

SWEDBANK P&C INSURANCE AS

Interim Report

As of 31 March 2014

Swedbank P&C Insurance AS

INTERIM REPORT OF Q3 OF 2013

Business name	Swedbank P&C Insurance AS
Commercial Register code	11269248
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Telephone	+372 888 2220
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E-mail	varakindlustus@swedbank.ee
Website	www.swedbank.ee/varakindlustus
Principal activity	Provision of insurance services
CEO	Margus Liigand
Auditors	AS Deloitte Audit Eesti

SIGNATURES

The Management Board has prepared this interim report of Q1 of 2014 of Swedbank P&C Insurance AS presented on pages 8–19. The interim report has been signed by members of the Management Board Margus Liigand, Ivika Torpel, Peeter Kabbun, Liutauras Jasiūnas. This file is generated in electronic format and does not include any signatures.

Swedbank P&C Insurance AS

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Swedbank P&C Insurance AS

LETTER OF EXPLANATION TO THE INTERIM REPORT OF Q1 OF 2014

The sole shareholder of Swedbank P&C Insurance AS (hereinafter also the Company) is Swedbank AS. The share capital of the Company is EUR 3,000,020.

The Company operates in Estonia, Latvia and Lithuania. The Company provides motor own damage insurance, motor third party liability insurance, 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 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.

The Shareholder approved the Council Member Giedrius Dusevičius request to resign from the insurance provider's Council starting from 01.02.2014. Due to the ending of the authority of the Council member Māris Mančinskis from 06.02.2014 he is no longer a member of the Company's Council. The authority of Council member Jonas Jonsson was prolonged for 3 years starting from 07.02.2014 with the Shareholders decision, also, in addition Johanna Okasmaa Nilsson and Johannes Rudbeck were appointed as new Council members. The Shareholder approved the Council Member Johannes Rudbeck request to resign from the insurance provider's Council starting from 26.03.2014 and Kristina Mikenberg was appointed as a new Member of the Council. The Council proceeds with 4 members: Johanna Okasmaa Nilsson, Jonas Jonsson, Aet Altroff and Kristina Mikenberg.

Events after balance sheet date

Starting from 01.04.2014 the new structure of Swedbank P&C Insurance AS became valid, with what country based management was replaced by functional management. The Council approved the Board Member Liutauras Jasiūnas request to resign from the insurance provider's Management Board starting from 15.05.2014, Vaida Janušyte was appointed as a Member of the Management Board. The Management Board still continues with 4 members: Ivika Torpel, Margus Liigand, Peeter Kabbun and Vaida Janušyte.

Results of Business Operations of Q1 of 2014

The financial results of the Company in Q1 were very good, being better than in Q1 2013, which is resulting from increased amount of premium income and lower level of claims. Mild winter in 2014 has favoured the insurance providers and enabled the decrease of loss ratio compared to Q1 2013. The loss ratio in Q1 was 52.7%, year before 59.5%.

The operating expenses of the Company are still low, however expense ratio is increasing. The expense ratio for Q1 2014 was 14.4%, year before 12.5%. The increase of expense ratio is resulting from the increase of new sales, as well as improvements in organizational effectiveness. In comparison to previous year the number of employees has increased, which is the cause of increase of personnel expenses.

The combined ratio of Q1 was 67.1% (Q1 2013: 72.1%), technical profit EUR 3.9 million (Q1 2013: EUR 3.0 million) and net profit EUR 3.6 million (Q1 2013: EUR 2.9 million).

Swedbank P&C Insurance AS

LETTER OF EXPLANATION TO THE INTERIM REPORT OF Q1 OF 2014

Sales results of Company in Estonia (in thousands of euros)

	Q1 of 2014	Proportion
Motor own damage	4 240	46.1%
Home insurance	2 762	30.0%
Motor third party liability insurance	1 101	12.0%
Loan payment protection insurance	595	6.5%
Travel insurance	430	4.7%
Apartment building insurance	55	0.6%
Other	7	0.1%
TOTAL	9 190	100%

Sales Results of Company in Latvia (in thousands of euros)

	Q1 of 2014	Proportion
Home insurance	893	48.6%
Motor own damage	579	31.5%
Motor third party liability insurance	215	11.7%
Travel insurance	113	6.2%
Loan payment protection insurance	11	0.6%
Other	25	1.4%
TOTAL	1 836	100%

Sales Results of Company in Lithuania (in thousands of euros)

	Q1 of 2014	Proportion
Home insurance	593	50.3%
Motor own damage	327	27.7%
Travel insurance	183	15.5%
Loan payment protection insurance	26	2.2%
Other	51	4.3%
TOTAL	1 180	100%

Swedbank P&C Insurance AS

LETTER OF EXPLANATION TO THE INTERIM REPORT OF Q1 OF 2014

The volume of net premiums earned by the Company in Q1 was EUR 11.7 million (Q1 2013: EUR 10.7 million). The volume of net claims in Q1 was EUR 6.2 million (Q1 2013: EUR 6.4 million).

