

SWEDBANK P&C INSURANCE AS

Interim Report

As of 31 December 2015

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 Q4 of 2015

The financial results of the Company in Q4 were still very good despite the increasing claim ratio. Twelve months claim ratio was 58.8% (2014: 54.4%). One of the main reasons for the increase of twelve months claim ratio was growth in claims of vehicle related insurance products. Home insurance claim ratio remained the same level as in 2014. Claim ratio in travel insurance improved compared to 2014. The expense ratio of the Company is still low in comparison to the insurance market.

In euros	Q4 2015	Q4 2014	2015	2014
Premiums earned net of reinsurance	14 906 781	12 694 664	55 611 342	48 521 321
Claims incurred net of reinsurance	9 165 280	6 774 796	32 678 121	26 418 522
Net operating expenses	2 097 665	1 661 226	7 507 132	6 756 863
Return of insurance activities	3 643 836	4 258 642	15 426 089	15 345 936
Net profit	3 520 641	4 134 067	12 523 446	12 447 914
Net claims ratio	61.5%	53.4%	58.8%	54.4%
Net expense ratio	14.1%	13.1%	13.5%	13.9%
Combined ratio	75.6%	66.5%	72.3%	68.3%

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	Q4 of 2015	Proportion	12 months 2015	Proportion
Motor own damage insurance	5 174	45.1%	18 609	43.6%
Home insurance	3 644	31.8%	13 694	32.0%
Motor third party liability insurance	1 244	10.8%	4 879	11.4%
Payment protection insurance	811	7.1%	3 045	7.1%
Travel insurance	526	4.6%	2 186	5.1%
Apartment building insurance	71	0.6%	300	0.7%
Other	5	0.0%	18	0.1%
TOTAL	11 475	100%	42 731	100%

Sales Results of Company in Latvia

in thousands of euros	Q4 of 2015	Proportion	12 months 2015	Proportion
Home insurance	1 265	51.3%	4 690	52.3%
Motor own damage insurance	774	31.4%	2 717	30.3%
Motor third party liability insurance	197	8.0%	756	8.5%
Travel insurance	147	6.0%	563	6.3%
Payment protection insurance	66	2.7%	188	2.1%
Other	16	0.6%	48	0.5%
TOTAL	2 465	100%	8 962	100%

Sales Results of Company in Lithuania

in thousands of euros	Q4 of 2015	Proportion	12 months 2015	Proportion
Home insurance	1 686	65.7%	5 165	63.3%
Motor own damage insurance	386	15.0%	1 372	16.8%
Travel insurance	265	10.3%	998	12.2%
Payment protection insurance	182	7.1%	452	5.5%
Other	48	1.9%	182	2.2%
TOTAL	2 567	100%	8 169	100%

Insurance premiums have increased compared to Q4 2014 17.2% (12 months growth 15.4%). 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 Q4 2014 was 30.9%. Motor own damage insurance premiums have increased in comparison to Q4 2014 5.2%. Payment protection insurance premiums grew 36.6%, since of the active sales of mortgage related insurance products in the Baltics. Furthermore, credit card payment protection insurance was launched in Latvia and Lithuania and increased usage of credit cards grew the sales in Estonia.

Assets of Company

The assets of the Company increased compared to Q3 EUR 5.5 million (11.0%) and formed EUR 55.8 million. The volume of financial investments increased during the quarter by EUR 2.8 million (7.2%) and formed EUR 41.1 million, which is EUR 6.1million (17.5%) more than in the end of 2014. The financial investments of the Company exceeded technical liabilities 1.8 times.

Number of Employees and Staff Costs

As of 31 December 2015, the Company employed 101 people – 59 in Estonia, 18 in Latvia and 24 in Lithuania. Labour costs of Q4 were EUR 624.8 thousand (Q4 2014: EUR 605.4 thousand).

