SWEDBANK P&C INSURANCE AS

Annual report

for the financial year
ended on 31 December 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
Beginning of financial year	1 January 2015
End of financial year	31 December 2015
Chairman of the Management Board	Margus Liigand
Auditors	AS Deloitte Audit Eesti
Documents enclosed with the Annual Report	Independent Certified Auditor´s Report Profit Distribution Proposal Distribution of Sales Revenue Pursuant to 2008 Estonian Classification of Economic Activities (EMTAK)

MANAGEMENT REPORT

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 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 the Company in 2015

The financial results of the Company in 2015 may be considered to be very good. By the end of the year the Company's portfolio consisted of 488 thousand contracts in force with total value of written premiums of 54 million euros.

2015 profit of the Company was 12.5 million euros and was at same level as last year (0.1 million euros growth). Technical profitability ratios of the Company were very good and profit before taxes amounted to 15.3 million euros (growth compared to previous year 0.1 million euros). Despite the growth of portfolio, profit before taxes remained the same level compared to last year because of increase of claim ratio. Gross premiums amounted to 59.9 million euros in 2015 (growth compared to previous year 15.4%). Net premiums earned in 2015 amounted to 55.6 million euros.

In euros	2015	2014
Premiums earned net of reinsurance	55 611 342	48 521 321
Claims incurred net of reinsurance	32 678 121	26 418 522
Net operating expenses	7 507 132	6 756 863
Return of insurance activities	15 426 089	15 345 936
Net profit	12 523 446	12 447 914
Net claims ratio	58.8%	54.4%
Net expense ratio	13.5%	13.9%
Combined ratio	72.3%	68.3%

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

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

Combined ratio = Net claims ratio + net expense ratio

Sales Results of the Company in Estonia 2015

In thousands of euros	Gross premium	Proportion
Motor own damage insurance	18 609	43.6%
Home insurance	13 694	32.0%
Motor third party liability insurance	4 879	11.4%
Payment protection insurance	3 045	7.1%
Travel insurance	2 186	5.1%
Apartment building insurance	300	0.7%
Other	18	0.1%
TOTAL	**42 731**	**100%**

Sales Results of the Company in Latvia 2015

In thousands of euros	Gross premium	Proportion
Home insurance	4 690	52.3%
Motor own damage insurance	2 717	30.3%
Motor third party liability insurance	756	8.5%
Travel insurance	563	6.3%
Payment protection insurance	188	2.1%
Other	48	0.5%
TOTAL	**8 962**	**100%**

Sales Results of the Company in Lithuania 2015

In thousands of euros	Gross premium	Proportion
Home insurance	5 165	63.3%
Motor own damage insurance	1 372	16.8%
Travel insurance	998	12.2%
Payment protection insurance	452	5.5%
Other	182	2.2%
TOTAL	**8 169**	**100%**

In 2015, gross premiums of the Company increased in all countries (YoY basis 15.4%). It was foremost caused by active sales of home insurance products in all Baltic countries, as well as increase of sales of travel and motor own damage insurance. Sales of motor third party liability insurance increased in Estonia, however in Latvia it was in slight decrease compared to previous year, but its impact on the total gross premium growth was low. Active sales of mortgage related insurance products in the Baltics lead to the increase of payment protection insurance premiums. Furthermore, credit card payment protection insurance was launched in Latvia and Lithuania and increased usage of credit cards grew the sales in Estonia.

In 2015, 37 thousand insured events (YoY growth 28%) were accepted. The amount of claims paid totaled 32.4 million euros (YoY growth 22%).

The profit of the Company from insurance activities totaled 15.4 million euros (2014: 15.3 million euros). The net claim ratio was 58.8% (2014: 54.4%) and the net expense ratio 13.5% (2014: 13.9%).

One of the main reasons for the increase of 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. For 2016, slight increase in expense ratio can be expected in order to support the business growth. The Company targets to be the insurer with the best expense ratio in the Baltic countries.

In 2015, the Company continued conservative investment policy. In order to reduce market and credit risk, the proportion of bonds in the investment portfolio was increased.

Economic Environment

In 2015, economic growth slowed substantially in Estonia and Lithuania, but accelerated in Latvia, where the negative impact from the economic crisis in Russia was milder. Consumption was the main driver of growth. Consumers' real purchasing power improved: wages grew rapidly and prices grew little or even decreased. The number of new cars sold was stable in Estonia and Latvia and increased in Lithuania. Developments in the real estate market across the Baltics were uneven. During the first nine months of 2015, prices of real estate increased in Estonia and Lithuania, but declined in Latvia, where changes in legislation affected the market. Regarding the number of real estate deals, Estonia was the most active market among the Baltics.

