quarter

From now on customers have opportunity to see their valid insurance contracts in Swedbank's internet bank.

From 18th of April until 29th of May general insurance campaign was made in Estonia. In June insurance campaign for home and travel insurance was made in Swedbank's internet bank in Latvia. Insurance campaign was also made in Lithuania.

Swedbank renewed its offer for Visa Platinum credit cards for private customers, which now have wider travel and purchase protection coverage.

Assets of Company

The assets of the Company decreased compared to Q1 EUR 1.1 million (2.2%) and formed EUR 51.0 million. The volume of financial investments decreased during the quarter by EUR 2.9 million (8.3%) and formed EUR 31.6 million, which is EUR 10.0 million (46.5%) more than in the end Q2 of 2015. The financial investments of the Company exceeded technical liabilities 1.3 times.

Number of Employees and Staff Costs

As of 30 June 2016, the Company employed 108 people – 65 in Estonia, 19 in Latvia and 24 in Lithuania. Labour costs of Q2 were EUR 645.0 thousand (Q2 2015: EUR 573.6 thousand).

STATEMENT OF FINANCIAL POSITION

In euros	Note	30.06.2016	31.12.2015
ASSETS			
Cash and cash equivalents		11 350 408	7 184 894
Financial investments	2	31 572 575	41 062 598
Bonds		23 379 107	24 443 886
Term deposits		8 193 468	16 618 712
Receivables related to insurance activities		3 155 857	3 429 443
Accrued income and prepaid expenses		217 732	136 589
Reinsurance assets	3	4 711 384	3 972 649
Receivables		1 613 355	1 397 887
Technical provisions		3 098 029	2 574 762
Deferred tax assets		1 423	1 423
Tangible assets		9 464	10 728
Total assets		51 018 843	55 798 324
LIABILITIES AND EQUITY			
Liabilities related to insurance activities	4	24 168 577	22 396 482
Technical provisions		21 923 670	20 354 424
Liabilities related to reinsurance		1 741 392	1 605 585
Other		503 515	436 473
Other liabilities	5	1 522 340	1 256 331
Total liabilities		25 690 917	23 652 813
Equity			
Share capital		21 210 000	7 210 000
Share premium		1	1
Statutory legal reserve		721 000	721 000
Retained earnings		1 344 594	11 691 064
Net profit for current period		2 052 331	12 523 446
Total equity		25 327 926	32 145 511
Total liabilities and equity		51 018 843	55 798 324

STATEMENT OF COMPREHENSIVE INCOME

In euros	Note	Q2 of 2016	Q2 of 2015	01.01.2016 30.06.2016	01.01.2015 30.06.2015
Premiums earned, net of reinsurance	6				
Premiums earned		16 949 998	14 374 303	33 404 244	28 314 705
Reinsurance premium		-949 186	-1 005 979	-2 024 703	-1 847 456
TOTAL		16 000 812	13 368 324	31 379 541	26 467 249
Claims incurred, net of reinsurance	7				
Claims incurred, gross		9 422 656	7 921 193	20 120 493	14 888 213
Claims handling expenses		639 455	495 908	1 255 916	989 883
Share of reinsurance in claims incurred		-720 675	-571 730	-1 549 159	-1 036 625
TOTAL		9 341 436	7 845 371	19 827 250	14 841 471
Operating expenses					
Acquisition costs, net of reinsurance	9	1 094 890	799 977	1 902 860	1 308 965
Administrative expenses	10	1 215 166	1 141 198	2 366 089	2 266 647
Other operating expenses		76 611	55 794	147 876	108 189
TOTAL		2 386 667	1 996 969	4 416 825	3 683 801
Return of insurance activities		4 272 709	3 525 984	7 135 466	7 941 977
Investment income and expenses, net	11	65 565	-94 963	202 525	1 951
Other income		262	933	501	2 762
Other expenses		38 916	69 572	83 225	139 255
Profit before income tax		4 299 620	3 362 382	7 255 267	7 807 435
Income tax		183 661	118 027	5 202 936	2 451 521
Net profit for the period		4 115 959	3 244 355	2 052 331	5 355 914
Fair value adjustment of share based payment at the settlement date		-69 916	0	-69 916	0
Total comprehensive income for the period		4 046 043	3 244 355	1 982 415	5 355 914

