

SWEDBANK P&C INSURANCE AS

Interim Report

As of 30 September 2015

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

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OVERVIEW OF THE BUSINESS RESULTS

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.

Results of Business Operations of Q3 of 2015

The financial results of the Company in Q3 were still very good despite the increasing loss ratio. The increase of loss ratio in comparison with the last year comes from vehicle related insurances, at the same time it improved in property and travel insurance. 9 months loss ratio improved in property and travel insurance.

In euros	Q3 2015	Q3 2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
Premiums earned net of reinsurance	14 237 312	12 328 051	40 704 561	35 826 657
Claims incurred net of reinsurance	8 671 370	7 202 926	23 512 841	19 643 726
Net operating expenses	1 725 666	1 613 899	5 409 467	5 095 637
Return of insurance activities	3 840 276	3 511 226	11 782 253	11 087 294
Net profit	3 646 891	3 399 227	9 002 805	8 313 847
Net claims ratio	60.9%	58.4%	57.8%	54.8%
Net expense ratio	12.1%	13.1%	13.3%	14.2%
Combined ratio	73.0%	71.5%	71.1%	69.0%

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.

Insurance premium by products and countries:

Sales results of Company in Estonia

in thousands of euros	Q3 of 2015	Proportion	9 months 2015	Proportion
Motor own damage insurance	4 596	42.8%	13 435	43.0%
Home insurance	3 481	32.4%	10 050	32.2%
Motor third party liability insurance	1 228	11.4%	3 634	11.6%
Loan payment protection insurance	783	7.3%	2 235	7.2%
Travel insurance	564	5.2%	1 660	5.3%
Apartment building insurance	83	0.8%	230	0.7%
Other	6	0.1%	12	0.0%
TOTAL	10 741	100%	31 256	100%

Sales Results of Company in Latvia

in thousands of euros	Q3 of 2015	Proportion	9 months 2015	Proportion
Home insurance	1 206	52.3%	3 425	52.7%
Motor own damage insurance	698	30.3%	1 943	29.9%
Motor third party liability insurance	194	8.4%	559	8.6%
Travel insurance	146	6.3%	416	6.4%
Loan payment protection insurance	51	2.2%	122	1.9%
Other	12	0.5%	32	0.5%
TOTAL	2 307	100%	6 497	100%

Sales Results of Company in Lithuania

in thousands of euros	Q3 of 2015	Proportion	9 months 2015	Proportion
Home insurance	1 374	64.2%	3 479	62.1%
Motor own damage insurance	352	16.5%	986	17.6%
Travel insurance	254	11.9%	733	13.1%
Loan payment protection insurance	114	5.3%	270	4.8%
Other	46	2.1%	134	2.4%
TOTAL	2 140	100%	5 602	100%

Insurance premiums have increased compared to Q2 2014 15.9% (9 months growth 14.7%). The main source of the increase of insurance premiums is still continuing active sales in home insurance, where yearly insurance premium growth in comparison to Q3 2014 was 27.6%. Motor own damage insurance premiums have increased in comparison to Q3 2014 5.8% and in motor third party liability 4.0%.

News and events

In Q3 2015 offering of loan protection insurance for credit cards was started similarly to Estonia also in Latvia and Lithuania. The terms and conditions for travel insurance were renewed in Estonia and Latvia as well. Starting from 1st of July new terms and conditions are valid for American Express Blue credit cards purchase protection insurance.

During the quarter several insurance campaigns were made for vehicle, travel and home insurance.

Assets of Company

The assets of the Company increased compared to Q2 EUR 4.1 million (8.8%) and formed EUR 50.3 million. The volume of financial investments increased during the quarter by EUR 16.7 million (77.6%) and formed EUR 38.3 million, which is EUR 3.4 million more than in the end of 2014. The financial investments of the Company exceeded technical liabilities 1.9 times.

Number of Employees and Staff Costs

As of 30 September 2015, the Company employed 100 people – 59 in Estonia, 20 in Latvia and 21 in Lithuania. Labour costs of Q3 were EUR 545.3 thousand (Q3 2014: EUR 538.6 thousand).