Insurance premiums have increased compared to Q1 2013 13%. The main source of the increase of insurance premiums in Q1 is active sales in home insurance, whilst the decrease of motor third party liability insurance premiums turned to increase. Compared to 2013 Q1 the motor own damage insurance payments have increased ca 4%.

Assets of Company

The assets of the Company formed EUR 49.3 million as of 31. March 2014.

The volume of financial investments formed EUR 41.5 million, which is EUR 10.2 million less than at the end of 2013 caused mostly by paid income tax in January. The financial investments of the Company exceeded technical liabilities 2.8 times.

Number of Employees and Staff Costs

As of 31 March 2014, the Company employed 106 people – 69 in Estonia, 20 in Latvia and 17 in Lithuania. The number of employees has increased by 19 employees compared to 31st of December 2013. Labour costs of Q1 were EUR 649.0 thousand (Q1 2013: EUR 517.1 thousand). The significant increase of number of employees and staff costs is caused by concluding an employment contract with 11 employees, who acted as the representatives of insurance agent in Swedbank Group, in the same amount commission expenses are decreasing.

Swedbank P&C Insurance AS

LETTER OF EXPLANATION TO THE INTERIM REPORT OF Q1 OF 2014

Development of Business Operations and Future Forecasts of Swedbank P&C Insurance AS

In relation to reorganization in Swedbank Baltic Banking operating model Swedbank P&C Insurance is continuing to incorporate changes in its structure and harmonization with Swedbank Baltic Banking operating model. Company is continuing to adapt its product offering to the new channel strategy of Swedbank. Furthermore, we are planning to contribute more in automation of our activities. The purpose of these changes is to increase the Company's and its agents sales capability without increasing the overall cost target.

In relation to adoption of euro in Lithuania, the Company started necessary activities for transformation, which will continue during the year.

In relation to the preparations for implementing the Solvency II regulations, the Company has increased its organisational and technical capacity to ensure that assessment of insurance risks, risk management and the Company's activities comply with legal requirements. This task will remain the focus for the current year.

It will continue to be the main goal of the Company to maintain the level of customer satisfaction at highest degree by offering excellent services, broad insurance cover and competitive prices, whilst retaining the profitability of the Company by keeping operating expenses low.

Swedbank P&C Insurance AS

IMPORTANT FINANCIAL INDICATORS

In euros	Q1 2014	Q1 2013
Gross premium	12 207 575	10 802 186
Premiums earned net of reinsurance	11 720 679	10 674 114
Claims incurred net of reinsurance	6 171 037	6 354 439
Net operating expenses	1 691 394	1 336 276
Return of insurance activities	3 858 248	2 983 399
Net profit	3 625 225	2 903 672
Net claims ratio	52.7%	59.50%
Net expense ratio	14.4%	12.50%
Combined ratio	67.1%	72.10%
Balance sheet total	49 331 748	95 754 402
Equity	33 487 731	81 614 985