STATEMENT OF CASH FLOWS

In euros	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Cash flow from / used in operating activities	3 279 694	6 808 645
Insurance premium collected	34 077 874	28 854 283
Claims, recourses and handling expenses paid	-19 421 369	-14 113 554
Settlements with reinsurers	-644 648	-811 165
Operating expenses paid	-5 506 809	-4 600 778
Income tax paid	-5 228 359	-2 524 065
Other income and expenses	3 005	3 924
Cash flow from / used in investing activities	9 693 560	13 367 272
Acquisition of fixed tangible assets	-3 782	-4 266
Interest collected	344 867	94 312
Acquisition of bonds	-5 542 848	-568 062
Disposal of bonds	6 549 629	6 435 226
Placed in term deposits	-5 000 000	-3 700 000
Proceeds from matured term deposits	13 400 000	11 135 950
Investment expenses paid	-54 306	-25 888
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	4 173 254	8 675 917
Cash and cash equivalents at beginning of the period	7 184 894	9 270 039
Change in cash and cash equivalents	4 173 254	8 675 917
Effect of exchange rate changes	-7 740	-397
Cash and cash equivalents at end of the period	11 350 408	17 945 559

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 period	0	0	0	5 355 914	5 355 914
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 30.06.2015	7 210 000	1	721 000	17 046 978	24 977 979
As at 01.01.2016	7 210 000	1	721 000	24 214 510	32 145 511
Net profit for the period	0	0	0	2 052 331	2 052 331
Proceeds from issuance of shares	14 000 000	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	-69 916	-69 916
As at 31.03.2016	21 210 000	1	721 000	3 396 925	25 327 926

NOTES TO THE INTERIM REPORT

NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q2 of 2016 of Swedbank P&C Insurance AS has been prepared in compliance with requirements of International Accounting Standard IAS 34 "Interim Financial Reporting" for abbreviated interim reports. This interim report makes use of the same accounting methods as the annual accounts of Swedbank P&C Insurance AS prepared for the financial year that ended on 31 December 2015. The comparative data of this interim report are figures of Q2 of 2015.

The presentation currency of Swedbank P&C Insurance AS is the euro. All of the amounts in this report have been recorded with an accuracy of one euro, unless indicated otherwise. All other currencies, except the local accounting currency, are considered foreign currencies.

The preparation of the report in compliance with International Financial Reporting Standards presumes assumptions and judgments of the management having an impact on balances of reported assets and liabilities and revenue and expenses of the reporting period. The judgments and assumptions have been made in accordance with the best knowledge of the management and taking into account the factors that are considered reasonable under the given circumstances. The judgments and assumptions are consistently reviewed.

NOTE 2. FINANCIAL INVESTMENTS

The contents of the investment portfolio managed by Swedbank Investeerimisfondid AS:

In euros	30.06.2016		31.12.2015	
Instruments of fixed interest rate	23 379 107	54.5%	24 443 886	59.5%
Term deposits	8 193 468	19.1%	16 618 712	40.4%
Cash in investment portfolio	11 350 408	26.4%	42 559	0.1%
TOTAL	42 922 983	100.0%	41 105 157	100.0%

NOTE 3. REINSURANCE ASSETS

In euros	30.06.2016	31.12.2015
Technical provisions	3 098 029	2 574 762
Reinsurer's share in provision for unearned premiums	732 582	687 141
Reinsurer's share in provision for outstanding claims	2 365 447	1 887 621
Receivables	1 613 355	1 397 887
Reinsurance commissions	423 712	397 029
Share of reinsurance in claims	1 101 271	922 323
Refundable reinsurance premium	88 372	78 535
TOTAL	4 711 384	3 972 649

