

SWEDBANK P&C INSURANCE AS

Interim Report

As of 31 March 2015

Swedbank P&C Insurance AS

INTERIM REPORT OF Q1 OF 2015

Business name	Swedbank P&C Insurance AS
Commercial Register code	11269248
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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 2015 of Swedbank P&C Insurance AS presented on pages 7–18. The interim report has been signed by members of the Management Board Margus Liigand, Ivika Torpel, Peeter Kabbun, Vaida Janušytė. 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 2015

The sole shareholder of Swedbank P&C Insurance AS (hereinafter also the Company) is Swedbank AS. The share capital of the Company after fund emission in Q3 2014 is EUR 7,210,000.

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.

Starting from 15.01.2015 the term of office of a Member of the Management Board Margus Liigand was extended for three years and the Board continues with four members.

Results of Business Operations of Q1 of 2015

The financial results of the Company in Q1 were very good and were comparable with Q1 2014. The loss ratio in Q1 was 53.4%, year before 52.7%. The loss ratio improved in property insurance and travel insurance, however became worse in vehicle related insurances compared to Q1 2014.

The operating expenses of the Company are still low. The expense ratio of the Company remained at very good level in the general context of the insurance market, and it decreased in comparison to 2014. It is realistic to keep expense ratio at this level or to lower it even more, since the premium volumes are growing well. The expense ratio for Q1 2015 was 12.9%, year before 14.4%.

The combined ratio of Q1 was 66.3% (Q1 2014: 67.1%), technical profit EUR 4.4 million (Q1 2014: EUR 3.9 million) and net profit EUR 2.1 million (Q1 2014: EUR 3.6 million). The lower net profit of Q1 2015 is resulting from income tax paid on dividend distribution.

Sales results of Company in Estonia

(in thousands of euros)

	Q1 of 2015	Proportion
Motor own damage insurance	4 570	44.5%
Home insurance	3 216	31.3%
Motor third party liability insurance	1 146	11.2%
Loan payment protection insurance	705	6.9%
Travel insurance	565	5.5%
Apartment building insurance	64	0.6%
Other	3	0.0%
TOTAL	10 269	100%

Swedbank P&C Insurance AS

LETTER OF EXPLANATION TO THE INTERIM REPORT OF Q1 OF 2015

Sales Results of Company in Latvia

(in thousands of euros)

	Q1 of 2015	Proportion
Home insurance	1 075	52.1%
Motor own damage insurance	635	30.8%
Motor third party liability insurance	178	8.6%
Travel insurance	134	6.5%
Loan payment protection insurance	32	1.5%
Other	10	0.5%
TOTAL	2 064	100%

Sales Results of Company in Lithuania

(in thousands of euros)

	Q1 of 2015	Proportion
Home insurance	966	59.5%
Motor own damage insurance	309	19.0%
Travel insurance	234	14.5%
Loan payment protection insurance	70	2.7%
Other	44	4.3%
TOTAL	1 623	100%

The volume of net premiums earned by the Company in Q1 was EUR 13.1 million (Q1 2014: EUR 11.7 million). The volume of net claims in Q1 was EUR 7.0 million (Q1 2014: EUR 6.2 million).

Insurance premiums have increased compared to Q1 2014 14.3%. The main source of the increase of insurance premiums is still continuing active sales in home insurance, where yearly insurance premium growth was 23.7%. Compared to 2014 Q1 also the motor own damage insurance premiums have increased 7.2%.

Activities and events during Q1 2015

In Q1 2015 the Company distributed dividends in a sum of EUR 11.5 million from which also income tax was accounted in amount of EUR 2.1 million euros.

By the start of 2015 IT-developments for euro transition in Lithuania were successfully completed.

Swedbank P&C Insurance AS

LETTER OF EXPLANATION TO THE INTERIM REPORT OF Q1 OF 2015

Assets of Company

The assets of the Company formed EUR 43.1 million as of 31. March 2015, which is EUR 7.6 million less compared with the end of 2014. Decrease of assets was due to distribution of dividends in the sum of 11.5 million euros.

The volume of financial investments formed EUR 24.0 million, which is EUR 11.0 million less than in the end of 2014. The financial investments of the Company exceeded technical liabilities 1.3 times.

Number of Employees and Staff Costs

As of 31 March 2015, the Company employed 101 people – 63 in Estonia, 20 in Latvia and 18 in Lithuania. The number of employees has remained the same compared with previous quarter and decreased by 5 employees compared with 31st of March 2014. Labour costs of Q1 were EUR 643.9 thousand (Q1 2014: EUR 649.0 thousand).