STATEMENT OF FINANCIAL POSITION

In euros	Note	31.12.2015	31.12.2014
ASSETS			
Cash and cash equivalents		7 184 894	9 270 039
Financial investments	2	41 062 598	34 932 867
Bonds		24 443 886	11 029 068
Term deposits		16 618 712	23 903 799
Receivables related to insurance activities		3 429 443	3 232 281
Accrued income and prepaid expenses		136 589	88 375
Reinsurance assets	3	3 972 649	3 144 713
Receivables		1 397 887	1 161 893
Technical provisions		2 574 762	1 982 820
Deferred tax assets		1 423	930
Tangible assets		10 728	17 875
Total assets		55 798 324	50 687 080
LIABILITIES AND EQUITY			
Liabilities related to insurance activities	4	22 396 482	18 339 445
Technical provisions		20 354 424	16 502 451
Liabilities related to reinsurance		1 605 585	1 501 352
Other		436 473	335 642
Other liabilities	5	1 256 331	1 100 493
Total liabilities		23 652 813	19 439 938
Equity			
Share capital		7 210 000	7 210 000
Share premium		1	1
Statutory legal reserve		721 000	300 002
Retained earnings		11 691 064	11 289 225
Net profit for current period		12 523 446	12 447 914
Total equity		32 145 511	31 247 142
Total liabilities and equity		55 798 324	50 687 080

STATEMENT OF COMPREHENSIVE INCOME

In euros	Note	Q4 of 2015	Q4 of 2014	2015	2014
Premiums earned, net of reinsurance	6				
Premiums earned		15 812 818	13 537 566	59 250 623	51 390 781
Reinsurance premium		-906 037	-842 902	-3 639 281	-2 869 460
TOTAL		14 906 781	12 694 664	55 611 342	48 521 321
Claims incurred, net of reinsurance	7				
Claims incurred, gross		9 174 394	6 641 987	32 715 452	26 135 981
Claims handling expenses		582 628	542 608	2 114 512	1 992 045
Share of reinsurance in claims incurred		-591 742	-409 799	-2 151 843	-1 709 504
TOTAL		9 165 280	6 774 796	32 678 121	26 418 522
Operating expenses					
Acquisition costs, net of reinsurance	9	901 969	707 917	2 875 412	2 806 536
Administrative expenses	10	1 139 993	904 249	4 412 807	3 750 921
Other operating expenses		55 703	49 060	218 913	199 406
TOTAL		2 097 665	1 661 226	7 507 132	6 756 863
Return of insurance activities		3 643 836	4 258 642	15 426 089	15 345 936
Investment income and expenses, net	11	73 610	92 226	122 001	149 995
Other income		67	3 646	3 205	10 114
Other expenses		69 269	69 420	284 727	279 075
Profit before income tax		3 648 244	4 285 094	15 266 568	15 226 970
Income tax		128 097	148 712	2 743 616	2 776 741
Deferred income tax		-494	2 315	-494	2 315
Net profit for the period		3 520 641	4 134 067	12 523 446	12 447 914
Fair value adjustment of share based payment at the settlement date		0	0	-125 077	-63 279
Unrealized foreign exchange rate differences		0	0	0	3 889
Total comprehensive income for the period		3 520 641	4 134 067	12 398 369	12 388 524

STATEMENT OF CASH FLOWS

In euros	2015	2014
Cash flow from / used in operating activities	15 428 620	1 936 188
Insurance premium collected	60 406 721	52 493 010
Claims, recourses and handling expenses paid	-31 076 705	-26 002 508
Settlements with reinsurers	-1 441 700	-1 521 324
Operating expenses paid	-9 686 646	-8 648 027
Income tax paid	-2 779 226	-14 420 757
Other income and expenses	6 176	35 794
Cash flow from / used in investing activities	-6 010 255	16 892 817
Acquisition of fixed tangible assets	-4 413	-4 651
Interest collected	426 164	729 991
Acquisition of bonds	-23 726 350	-14 501 167
Disposal of bonds	10 123 910	5 456 973
Placed in term deposits	-26 600 000	-45 095 950
Proceeds from matured term deposits	33 835 950	70 416 860
Investment expenses paid	-65 516	-109 239
Cash flow used in financing activities	-11 500 000	-11 001 984
Distribution of dividends	-11 500 000	-11 000 000
Finance lease principal repayments	0	-1 530
Interest paid	0	-454
TOTAL CASH FLOW	-2 081 635	7 827 021
Cash and cash equivalents at beginning of the year	9 270 039	1 451 468
Change in cash and cash equivalents	-2 081 635	7 827 021
Effect of exchange rate changes	-3 510	-8 450
Cash and cash equivalents at end of the year	7 184 894	9 270 039