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

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

$$\text{Combined ratio} = \text{Net claims ratio} + \text{net expense ratio}$$

Swedbank P&C Insurance AS

BALANCE SHEET as of 31 March 2014

	Note	31.03.2014	31.12.2013
		EUR	EUR
ASSETS			
Cash and cash equivalents		2 897 591	1 451 468
Financial investments	2	41 461 995	51 688 548
Bonds		7 334 192	6 812 323
Term deposits		34 127 803	44 876 225
Receivables related to insurance activities		3 167 045	3 225 298
Accrued income and prepaid expenses		333 383	200 568
Reinsurance assets	3	1 413 877	550 754
Receivables		259 437	0
Technical provisions		1 154 440	550 754
Deferred tax assets		3 246	3 245
Tangible assets	4	54 611	58 589
Total assets		49 331 748	57 178 470
LIABILITIES AND EQUITY			
Liabilities related to insurance activities	5	14 800 102	14 645 109
Technical provisions		13 759 687	14 362 763
Liabilities related to reinsurance		690 428	0
Other		349 987	282 346
Other liabilities	6	1 043 915	12 674 743
Total liabilities		15 844 017	27 319 852
Equity			
Share capital		3 000 020	3 000 020
Share premium		4 209 981	4 209 981
Legal reserve		300 002	300 002
Unrealised exchange differences		-1	-3 889
Retained earnings		55 475 556	21 189 265
Net profit for current period		3 625 225	1 163 239
Total equity		33 487 731	29 858 618
Total liabilities and equity		49 331 748	57 178 470

STATEMENT OF COMPREHENSIVE INCOME
for the Q1 of 2014

	Note	Q1 of 2014	Q1 of 2013
		EUR	EUR
Premiums earned, net of reinsurance	7		
Premiums earned		12 184 782	10 853 972
Reinsurance premium		-464 103	-179 858
TOTAL		11 720 679	10 674 114
Claims incurred, net of reinsurance	8		
Claims incurred, gross		5 962 364	6 146 793
Claims handling expenses		499 931	393 829
Share of reinsurance in claims incurred		-291 258	-186 183
TOTAL		6 171 037	6 354 439
Operating expenses			
Acquisition costs, net of reinsurance	10	602 377	499 460
Administrative expenses	11	1 040 971	792 456
Other operating expenses		48 046	44 360
TOTAL		1 691 394	1 336 276
Return of insurance activities		3 858 248	2 983 399
Investment revenue and expenses, net	12	-33 582	84 419
Other income		2 123	1 738
Other expenses		72 841	65 116
Profit before income tax		3 753 948	3 004 440
Income tax		128 723	100 768
Net profit for the period		3 625 225	2 903 672
Unrealised foreign exchange rates differences		0	-30 606
Total comprehensive income for the period		3 625 225	2 873 066

Swedbank P&C Insurance AS

STATEMENT OF CASH FLOWS for the Q1 2014

	Q1 2014 EUR	Q1 2013 EUR
Cash flow from operating activities	-8 725 312	3 556 309
Insurance premiums received	12 349 705	11 015 420
Claims, recourses and handling expenses paid	-6 903 048	-5 348 497
Settlements with reinsurers	-209 425	-236 644
Operating expenses paid	-13 964 854	-1 877 566
Other income and expenses	2 310	3 596
Cash flow from investing activities	10 173 732	-1 464 538
Paid for tangible assets	-14 722	-5 948
Interest received	313 724	201 314
Acquisition of bonds	-4 058 509	-4 062 291
Disposal of bonds	3 404 372	4 500 000
Placed in term deposits	-29 200 000	-43 118 197
Proceeds from expired term deposits	39 765 000	41 080 000
Investment expenses paid	-36 133	-59 416
Cash flow from financing activities	-1 463	-1 767
Finance lease principal repayments	-1 146	-1 715
Interest paid	-317	-52
TOTAL CASH FLOW	1 446 957	2 090 004
Cash and cash equivalents at beginning of the period	1 451 468	2 373 270
Change in cash and cash equivalents	1 446 957	2 090 004
Effect of exchange rate changes	-834	-3 692
Cash and cash equivalents at end of the period	2 897 591	4 459 582

Swedbank P&C Insurance AS

STATEMENT OF CHANGES IN EQUITY for the Q1 2014

	Share capital	Share premium	Legal reserve	Unrealised foreign exchange rates differences	Retained earnings	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR
As at 31.12.2012	3 000 020	4 209 981	300 002	42 651	71 189 265	78 741 919
Net profit for the year	0	0	0	0	2 903 672	2 903 672
Unrealised exchange differences	0	0	0	-30 606	0	-30 606
As at 31.03.2013	3 000 020	4 209 981	300 002	12 045	74 092 937	81 614 985
As at 31.12.2013	3 000 020	4 209 981	300 002	-3 889	22 352 504	29 858 618
Net profit for the year	0	0	0	0	3 625 225	3 625 225
Unrealised exchange differences	0	0	0	3 888	0	3 888
As at 31.03.2014	3 000 020	4 209 981	300 002	-1	25 977 729	33 487 731

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NOTES TO INTERIM REPORT OF Q1 OF 2014

NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q1 of 2014 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 2013. The comparative data of this interim report are figures of Q1 of 2013.