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

During 2015, one of the Company's primary aims is to harmonize non-life insurance offering and availability in Baltic countries.

Important role is also on increasing efficiency by aligning the ways of working and establishing common metrics across the countries in order to improve operational quality and control costs.

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 of 2015	Q1 of 2014
Gross premium	13 956 163	12 207 575
Premiums earned net of reinsurance	13 098 925	11 720 679
Claims incurred net of reinsurance	6 996 100	6 171 037
Net operating expenses	1 686 832	1 691 394
Return of insurance activities	4 415 993	3 858 248
Net profit	2 111 559	3 625 225
Net claims ratio	53.4%	52.7%
Net expense ratio	12.9%	14.4%
Combined ratio	66.3%	67.1%
Balance sheet total	43 089 291	49 331 748
Equity	21 858 701	33 487 731

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

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

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

Swedbank P&C Insurance AS

BALANCE SHEET as of 31 March 2015

	Note	31.03.2015	31.12.2014
		EUR	EUR
ASSETS			
Cash and cash equivalents		12 927 803	9 270 039
Financial investments	2	23 982 719	34 932 867
Bonds		5 950 528	11 029 068
Term deposits		18 032 191	23 903 799
Receivables related to insurance activities		3 258 428	3 232 281
Accrued income and prepaid expenses		210 735	88 375
Reinsurance assets	3	2 691 666	3 144 713
Receivables		589 013	1 161 893
Technical provisions		2 102 653	1 982 820
Deferred tax assets		930	930
Tangible assets	4	17 010	17 875
Total assets		43 089 291	50 687 080
LIABILITIES AND EQUITY			
Liabilities related to insurance activities	5	17 794 005	18 339 445
Technical provisions		16 634 523	16 502 451
Liabilities related to reinsurance		746 555	1 501 352
Other		412 927	335 642
Other liabilities	6	3 436 585	1 100 493
Total liabilities		21 230 590	19 439 938
Equity			
Share capital		7 210 000	7 210 000
Share premium		1	1
Legal reserve		300 002	300 002
Retained earnings		12 237 139	11 289 225
Net profit for current period		2 111 559	12 447 914
Total equity		21 858 701	31 247 142
Total liabilities and equity		43 089 291	50 687 080

Swedbank P&C Insurance AS

STATEMENT OF COMPREHENSIVE INCOME for 01.01.-31.03.2015

	Note	Q1 of 2015 EUR	Q1 of 2014 EUR
Premiums earned, net of reinsurance	7		
Premiums earned		13 940 402	12 184 782
Reinsurance premium		-841 477	-464 103
TOTAL		13 098 925	11 720 679
Claims incurred, net of reinsurance	8		
Claims incurred, gross		6 967 020	5 962 364
Claims handling expenses		493 975	499 931
Share of reinsurance in claims incurred		-464 895	-291 258
TOTAL		6 996 100	6 171 037
Operating expenses			
Acquisition costs, net of reinsurance	10	508 988	602 377
Administrative expenses	11	1 125 449	1 040 971
Other operating expenses		52 395	48 046
TOTAL		1 686 832	1 691 394
Return of insurance activities		4 415 993	3 858 248
Investment revenue and expenses, net	12	96 914	-33 582
Other income		1 829	2 123
Other expenses		69 683	72 841
Profit before income tax		4 445 053	3 753 948
Income tax		2 333 494	128 723
Net profit for the period		2 111 559	3 625 225
Total comprehensive income for the period		2 111 559	3 625 225

Swedbank P&C Insurance AS

STATEMENT OF CASH FLOWS for 01.01.-31.03.2015

	Q1 of 2015 EUR	Q1 of 2014 EUR
Cash flow from operating activities	4 116 245	-8 725 312
Insurance premiums received	14 154 543	12 349 705
Claims, recourses and handling expenses paid	-7 208 752	-6 903 048
Settlements with reinsurers	-556 281	-209 425
Operating expenses paid	-1 992 413	-1 990 654
Income tax paid	-283 936	-11 974 200
Other income and expenses	3 084	2 310
Cash flow from investing activities	11 043 002	10 173 732
Paid for tangible assets	-2 070	-14 722
Interest received	77 346	313 724
Acquisition of bonds	0	-4 058 509
Disposal of bonds	5 135 226	3 404 372
Placed in term deposits	-3 700 000	-29 200 000
Proceeds from expired term deposits	9 550 000	39 765 000
Investment expenses paid	-17 500	-36 133
Cash flow from financing activities	-11 500 000	-1 463
Dividends paid	-11 500 000	0
Finance lease principal repayments	0	-1 146
Interest paid	0	-317
TOTAL CASH FLOW	3 659 247	1 446 957
Cash and cash equivalents at beginning of the period	9 270 039	1 451 468
Change in cash and cash equivalents	3 659 247	1 446 957
Effect of exchange rate changes	-1 483	-834
Cash and cash equivalents at end of the period	12 927 803	2 897 591