STATEMENT OF CHANGES IN EQUITY

In euros	Share capital	Share premium	Statutory legal reserve	Unrealized foreign exchange rate differences	Retained earnings	Total equity
As at 01.01.2014	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	12 447 914	12 447 914
Bonus issue	4 209 980	-4 209 980	0	0	0	0
Distribution of dividends	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
Unrealized foreign exchange rate differences	0	0	0	3 889	0	3 889
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	12 523 446	12 523 446
Distribution of dividends	0	0	0	0	-11 500 000	-11 500 000
Change in Statutory legal reserve	0	0	420 998	0	-420 998	0
Fair value adjustment of share based payment at the settlement date	0	0	0	0	-125 077	-125 077
As at 31.12.2015	7 210 000	1	721 000	0	24 214 510	32 145 511

NOTES TO THE INTERIM REPORT

NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q4 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 Q4 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:

In thousands of euros	31.12.2015		31.12.2014	
Instruments of fixed interest rate	24 444	59.5%	11 029	30.2%
Term deposits	16 619	40.4%	23 904	65.6%
Cash in investment portfolio	42	0.1%	1 540	4.2%
TOTAL	41 105	100%	36 473	100%

NOTE 3. REINSURANCE ASSETS

In euros	31.12.2015	31.12.2014
Technical provisions	2 574 762	1 982 820
Reinsurer's share in provision for unearned premiums	687 141	662 305
Reinsurer's share in provision for outstanding claims	1 887 621	1 320 515
Receivables	1 397 887	1 161 893
Reinsurance commissions	397 029	378 507
Share of reinsurance in claims	922 323	716 757
Refundable reinsurance premium	78 535	66 629
TOTAL	3 972 649	3 144 713

NOTE 4. LIABILITIES RELATED TO INSURANCE ACTIVITIES

In euros	31.12.2015	31.12.2014
Technical provisions	20 354 424	16 502 451
Provision for unearned premiums	5 430 158	4 819 017
Provision for outstanding claims	14 826 986	11 621 611
Unexpired risk reserve	97 280	61 823
Liabilities related to reinsurance	1 605 585	1 501 352
Reinsurance premium	1 502 783	1 430 089
Reinsurance share in recoveries	81 994	53 609
Refundable commissions	20 808	17 654
Other liabilities	436 473	335 642
Policyholders	58 599	31 938
Other	377 874	303 704
TOTAL	22 396 482	18 339 445

NOTE 5. OTHER LIABILITIES

In euros	31.12.2015	31.12.2014
Accounts payable	61 036	26 438
Accrued expenses	1 150 789	1 027 355
Other liabilities	44 506	46 700
TOTAL	1 256 331	1 100 493

NOTE 6. PREMIUMS EARNED NET OF REINSURANCE

In euros	Q4 of 2015	Q4 of 2014	2015	2014
Gross premium (see Note 8)	16 506 648	14 089 792	59 861 764	51 877 530
Change in provisions for unearned premium	-693 830	-552 226	-611 141	-486 749
Premiums earned	15 812 818	13 537 566	59 250 623	51 390 781
Reinsurance premium	-905 381	-838 475	-3 664 117	-3 531 765
Reinsurers' share in change of unearned premiums provision	-656	-4 427	24 836	662 305
Reinsurance premium	-906 037	-842 902	-3 639 281	-2 869 460
TOTAL	14 906 781	12 694 664	55 611 342	48 521 321

NOTE 7. CLAIMS INCURRED, NET OF REINSURANCE

In euros	Q4 of 2015	Q4 of 2014	2015	2014
Claims incurred, gross amount	9 174 394	6 641 987	32 715 452	26 135 981
Claims paid (see Note 8)	9 107 625	7 396 717	32 380 429	26 520 356
Change in the claims provision	857 740	-227 540	3 205 375	1 623 731
Amounts recovered from salvage and recourses	-799 213	-537 057	-2 905 808	-2 037 313
Change in Unexpired risk reserve	8 242	9 867	35 456	29 207
Claims handling expenses	582 628	542 608	2 114 512	1 992 045
Direct claims handling expenses	282 393	303 584	1 020 296	987 742
Indirect claims handling expenses	300 235	239 024	1 094 216	1 004 303
Staff costs	227 755	196 175	827 371	734 149
Depreciation of fixed assets	1 024	965	4 151	3 694
Other	71 456	41 884	262 694	266 460
Reinsurers` share of claims incurred	-591 742	-409 799	-2 151 843	-1 709 504
Reinsurers` share in claims paid	-450 144	-367 187	-1 584 737	-939 744
Reinsurers` share in change of claims provisions	-141 598	-42 612	-567 106	-769 760
TOTAL	9 165 280	6 774 796	32 678 121	26 418 522