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. The accounting currency of the Lithuanian branch is the Lithuanian litas. 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:

	31.03.2014		31.12.2013	
	EUR	proportion	EUR	proportion
Bonds	7 334 192	20.0%	6 812 323	14.8%
Term deposits	28 877 159	78.9%	39 139 245	85.2%
Cash in investment portfolio	409 359	1.1%	4 723	0.0%
TOTAL	36 620 710	100.0%	45 956 291	100.0%

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NOTES TO INTERIM REPORT OF Q1 OF 2014

NOTE 3. REINSURANCE ASSETS

	31.03.2014	31.12.2013
	EUR	EUR
Provisions	1 154 440	550 754
Reinsurer's share in provision for unearned premium	375 275	0
Reinsurer's share in provision for outstanding claims	779 165	550 754
Receivables	259 437	0
Reinsurance commission	181 241	0
Share of reinsurance in claims	65 972	0
Refundable reinsurance premium	12 224	0
TOTAL	1 413 877	550 754

NOTE 4. TANGIBLE FIXED ASSETS

	Vehicles	Other tangible fixed assets	Total
	EUR	EUR	EUR
Residual value 31.12.2012	10 257	7 268	17 525
Fixed assets acquired	0	5 949	5 949
Depreciation during the period	-1 579	-1 047	-2 626
Fixed assets at the acquisition cost	16 892	14 919	31 811
Accumulated depreciation	-8 215	-2 748	-10 963
Residual value 31.03.2013	8 677	12 171	20 848
Residual value 31.12.2013	32 963	25 626	58 589
Depreciation during the year	-1 233	-2 745	-3 978
Fixed assets at the acquisition cost	35 018	32 938	67 956
Accumulated depreciation	-3 288	-10 057	-13 345
Residual value 31.03.2014	31 730	22 881	54 611

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NOTES TO INTERIM REPORT OF Q1 OF 2014

NOTE 5. LIABILITIES RELATED TO INSURANCE ACTIVITIES

	31.03.2014	31.12.2013
	EUR	EUR
Technical provisions	13 759 687	14 362 763
Provision for unearned premium	4 355 061	4 332 267
Provision for outstanding claims	9 388 580	9 997 880
Unexpired risk reserve	16 046	32 616
Liabilities related to reinsurance	690 428	0
Reinsurance premium	684 064	0
Reinsurance share in recoveries	3 125	0
Refundable commissions	3 239	0
Other liabilities	349 987	282 346
Policyholders	37 235	24 352
Other	312 752	257 994
TOTAL	14 800 102	14 645 109

NOTE 6. OTHER LIABILITIES

	31.03.2014	31.12.2013
	EUR	EUR
Finance lease payable (see Note 13)	31 614	32 760
Accounts payable	150 252	73 478
Accrued expenses	826 964	12 523 364
Other liabilities	35 085	45 141
TOTAL	1 043 915	12 674 743

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NOTES TO INTERIM REPORT OF Q1 OF 2014

NOTE 7. PREMIUMS EARNED NET OF REINSURANCE

	Q1 of 2014	Q1 of 2013
	EUR	EUR
Gross premium (see Note 9)	12 207 575	10 802 186
Change in provisions for unearned premium	-22 793	51 786
Premiums earned	12 184 782	10 853 972
Reinsurance premium	-839 377	-179 858
Reinsurance share in change of provisions for unearned premium	375 274	0
Reinsurance premium	-464 103	-179 858
TOTAL	11 720 679	10 674 114

NOTE 8. CLAIMS INCURRED, NET OF REINSURANCE

	Q1 of 2014	Q1 of 2013
Claims incurred, gross amount	5 962 364	6 146 793
Claims paid (see Note 9)	7 208 000	5 524 380
Change in the claims provision	-625 870	1 068 570
Amounts recovered from salvage and recourses	-619 766	-446 157
Claims handling expenses	499 931	393 829
Direct claims handling expenses	245 540	190 122
Indirect claims handling expenses	254 391	203 707
Staff costs	195 681	161 522
Depreciation of fixed assets	878	113
Other	57 832	42 072
Reinsurers` share of claims incurred	-291 258	-186 183
Reinsurers` share in claims paid	-62 847	6 958
Reinsurers` share in change of claims provisions	-228 411	-193 141
TOTAL	6 171 037	6 354 439