In 2016, with the support of the improvement of the European economies, export growth in the Baltic countries is expected to accelerate. This will support business sector investments and, in turn, will strengthen economic growth. According to Swedbank analyst's growth in the Baltics could be expected to pick up to 3% in 2016 from 2% in 2015. Nominal wage growth will remain decent and, despite slightly higher inflation, household consumption will be the main source of growth. Unfortunately, employment growth will be weak or non-existent, mainly due to aging societies.

Non-life Insurance Market

In 2015, Baltic non-life insurance market premium growth was at the level of 6-7%. The Company´s premium growth exceeded the market, whereby most rapid growth was in Lithuania.

The market share of the Company in Estonia increased by 0.5 percentage points and was 15.3% in 2015. The market share of the Company in Latvia increased by 0.3 percentage points and was 3.5%. The market share of the Company in Lithuania increased by 1.2 percentage points and was 2.5 %.

For 2016 moderate growth in the insurance market can be expected.

Members of Management and Supervisory Boards

The Council extended Management Board member Margus Liigand term of office for three years starting from 15.01.2015 as well as he will continue as the CEO of the company. The Member of Management Board Peeter Kabbun´s term of office was prolonged for three years starting from 17.06.2015. The Council appointed Mihkel Mandre as Member of the Swedbank P&C Insurance AS Management Board, starting from 25.06.2015. The Council of Swedbank P&C Insurance AS decided to call back Ivika Torpel from Company´s Management Board starting from 12.02.2016.

Membership of the Council did not change during 2015. The Council continued with four members: Johanna Okasmaa Nilsson, Jonas Jonsson, Aet Altroff and Kristina Mikenberg.

The total remuneration paid to Members of the Management Board in 2015 under Board Member agreements amounted to 164.6 thousand euros and under employment contracts 30.0 thousand euros. The Members of the Management Board, similarly to all employees, are entitled to bonuses for 2015, based on the bonus program of Swedbank group. In 2015, based on bonus program of Swedbank Group, 1,649 shares of Swedbank AB were transferred to Board Members for the performance in year 2011. The Company did not calculate or pay any remuneration to Members of the Supervisory Board.

Number of Employees and Staff Costs

As of 31 December 2015 the Company had 101 employees (59 in Estonia, 18 in Latvia and 24 in Lithuania), incl. five members of the Management Board. Staff costs along with social taxes amounted to 2,387,516 euros (2014: 2,389,189 euros). Personal social tax expenses in 2015 amounted to 357,481 euros (2014: 321,792 euros) in the Company in Estonia, 89,447 euros (2014: 91,866 euros) in the Latvian branch and 102,511 euros in the Lithuanian branch (2014: 87,849 euros). The unemployment insurance expenses totaled 7,377 euros (2014: 10,047 euros) in the Company in Estonian and 662 euros in the Lithuanian branch (2014: 564 euros).

Activity Plan for 2016

The company will carry on current action plan to harmonize non-life insurance offering and availability in Baltic countries during 2016. Important emphasis 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 2016, the Company will concentrate on improvement of client relationships and sales channels, especially products availability in e-channels. As a result, we expect growth in premium volumes; however at lower profit margins, which in return create a need for even higher risk based pricing accuracy.

The main goal of the Company continues to be the maintenance of a high level of customer satisfaction by offering excellent services, broad insurance cover and competitive prices whilst retaining the profitability of the Company by keeping operating expenses low.

Margus Liigand
Chairman of the Management Board

STATEMENT OF FINANCIAL POSITION

In euros	Note	31.12.2015	31.12.2014
ASSETS			
Cash and cash equivalents	3	7 184 894	9 270 039
Financial investments	4	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
Prepaid expenses	5	136 589	88 375
Reinsurance assets	6	3 972 649	3 144 713
Receivables		1 397 887	1 161 893
Technical provisions		2 574 762	1 982 820
Deferred tax assets	17	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	7	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	8	1 256 331	1 100 493
Total liabilities		**23 652 813**	**19 439 938**
Equity			
Share capital	9	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 financial year		12 523 446	12 447 914
Total equity		**32 145 511**	**31 247 142**
Total liabilities and equity		**55 798 324**	**50 687 080**

The Notes presented on pages 11 to 46 form inseparable parts of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