NOTE 8. GROSS PREMIUM AND CLAIMS PAID BY PRODUCTS

In euros	Q4 of 2015	Q4 of 2014	2015	2014
Gross premium				
Motor own damage insurance	6 334 411	6 020 951	22 698 291	21 475 090
Home insurance	6 594 607	5 037 718	23 548 835	18 547 363
Motor third party liability insurance	1 440 766	1 329 833	5 634 580	5 477 685
Travel insurance	938 317	778 595	3 746 536	2 941 045
Payment protection insurance	1 058 852	774 941	3 685 388	2 812 236
Apartment building insurance	70 704	64 929	300 395	273 837
Other	68 991	82 826	247 739	350 274
TOTAL	16 506 648	14 089 792	59 861 764	51 877 530
Claims paid				
Motor own damage insurance	4 430 661	3 756 326	16 758 691	14 601 220
Home insurance	2 830 617	2 161 090	8 838 870	6 202 292
Motor third party liability insurance	958 860	888 923	3 492 772	3 248 940
Travel insurance	676 011	451 633	2 575 322	1 909 379
Payment protection insurance	193 048	125 624	653 923	387 313
Apartment building insurance	10 844	6 359	28 852	147 971
Other	7 584	6 762	31 999	23 241
TOTAL	9 107 625	7 396 717	32 380 429	26 520 356

NOTE 9. ACQUISITION COSTS, NET OF REINSURANCE

In euros	Q4 of 2015	Q4 of 2014	2015	2014
Staff costs	15 848	80 686	55 268	417 738
Other operating expenses	290 664	192 013	744 788	693 553
Outsourced services	786 209	612 084	2 842 059	2 249 189
Depreciation and impairment of fixed assets	0	311	84	1 783
Reinsurance commission	-190 579	-176 004	-773 369	-731 238
Change of accrued reinsurance commissions	-173	-1 173	6 582	175 511
TOTAL	901 969	707 917	2 875 412	2 806 536

NOTE 10. ADMINISTRATIVE EXPENSES

In euros	Q4 of 2015	Q4 of 2014	2015	2014
Staff costs	381 170	328 545	1 504 877	1 237 302
Other operating expenses	668 142	460 239	2 406 980	2 000 727
Outsourced services	88 926	113 882	493 625	504 939
Depreciation and impairment on fixed assets	1 755	1 583	7 325	7 953
TOTAL	1 139 993	904 249	4 412 807	3 750 921

NOTE 11. INVESTMENT REVENUE AND EXPENSES

In euros	Q4 of 2015	Q4 of 2014	2015	2014
Interest income	163 748	65 186	371 822	382 010
Change in value of financial assets at fair value with changes through statement of profit and loss	-57 695	48 642	-168 233	77 089
Net losses from financial investments	-4 662	0	-10 825	-207 580
Realised gains/losses from changes in currency rates	-946	-615	-4 563	-3 788
Other investment management expenses	-26 835	-20 987	-66 200	-97 736
TOTAL	73 610	92 226	122 001	149 995

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 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
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

In euros	Q4 of 2015	Q4 of 2014	2015	2014
Intermediary fee				
Swedbank AS	-381 889	-352 413	-1 464 490	-1 268 739
Other Group companies	-498 492	-280 076	-1 346 075	-938 815
TOTAL	-880 381	-632 489	-2 810 565	-2 207 554
Revenue from insurance premium				
Swedbank AS	319 349	321 420	1 409 539	1 156 627
Other Group companies	501 276	466 425	1 909 728	1 912 472
TOTAL	820 625	787 845	3 319 267	3 069 099
Interests				
Swedbank AS	5 341	24 845	62 444	62 159
Other Group companies	-1 012	903	738	15 032
TOTAL	4 329	25 748	63 182	77 191
Other purchases				
Swedbank AS	-363 918	-238 571	-1 312 142	-1 015 328
Other Group companies	-281 877	12 012	-1 028 089	-955 237
TOTAL	-645 795	-226 559	-2 340 231	-1 970 565
Other sales				
Other Group companies	0	1 532	1 961	6 156
TOTAL	0	1 532	1 961	6 156