Swedbank P&C Insurance AS

STATEMENT OF CHANGES IN EQUITY for 01.01 – 31.03.2015

	Share capital	Share premium	Legal reserve	Unrealised foreign exchange rates differences	Retained earnings	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR
As at 31.12.2013	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 31.12.2014	7 210 000	1 300 002	0	0	23 737 139	31 247 142
Net profit for the year	0	0	0	0	2 111 559	2 111 559
Dividends paid	0	0	0	0	-11 500 000	-11 500 000
As at 31.03.2015	7 210 000	1 300 002	0	0	14 348 698	21 858 701

Swedbank P&C Insurance AS

NOTES TO INTERIM REPORT OF Q1 OF 2015

NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q1 of 2015 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 2014. The comparative data of this interim report are figures of Q1 of 2014.

The presentation currency of Swedbank P&C Insurance AS is the euro. Starting from 1st of January, after Lithuania incorporated euro, the accounting currency of the whole company is 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:

	31.03.2015		31.12.2014	
	EUR	proportion	EUR	proportion
Bonds	5 950 528	24.7%	11 029 068	30.2%
Term deposits	18 032 191	74.9%	23 903 799	65.6%
Cash in investment portfolio	85 485	0.4%	1 540 214	4.2%
TOTAL	24 068 204	100.0%	36 473 081	100.0%

Swedbank P&C Insurance AS

NOTES TO INTERIM REPORT OF Q1 OF 2015

NOTE 3. REINSURANCE ASSETS

	31.03.2015	31.12.2014
	EUR	EUR
Provisions	2 102 653	1 982 820
Reinsurer's share in provision for unearned premium	648 492	662 305
Reinsurer's share in provision for outstanding claims	1 454 161	1 320 515
Receivables	589 013	1 161 893
Reinsurance commission	183 128	378 507
Share of reinsurance in claims	373 788	716 757
Refundable reinsurance premium	32 097	66 629
TOTAL	2 691 666	3 144 713

NOTE 4. TANGIBLE FIXED ASSETS

	Vehicles	Other tangible fixed assets	Total
	EUR	EUR	EUR
Residual value 31.12.2013	32 963	25 626	58 589
Fixed assets acquired	0	0	0
Depreciation during the period	-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
Residual value 31.12.2014	0	17 875	17 875
Fixed assets acquired	0	2 070	2 070
Depreciation during the period	0	-2 935	-2 935
Fixed assets at the acquisition cost	0	36 778	36 778
Accumulated depreciation	0	-19 768	-19 768
Residual value 31.03.2015	0	17 010	17 010

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NOTES TO INTERIM REPORT OF Q1 OF 2015

NOTE 5. LIABILITIES RELATED TO INSURANCE ACTIVITIES

	31.03.2015	31.12.2014
	EUR	EUR
Technical provisions	16 634 523	16 502 451
Provision for unearned premium	4 834 778	4 819 017
Provision for outstanding claims	11 746 314	11 621 611
Unexpired risk reserve	53 431	61 823
Liabilities related to reinsurance	746 555	1 501 352
Reinsurance premium	693 479	1 430 089
Reinsurance share in recoveries	44 572	53 609
Refundable commissions	8 504	17 654
Other liabilities	412 927	335 642
Policyholders	41 340	31 938
Other	371 587	303 704
TOTAL	17 794 005	18 339 445

NOTE 6. OTHER LIABILITIES

	31.03.2015	31.12.2014
	EUR	EUR
Accounts payable	142 810	26 438
Accrued expenses	3 258 609	1 027 355
Other liabilities	35 166	46 700
TOTAL	3 436 585	1 100 493

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NOTES TO INTERIM REPORT OF Q1 OF 2015