In euros	Note	2015	2014
Premiums earned, net of reinsurance	10		
Premiums earned		59 250 623	51 390 781
Reinsurance premium		-3 639 281	-2 869 460
TOTAL		**55 611 342**	**48 521 321**
Claims incurred, net of reinsurance	11		
Claims incurred, gross		32 715 452	26 135 981
Claims handling expenses		2 114 512	1 992 045
Share of reinsurance in claims incurred		-2 151 843	-1 709 504
TOTAL		**32 678 121**	**26 418 522**
Operating expenses			
Acquisition costs, net of reinsurance	13	2 875 412	2 806 536
Administrative expenses	14	4 412 807	3 750 921
Other operating expenses		218 913	199 406
TOTAL		**7 507 132**	**6 756 863**
Return of insurance activities		**15 426 089**	**15 345 936**
Investment income and expenses, net	16	122 001	149 995
Other income		3 205	10 114
Other expenses		284 727	279 075
Profit before income tax		**15 266 568**	**15 226 970**
Income tax	17	2 743 616	2 776 741
Deferred income tax	17	-494	2 315
Net profit for the year		**12 523 446**	**12 447 914**
Fair value adjustment of share based payment at the settlement date		-125 077	-63 279
Unrealized foreign exchange rate differences		0	3 889
Total comprehensive income for the year		**12 398 369**	**12 388 524**

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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 arising from consolidation of foreign branches	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**

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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

The Notes presented on pages 11 to 46 form inseparable parts of the Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES

Swedbank P&C Insurance AS is a company registered in Estonia and operating in Estonia, Latvia and Lithuania. In Latvia, the branch was registered in 2009 and in Lithuania in 2011. The parent company of Swedbank P&C Insurance AS is Swedbank AS in Estonia. The parent company of the Group is Swedbank AB in Sweden.

1.1 Basis of preparation of the Financial Statements

The accounting policies and procedures and the presentation of financial information applied in preparation of the 2015 Financial Statements of Swedbank P&C Insurance AS (hereinafter also the Company) are in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission.

Functional currency of the Company is euro. All the amounts in these Financial Statements have been presented with an accuracy of one euro, unless indicated otherwise. The Financial Statements have been prepared using the accrual basis of accounting.

The Annual Report, prepared by the Management Board, which also includes the financial statements, has been presented to the Supervisory Board and the Shareholder for approval. The Shareholder has the right to reject the Annual Report prepared by the Management Board and approved by the Supervisory Board and demand that a new report is prepared.

1.2 Judgements and estimates of Management Board in preparing Financial Statements

Preparation of Financial Statements in accordance with the International Financial Reporting Standards as adopted by European Commission, requires the use of estimates and judgements by the Management Board, which impacts the balances of assets and liabilities recognised, as well as revenue and expenses of the accounting period. The judgements and the estimates have been developed according to the best knowledge of the Management Board and considering the factors that are deemed justified under the current circumstances. The judgements and estimates are consistently reviewed. The final outcome may differ from these judgements and estimates.

The Management Board has decided to disclose bonds of investment portfolio in fair value through profit and loss, i.e. as assets held for sale. Judgements of the fair value of assets in the investment portfolio are determined by the portfolio manager (Swedbank Investeerimisfondid AS) on the basis of market information. The fair value of the remaining financial assets and liabilities does not differ substantially from their book value. The Management Board has decided that the investment portfolio should have very good liquidity at all times, covering the potential outflows arising from insurance contracts. Additionally, at least 10% of the Portfolio assets have to have a liquidation horizon of one week. The only exception is allowed to assets covering annuities, there maximum allowed maturity is 20 years.

In calculating insurance technical provisions, the Management Board estimates unearned premium and outstanding claims provisions separately. Premium provision represents prorated portion of written premiums. Historical claim data, current trends, actual payment patterns are used for outstanding claims provision estimation.

In calculating the cost which is recognised as employee benefits ultimately settled in the form of common shares in Swedbank AB, the Management Board estimates how many common shares will be settled. Employees are allotted contingent rights to receive common shares, which require, for example, that they remain employed until the settlement date; otherwise the rights expire. Management also estimates the fair value of the rights allotted to employees and which gives them the conditional right to receive common shares in Swedbank AB at no cost. The estimate is based on the quoted price of the common share, since the right essentially has the same terms as a common share.

1.3 Classification of Contracts

According to IFRS 4, for the accounting purposes contracts of an insurance company must be classified into insurance or investment contracts. Insurance contracts are contracts under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or another beneficiary upon the arrival of an insured event. All contracts concluded by the Company can be classified as insurance contracts.

1.4 Revenue Recognition

Revenue from insurance premiums (gross premium) means premium earned and to be earned under an insurance contract or instalments of premium whose due date falls in the financial year. If the due date of premium or the first instalment of premium is after the date of entry into force of the insurance contract, premium revenue is recognised at the date of entry.

Share of reinsurance in claims paid means indemnities to be received from reinsurers on the basis of reinsurance contracts.

Reinsurance commission means commissions to be received from reinsurers on the basis of reinsurance contracts.

Recourse revenue means amounts of recourse actions recorded in the financial year less doubtful receivables.

Revenue from realization of salvage is recognised when the right of ownership of the assets has been transferred to the buyer. The right of ownership is transferred to the buyer as from the transfer of the assets. Sales revenue is recognised in the amount actually paid by the buyer. Payment is a prerequisite for transfer of assets.