BALANCE SHEET

In euros	Note	30.09.2015	31.12.2014
ASSETS			
Cash and cash equivalents		5 537 635	9 270 039
Financial investments	2	38 287 044	34 932 867
Bonds		23 169 446	11 029 068
Term deposits		15 117 598	23 903 799
Receivables related to insurance activities		2 946 613	3 232 281
Accrued income and prepaid expenses		347 761	88 375
Reinsurance assets	3	3 119 937	3 144 713
Receivables		686 117	1 161 893
Technical provisions		2 433 820	1 982 820
Deferred tax assets		930	930
Tangible assets		13 360	17 875
Total assets		50 253 280	50 687 080
LIABILITIES AND EQUITY			
Liabilities related to insurance activities	4	20 025 800	18 339 445
Technical provisions		18 794 611	16 502 451
Liabilities related to reinsurance		802 454	1 501 352
Other		428 735	335 642
Other liabilities	5	1 602 610	1 100 493
Total liabilities		21 628 410	19 439 938
Equity			
Share capital		7 210 000	7 210 000
Share premium		1	1
Legal reserve		721 000	300 002
Retained earnings		11 691 064	11 289 225
Net profit for current period		9 002 805	12 447 914
Total equity		28 624 870	31 247 142
Total liabilities and equity		50 253 280	50 687 080

STATEMENT OF COMPREHENSIVE INCOME

				01.01.2015	01.01.2014
In euros	Note	Q3 of 2015	Q3 of 2014	30.09.2015	30.09.2014
Premiums earned, net of reinsurance	6				
Premiums earned		15 123 100	13 112 485	43 437 805	37 853 215
Reinsurance premium		-885 788	-784 434	-2 733 244	-2 026 558
TOTAL		14 237 312	12 328 051	40 704 561	35 826 657
Claims incurred, net of reinsurance	7				
Claims incurred, gross		8 652 845	7 348 276	23 541 058	19 493 994
Claims handling expenses		542 001	493 101	1 531 884	1 449 437
Share of reinsurance in claims incurred		-523 476	-638 451	-1 560 101	-1 299 705
TOTAL		8 671 370	7 202 926	23 512 841	19 643 726
Operating expenses					
Acquisition costs, net of reinsurance	9	664 478	671 730	1 973 443	2 098 619
Administrative expenses	10	1 006 167	892 464	3 272 814	2 846 672
Other operating expenses		55 021	49 705	163 210	150 346
TOTAL		1 725 666	1 613 899	5 409 467	5 095 637
Return of insurance activities		3 840 276	3 511 226	11 782 253	11 087 294
Investment revenue and expenses, net	11	46 440	68 531	48 391	57 769
Other income		376	2 407	3 138	6 468
Other expenses		76 203	68 467	215 458	209 655
Profit before income tax		123 019	3 513 697	11 618 324	10 941 876
Income tax		163 998	114 470	2 615 519	2 628 029
Net profit for the period		3 646 891	3 399 227	9 002 805	8 313 847
Total comprehensive income for the period		3 646 891	3 399 227	9 002 805	8 317 736

STATEMENT OF CASH FLOWS

In euros	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
Cash flow from operating activities	11 080 817	-1 951 806
Insurance premiums received	44 198 912	38 644 589
Claims, recourses and handling expenses paid	-22 332 987	-18 698 491
Settlements with reinsurers	-1 328 907	-1 411 617
Operating expenses paid	-6 820 863	-6 130 001
Income tax paid	-2 640 248	-14 388 178
Other income and expenses	4 910	31 892
Cash flow from investing activities	-3 310 638	15 386 980
Paid for tangible assets	-4 266	-2 533
Interest received	305 287	708 526
Acquisition of bonds	-21 797 973	-12 506 102
Disposal of bonds	9 490 574	3 404 372
Placed in term deposits	-13 700 000	-43 695 950
Proceeds from expired term deposits	22 435 950	67 566 860
Investment expenses paid	-40 210	-88 193
Cash flow from financing activities	-11 500 000	-11 001 984
Dividends paid	-11 500 000	-11 000 000
Finance lease principal repayments	0	-1 530
Interest paid	0	-454
TOTAL CASH FLOW	-3 729 821	2 433 190
Cash and cash equivalents at beginning of the period	9 270 039	1 451 468
Change in cash and cash equivalents	-3 729 821	2 433 190
Effect of exchange rate changes	-2 583	-4 644
Cash and cash equivalents at end of the period	5 537 635	3 880 014