NOTE 7. PREMIUMS EARNED NET OF REINSURANCE

	Q1 of 2015	Q1 of 2014
	EUR	EUR
Gross premium (see Note 9)	13 956 163	12 207 575
Change in provisions for unearned premium	-15 761	-22 793
Premiums earned	13 940 402	12 184 782
Reinsurance premium	-827 664	-839 377
Reinsurance share in change of provisions for unearned premium	-13 813	375 274
Reinsurance premium	-841 477	-464 103
TOTAL	13 098 925	11 720 679

NOTE 8. CLAIMS INCURRED, NET OF REINSURANCE

	Q1 of 2015	Q1 of 2014
Claims incurred, gross amount	6 967 020	5 962 364
Claims paid (see Note 9)	7 512 648	7 208 000
Change in the claims provision	116 312	-625 870
Amounts recovered from salvage and recourses	-661 940	-619 766
Claims handling expenses	493 975	499 931
Direct claims handling expenses	218 087	245 540
Indirect claims handling expenses	275 888	254 391
Staff costs	212 903	195 681
Depreciation of fixed assets	1 042	878
Other	61 943	57 832
Reinsurers` share of claims incurred	-464 895	-291 258
Reinsurers` share in claims paid	-331 249	-62 847
Reinsurers` share in change of claims provisions	-133 646	-228 411
TOTAL	6 996 100	6 171 037

Swedbank P&C Insurance AS

NOTES TO INTERIM REPORT OF Q1 OF 2015

NOTE 9. GROSS PREMIUM AND CLAIMS PAID BY PRODUCTS

	Gross premium	Claims paid
Q1 of 2015	EUR	EUR
Motor own damage insurance	5 514 211	4 158 817
Home insurance	5 257 104	1 734 835
Motor third party liability insurance	1 323 938	802 107
Travel insurance	932 829	659 236
Loan payment protection insurance	807 440	143 791
Apartment building insurance	64 084	6 766
Other	56 557	7 096
TOTAL	13 956 163	7 512 648
Q1 of 2014		
Motor own damage insurance	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

NOTE 10. ACQUISITION COSTS NET OF REINSURANCE

	Q1 of 2015	Q1 of 2014
	EUR	EUR
Outsourced services	632 712	511 203
Staff costs	11 839	162 434
Other operating expenses	43 191	106 204
Depreciation and impairment on fixed assets	84	538
Reinsurance commission	-175 178	-178 002
Change of accrued reinsurance commissions	-3 660	0
TOTAL	508 988	602 377

Swedbank P&C Insurance AS

NOTES TO INTERIM REPORT OF Q1 OF 2015

NOTE 11. ADMINISTRATIVE EXPENSES

	Q1 of 2015	Q1 of 2014
	EUR	EUR
Staff costs	419 108	290 905
Other operating expenses	593 221	603 867
Depreciation and impairment on fixed assets	1 809	2 562
Outsourced services	111 311	143 637
TOTAL	1 125 449	1 040 971

NOTE 12. INVESTMENT REVENUE AND EXPENSES

	Q1 of 2015	Q1 of 2015
	EUR	EUR
Interest income	48 491	86 131
Change in value of financial assets at fair value with changes through income statement	68 841	-84 768
Losses from financial investments	-4 907	-7 210
Realised gains/losses from changes in currency rates	-1 063	-868
Other investment management expenses	-14 448	-26 867
TOTAL	96 914	-33 582

Swedbank P&C Insurance AS

NOTES TO INTERIM REPORT OF Q1 OF 2015

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 31.03.2015			
Cash and deposits	24 590 588	3 423 165	28 013 753
Receivables from insurance activities	118 879	111 501	230 380
Accrued interest	37 984	2 701	40 685
TOTAL	24 747 451	3 537 367	28 284 818
Receivables and liabilities as of 31.12.2014			
Cash and deposits	24 212 426	3 593 563	27 805 989
Receivables from insurance activities	112 593	105 511	218 104
Accrued interest	54 591	1 817	56 408
TOTAL	24 379 610	3 700 891	28 080 501
Other liabilities			
	0	6 250	6 250
TOTAL	0	6 250	6 250

Swedbank P&C Insurance AS

NOTES TO INTERIM REPORT OF Q1 OF 2015

	Swedbank AS	Other Group companies	TOTAL
	EUR	EUR	EUR
Revenue and expenses			
Q1 of 2015			
Intermediary fee	-343 294	-248 086	-591 380
Revenue from insurance premium	350 349	465 312	815 661
Interest revenue	22 980	884	23 864
Expenses related to investments	-1 945	-9 629	-11 574
Other expenses	-288 421	-300 261	-588 682
Other revenue	0	1 580	1 580
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