NOTE 4. LIABILITIES RELATED TO INSURANCE ACTIVITIES

In euros	30.06.2016	31.12.2015
Technical provisions	21 923 670	20 354 424
Provision for unearned premiums	5 356 879	5 430 158
Provision for outstanding claims	16 505 121	14 826 986
Unexpired risk reserve	61 670	97 280
Liabilities related to reinsurance	1 741 392	1 605 585
Reinsurance premium	1 629 604	1 502 783
Reinsurance share in recoveries	88 374	81 994
Refundable commissions	23 414	20 808
Other liabilities	503 515	436 473
Policyholders	95 914	58 599
Other	407 601	377 874
TOTAL	24 168 577	22 396 482

NOTE 5. OTHER LIABILITIES

In euros	30.06.2016	31.12.2015
Accounts payable	352 845	61 036
Accrued expenses	1 118 583	1 150 789
Other liabilities	50 912	44 506
TOTAL	1 522 340	1 256 331

Accrued expenses

In euros	30.06.2016	31.12.2015
Liabilities from share-based bonus program	466 355	617 130
Deferred reinsurance commission	194 134	182 093
Reserve for unused vacation	110 050	110 050
Taxes payable	345 795	238 834
Other	2 249	2 682
TOTAL	1 118 583	1 150 789

NOTE 6. PREMIUMS EARNED NET OF REINSURANCE

In euros	Q2 of 2016	Q2 of 2015	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Gross premium (see Note 8)	16 836 957	14 211 130	33 330 965	28 167 293
Change in provisions for unearned premium	113 041	163 173	73 279	147 412
Premiums earned	16 949 998	14 374 303	33 404 244	28 314 705
Reinsurance premium	-994 367	-1 040 121	-2 070 144	-1 867 785
Reinsurers' share in change of unearned premiums provision	45 181	34 142	45 441	20 329
Reinsurance premium	-949 186	-1 005 979	-2 024 703	-1 847 456
TOTAL	16 000 812	13 368 324	31 379 541	26 467 249

NOTE 7. CLAIMS INCURRED, NET OF REINSURANCE

In euros	Q2 of 2016	Q2 of 2015	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Claims incurred, gross amount	9 422 656	7 921 193	20 120 493	14 888 213
Claims paid (see Note 8)	9 541 854	7 262 871	20 105 809	14 775 519
Change in the claims provision	628 491	1 371 858	1 678 135	1 488 170
Amounts recovered from salvage and recourses	-712 079	-713 536	-1 627 841	-1 375 476
Change in Unexpired risk reserve	-35 610	0	-35 610	0
Claims handling expenses	639 455	495 908	1 255 916	989 883
Direct claims handling expenses	297 852	228 444	593 697	446 531
Indirect claims handling expenses	341 603	267 464	662 219	543 352
Staff costs	251 769	199 919	487 506	412 822
Depreciation of fixed assets	952	1 043	1 909	2 085
Other	88 882	66 502	172 804	128 445
Reinsurers` share of claims incurred	-720 675	-571 730	-1 549 159	-1 036 625
Reinsurers` share in claims paid	-464 593	-411 939	-1 071 333	-743 188
Reinsurers` share in change of claims provisions	-256 082	-159 791	-477 826	-293 437
TOTAL	9 341 436	7 845 371	19 827 250	14 841 471

NOTE 8. GROSS PREMIUM AND CLAIMS PAID BY PRODUCTS

In euros	Q2 of 2016	Q2 of 2015	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Gross premium				
Motor own damage insurance	5 523 525	5 203 308	11 319 535	10 717 519
Home insurance	7 210 869	5 636 024	14 097 234	10 893 128
Motor third party liability insurance	1 601 132	1 447 518	3 059 369	2 771 456
Travel insurance	1 036 016	911 631	2 088 242	1 844 460
Payment protection insurance	1 301 748	871 800	2 461 106	1 679 240
Apartment building insurance	91 446	82 358	163 003	146 442
Other	72 221	58 491	142 476	115 048
TOTAL	16 836 957	14 211 130	33 330 965	28 167 293
Claims paid				
Motor own damage insurance	4 389 941	3 940 194	9 281 555	8 099 011
Home insurance	3 047 600	1 800 833	6 085 449	3 535 668
Motor third party liability insurance	861 889	836 636	2 143 644	1 638 743
Travel insurance	964 782	536 903	2 032 128	1 196 139
Payment protection insurance	263 850	141 361	517 807	285 152
Apartment building insurance	3 961	1 962	28 480	8 728
Other	9 831	4 982	16 746	12 078
TOTAL	9 541 854	7 262 871	20 105 809	14 775 519