Swedbank P&C Insurance AS

NOTES TO INTERIM REPORT OF Q1 OF 2014

NOTE 9. GROSS PREMIUM AND CLAIMS PAID BY PRODUCTS

	Gross premium	Claims paid
Q1 of 2014	EUR	EUR
Motor own damage	5 146 431	4 610 258
Home insurance	4 248 430	1 147 425
Motor third party liability insurance	1 316 646	836 339
Travel insurance	725 925	520 400
Loan payment protection insurance	632 234	76 679
Apartment building insurance	54 919	9 423
Other	82 990	7 476
TOTAL	12 207 575	7 208 000
Q1 of 2013	EUR	EUR
Motor own damage	4 949 196	3 219 617
Home insurance	3 483 392	931 500
Motor third party liability insurance	1 161 227	715 410
Travel insurance	557 802	585 794
Loan payment protection insurance	540 699	59 952
Apartment building insurance	49 596	8 040
Other	60 274	4 067
TOTAL	10 802 186	5 524 380

NOTE 10. ACQUISITION COSTS NET OF REINSURANCE

	Q1 of 2014	Q1 of 2013
	EUR	EUR
Outsourced services	511 203	429 717
Staff costs	162 434	77 816
Other operating expenses	106 204	99 259
Depreciation and impairment on fixed assets	538	114
Reinsurance commission	-178 002	-107 446
TOTAL	602 377	499 460

Swedbank P&C Insurance AS

NOTES TO INTERIM REPORT OF Q1 OF 2014

NOTE 11. ADMINISTRATIVE EXPENSES

	Q1 of 2014	Q1 of 2013
	EUR	EUR
Staff costs	290 905	277 718
Other operating expenses	603 867	369 346
Depreciation and impairment on fixed assets	2 562	2 399
Outsourced services	143 637	142 993
TOTAL	1 040 971	792 456

NOTE 12. INVESTMENT REVENUE AND EXPENSES

	Q1 of 2014	Q1 of 2013
	EUR	EUR
Interest income	86 131	144 501
Change in value of financial assets at fair value with changes through income statement	-84 768	1 213
Losses from financial investments	-7 210	-1 948
Realised gains/losses from changes in currency rates	-868	-1 126
Other investment management expenses	-26 867	-58 221
TOTAL	-33 582	84 419

Swedbank P&C Insurance AS

NOTES TO INTERIM REPORT OF Q1 OF 2014

NOTE 13. 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.

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

	Swedbank AS	Other Group companies	TOTAL
	EUR	EUR	EUR
Receivables and liabilities as of 31.03.2014			
Cash and deposits	19 513 770	6 375 681	25 889 451
Receivables from insurance activities	90 617	98 902	189 519
Accrued interest	6 134	18 378	24 512
Other assets	0	0	0
TOTAL	19 610 521	6 492 961	26 103 482
Finance lease payable	0	31 614	31 614
Other liabilities	94 786	17 806	112 592
TOTAL	94 786	49 420	144 206
Receivables and liabilities as of 31.12.2013			
Cash and deposits	26 263 113	6 375 215	32 638 328
Receivables from insurance activities	87 132	96 548	183 680
Accrued interest	150 864	15 120	165 984
Other assets	70 608	22 058	92 666
TOTAL	26 571 717	6 508 941	33 080 658
Finance lease payable	0	32 760	32 760
Other liabilities	0	50 927	50 927
TOTAL	0	83 687	83 687

Swedbank P&C Insurance AS

NOTES TO INTERIM REPORT OF Q1 OF 2014

	Swedbank AS	Other Group companies	TOTAL
	EUR	EUR	EUR
Revenue and expenses			
Q1 of 2014			
Intermediary fee	-274 793	-202 481	-477 274
Revenue from insurance premium	267 352	491 452	758 804
Interest revenue	4 795	6 421	11 216
Expenses related to investments	-1 624	-20 505	-22 129
Other expenses	-305 143	-245 464	-550 607
Other revenue	0	1 665	1 665
Revenue and expenses			
Q1 of 2013			
Intermediary fee	-248 244	-152 037	-400 281
Revenue from insurance premium	161 417	507 028	668 445
Interest revenue	66 100	13 949	80 049
Expenses related to investments	-3 639	-44 644	-48 283
Other expenses	-219 325	-179 106	-398 431
Other revenue	0	1 783	1 783