STATEMENT OF CHANGES IN EQUITY

In euros	Share capital	Share premium	Legal reserve	Unrealised foreign exchange rates differences	Retained earnings	Total equity
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	8 313 847	8 313 847
Fundemission	4 209 980	-4 209 980	0	0	0	0
Dividends paid	0	0	0	0	-11 000 000	-11 000 000
Fair value adjustment of share based payment at the settlement date	0	0	0	0	-63 279	-63 279
Unrealised exchange differences	0	0	0	3 889	0	3 889
As at 30.09.2014	7 210 000	1 300 002	0	19 603 072	27 113 075	
As at 31.12.2014	7 210 000	1 300 002	0	23 737 139	31 247 142	
Net profit for the year	0	0	0	0	9 002 805	9 002 805
Dividends paid	0	0	0	0	-11 500 000	-11 500 000
Fair value adjustment of share based payment at the settlement date	0	0	420 998	0	-420 998	0
Unrealised exchange differences	0	0	0	0	-125 077	-125 077
As at 30.09.2015	7 210 000	1 721 000	0	20 693 869	28 624 870	

NOTES TO THE INTERIM REPORT

NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q2 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 Q2 of 2014.

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

	30.09.2015		31.12.2014	
	EUR	proportion	EUR	proportion
Bonds	23 169 446	57.5%	11 029 068	30.2%
Term deposits	15 117 598	37.5%	23 903 799	65.6%
Cash in investment portfolio	2 041 777	5.0%	1 540 214	4.2%
TOTAL	40 328 821	100.0%	36 473 081	100.0%

NOTE 3. REINSURANCE ASSETS

In euros	30.09.2015	31.12.2014
Provisions	2 433 820	1 982 820
Reinsurer's share in provision for unearned premium	687 797	662 305
Reinsurer's share in provision for outstanding claims	1 746 023	1 320 515
Receivables	686 117	1 161 893
Reinsurance commission	197 559	378 507
Share of reinsurance in claims	443 578	716 757
Refundable reinsurance premium	44 980	66 629
TOTAL	3 119 937	3 144 713

NOTE 4. LIABILITIES RELATED TO INSURANCE ACTIVITIES

In euros	30.09.2015	31.12.2014
Technical provisions	18 794 611	16 502 451
Provision for unearned premium	4 736 328	4 819 017
Provision for outstanding claims	13 969 246	11 621 611
Unexpired risk reserve	89 037	61 823
Liabilities related to reinsurance	802 454	1 501 352
Reinsurance premium	737 142	1 430 089
Reinsurance share in recoveries	53 394	53 609
Refundable commissions	11 918	17 654
Other liabilities	428 735	335 642
Policyholders	73 593	31 938
Other	355 142	303 704
TOTAL	20 025 800	18 339 445

NOTE 5. OTHER LIABILITIES

In euros	30.09.2015	31.12.2014
Accounts payable	260 220	26 438
Accrued expenses	1 296 807	1 027 355
Other liabilities	45 583	46 700
TOTAL	1 602 610	1 100 493

NOTE 6. PREMIUMS EARNED NET OF REINSURANCE

In euros	Q3 of 2015	Q3 of 2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
Gross premium (see Note 8)	15 187 823	13 106 085	43 355 116	37 787 738
Change in provisions for unearned premium	-64 723	6 400	82 689	65 477
Premiums earned	15 123 100	13 112 485	43 437 805	37 853 215
Reinsurance premium	-890 951	-854 396	-2 758 736	-2 693 290
Reinsurance share in change of provisions for unearned premium	5 163	69 962	25 492	666 732
Reinsurance premium	-885 788	-784 434	-2 733 244	-2 026 558
TOTAL	14 237 312	12 328 051	40 704 561	35 826 657

NOTE 7. CLAIMS INCURRED, NET OF REINSURANCE

In euros	Q3 of 2015	Q3 of 2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
Claims incurred, gross amount	8 652 845	7 348 276	23 541 058	19 493 994
Claims paid (see Note 8)	8 497 285	6 366 347	23 272 804	19 123 639
Change in the claims provision	886 679	1 459 513	2 374 849	1 870 611
Amounts recovered from salvage and recourses	-731 119	-477 584	-2 106 595	-1 500 256
Claims handling expenses	542 001	493 101	1 531 884	1 449 437
Direct claims handling expenses	291 372	236 180	737 903	684 158
Indirect claims handling expenses	250 629	256 921	793 981	765 279
Staff costs	186 794	163 439	599 616	537 974
Depreciation of fixed assets	1 042	925	3 127	2 729
Other	62 793	92 557	191 238	224 576
Reinsurers` share of claims incurred	-523 476	-638 451	-1 560 101	-1 299 705
Reinsurers` share in claims paid	-391 405	-319 004	-1 134 593	-572 557
Reinsurers` share in change of claims provisions	-132 071	-319 447	-425 508	-727 148
TOTAL	8 671 370	7 202 926	23 512 841	19 643 726