NOTE 9. ACQUISITION COSTS, NET OF REINSURANCE

In euros	Q2 of 2016	Q2 of 2015	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Staff costs	0	14 909	6 398	26 748
Other operating expenses	254 204	277 209	450 799	320 400
Outsourced services	826 507	690 195	1 624 501	1 322 907
Depreciation and impairment of fixed assets	0	0	0	84
Reinsurance commission	17 771	-191 383	-175 178	-366 561
Change of accrued reinsurance commissions	-3 592	9 047	-3 660	5 387
TOTAL	1 094 890	799 977	1 902 860	1 308 965

NOTE 10. ADMINISTRATIVE EXPENSES

In euros	Q2 of 2016	Q2 of 2015	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Staff costs	393 276	358 756	768 763	777 864
Other operating expenses	693 133	609 843	1 334 528	1 203 064
Outsourced services	127 405	170 663	259 944	281 974
Depreciation and impairment on fixed assets	1 352	1 936	2 854	3 745
TOTAL	1 215 166	1 141 198	2 366 089	2 266 647

NOTE 11. INVESTMENT REVENUE AND EXPENSES

In euros	Q2 of 2016	Q2 of 2015	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Interest income	151 338	36 678	305 254	85 169
Change in value of financial assets at fair value with changes through statement of profit and loss	-110 051	-123 369	-116 269	-54 528
Net losses from financial investments	54 748	-578	72 663	-5 485
Realised gains/losses from changes in currency rates	-2 745	-790	-4 727	-1 853
Other investment management expenses	-27 725	-6 904	-54 396	-21 352
TOTAL	65 565	-94 963	202 525	1 951

NOTE 12. 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 close to them and companies in which they have a considerable holding. The parent company of the Company is Swedbank AS, which holds 100% of the voting rights. The parent company of the Swedbank Group is Swedbank AB (publ), Sweden.

Transactions and balances with related parties have been reported as follows:

In euros	Swedbank AS	Other Group companies	TOTAL
Receivables and liabilities as of 30.06.2016			
Cash and deposits	6 626 999	9 723 410	16 350 409
Receivables from insurance activities	116 719	147 572	264 291
Accrued interest	0	-7 583	-7 583
TOTAL	6 743 718	9 863 399	16 607 117
Other liabilities	88 989	127 028	216 017
TOTAL	88 989	9 990 427	16 823 134
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	Q2 of 2016	Q2 of 2015	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Intermediary fee				
Swedbank AS	-420 032	-383 776	-793 633	-727 070
Other Group companies	-452 990	-283 836	-719 322	-531 922
TOTAL	-873 022	-667 612	-1 512 955	-1 258 992
Revenue from insurance premium				
Swedbank AS	340 770	375 472	667 921	725 821
Other Group companies	518 941	466 438	1 024 122	931 750
TOTAL	859 711	841 910	1 692 043	1 657 571
Interests				
Swedbank AS	143	19 475	925	42455
Other Group companies	-3 286	866	-6 572	1 750
TOTAL	-3 143	20 341	-5 647	44 205
Other purchases				
Swedbank AS	-413 104	-374 508	-828 423	-664 874
Other Group companies	-406 069	-179 076	-698 715	-488 966
TOTAL	-819 173	-553 584	-1 527 138	-1 153 840
Other sales				
Other Group companies	0	381	0	1 961
TOTAL	0	381	0	1 961