NOTE 8. GROSS PREMIUM AND CLAIMS PAID BY PRODUCTS

Gross premium

In euros	Q3 of 2015	Q3 of 2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
Motor own damage insurance	5 646 361	5 337 362	16 363 880	15 454 139
Home insurance	6 061 100	4 750 207	16 954 228	13 509 645
Motor third party liability insurance	1 422 358	1 367 202	4 193 814	4 147 852
Travel insurance	963 759	753 956	2 808 219	2 162 450
Loan payment protection insurance	947 296	726 282	2 626 536	2 037 295
Apartment building insurance	83 249	75 409	229 691	208 908
Other	63 700	95 667	178 748	267 449
TOTAL	15 187 823	13 106 085	43 355 116	37 787 738

Claims paid

Eurodes	Q3 of 2015	Q3 of 2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
Motor own damage insurance	4 229 019	3 226 058	12 328 030	10 844 894
Home insurance	2 472 585	1 625 225	6 008 253	4 041 202
Motor third party liability insurance	895 169	828 765	2 533 912	2 360 017
Travel insurance	703 172	473 108	1 899 311	1 457 746
Loan payment protection insurance	175 723	94 107	460 875	261 689
Apartment building insurance	9 280	113 302	18 008	141 612
Other	12 337	5 782	24 415	16 479
TOTAL	8 497 285	6 366 347	23 272 804	19 123 639

NOTE 9. ACQUISITION COSTS NET OF REINSURANCE

In euros	Q3 of 2015	Q3 of 2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
Outsourced services	732 943	600 716	2 055 850	1 637 105
Staff costs	12 672	85 328	39 420	337 052
Other operating expenses	133 724	148 053	454 124	501 540
Depreciation and impairment on fixed assets	0	467	84	1 472
Reinsurance commission	-216 229	-181 374	-582 790	-555 234
Change of accrued reinsurance commissions	1 368	18 540	6 755	176 684
TOTAL	664 478	671 730	1 973 443	2 098 619

NOTE 10. ADMINISTRATIVE EXPENSES

In euros	Q3 of 2015	Q3 of 2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
Staff costs	345 843	289 836	1 123 707	908 757
Other operating expenses	535 774	477 461	1 738 838	1 540 488
Depreciation and impairment on fixed assets	1 825	1 536	5 570	6 370
Outsourced services	122 725	123 631	404 699	391 057
TOTAL	1 006 167	892 464	3 272 814	2 846 672

NOTE 11. INVESTMENT REVENUE AND EXPENSES

In euros	Q3 of 2015	Q3 of 2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
Interest income	122 905	94 945	208 074	316 824
Change in value of financial assets at fair value with changes through income statement	-56 010	52 002	-110 538	28 447
Losses from financial investments	-678	-54 302	-6 163	-207 580
Realised gains/losses from changes in currency rates	-1 764	-1 497	-3 617	-3 173
Other investment management expenses	-18 013	-22 617	-39 365	-76 749
TOTAL	46 440	68 531	48 391	57 769

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 30.09.2015			
Cash and deposits	17 597 789	1 639 845	19 237 634
Receivables from insurance activities	104 646	130 382	235 028
Accrued interest	14 637	0	14 637
TOTAL	17 717 072	1 770 227	19 487 299
Other liabilities	77 490	29 716	107 206
TOTAL	77 490	29 716	107 206
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

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

In euros	Q3 of 2015	Q3 of 2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
Intermediary fee				
Swedbank AS	-355 531	-323 079	-1 082 601	-916 326
Other Group companies	-315 661	-256 258	-847 583	-658 739
TOTAL	-671 192	-579 337	-1 930 184	-1 575 065
Revenue from insurance premium				
Swedbank AS	364 369	289 095	1 090 190	835 207
Other Group companies	476 702	479 290	1 408 452	1 446 047
TOTAL	841 071	768 385	2 498 642	2 281 254
Interest revenue				
Swedbank AS	14 648	15 792	57 103	37 314
Other Group companies	0	2 804	1 750	14 129
TOTAL	14 648	18 596	58 853	51 443
Other expenses				
Swedbank AS	-283 350	-242 019	-948 224	-776 757
Other Group companies	-257 246	-472 262	-746 212	-967 249
TOTAL	-540 596	-714 281	-1 694 436	-1 744 006
Other revenue				
Other Group companies	0	1 793	1 961	4 624
TOTAL	0	1 793	1 961	4 624