Other revenue is recognised at the fair value of the payments received or to be received. Revenue from the sales of goods is recognised when all essential risks and benefits relating to the right of ownership have been transferred to the buyer and the amount of revenue can be established in a reliable manner. Revenue from the sales of services is recorded on the accrual basis upon provision of the services. Interest income is recorded on the accrual basis, considering the effective interest rate of the asset.

1.5 Recognition of Expenses

Reinsurance premium means premium paid or payable according to the reinsurance conditions concluded by the insurer as the reinsurer.

Claims incurred means amounts of indemnities paid out in the financial year (claims paid) and changes in the provisions of claims.

Claims handling expenses mean direct expenses relating to specific losses and indirect administrative expenses relating to claims handling and insurer's relevant expenses, including employees' salaries, social tax expenses, etc.

Acquisition costs mean direct and indirect costs arising from entry into insurance contracts. Direct acquisition costs are agency fees and mediator's fee. Indirect acquisition costs are for instance advertising costs, salaries of employees relating to the conclusion of policies, transport, telephone, etc., costs.

Administrative expenses mean costs relating to the collection of insurance premiums, portfolio management, general management, accounting and IT. The expenses include those relating to insurance activities not recorded under acquisition costs or claims adjustment expenses.

Other expenses mean expenses incurred in the interests of the Company as a whole, but not in connection with everyday insurance or investment activities. The expenses include for example fees to auditors, supervision fee to the Financial Supervision Authority, legal, notarial, etc., services.

1.6 Cash and Cash Equivalents

Cash and cash equivalents are balances of current and overnight deposits as of the balance sheet date. The Company does not settle transactions in cash. The Cash Flow Statement has been prepared using the direct method.

Cash invested in and received from term deposits has been recorded in the Cash Flow Statement according to the content of the transactions as cash flow from investing activities.

1.7 Recognition of Foreign Currency Transactions

The functional currency of the Company is euro. All other currencies are considered foreign currencies.

Foreign currency transactions are recognised on the basis of the official closing exchange rates of the European Central Bank as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been restated in euro using the exchange rates quoted by the European Central Bank as of the balance sheet date. Gains and losses on conversion of foreign currency have been indicated in the Statement of Comprehensive Income of the accounting period.

1.8 Financial Assets

Depending on the purpose of acquisition of financial assets and the plans of the management related thereto the financial assets are classified into the following categories according to IAS 39:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

The Company does not have any financial assets to be classified as held-to-maturity investments or available-for-sale financial assets. The quantitative distribution of financial assets has been set out in clause 4 of Note 2.

Financial assets are recorded on the Balance Sheet on the trading date when a contract for the acquisition of asset is concluded.

Financial assets are registered in accounting at their acquisition cost, i.e. the fair value paid for the assets. The initial acquisition cost includes all the transaction costs directly attributable to acquisition of the financial assets, except the costs related to acquisition of the financial assets at fair value through profit or loss.

Financial assets are derecognised when the Company loses the right to the cash flow generated by the financial assets or assigns the cash flow generated by the financial assets and most of the risks and benefits related to the financial assets to a third party.

1.8.1 Financial assets at fair value through profit or loss

This group includes the following: financial assets held with the trading objective, i.e. the assets that have been acquired or arisen mainly for the resale or repurchase objective in the near future, or are derivative instruments other than hedge instruments.

According to the IFRS 13 fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If an asset or a liability measured at fair value has a bid price and ask price, the price within the bid-ask spread is used to measure fair value.

The financial assets at fair value through profit or loss are recognised initially at acquisition cost, i.e. the fair value paid for the financial assets (transaction costs are not included). After initial recognition such financial assets are restated on the balance sheet date to the fair value (IAS 39). Gains and losses from change in the fair value are recognised in the Statement of Comprehensive Income.

1.8.2 Loans and receivables

Receivables are debts of policyholders, reinsurers, intermediaries and others at the end of the financial year. Receivables are recorded on the Balance Sheet at amortized cost, calculated using the effective interest rate method. On the balance sheet date the probability of accrual of receivables is assessed using the method of individual assessment of receivables. The recovery and write-off of receivables under insurance contracts whose payment term has expired takes place according to the rules for debt proceedings. In the case of cancelled receivables relevant revenue entries are reduced.

Term deposits are classified according to IAS 39 under receivables and are recognised at amortized cost.

1.9 Reinsurance Assets

Reinsurance assets comprise the share of reinsurance in the provision for unearned premiums and outstanding claims and receivables from reinsurers. Receivables from reinsurers arise from reinsurance commissions and the share of reinsurers in claims.

1.10 Tangible Fixed Assets

Tangible fixed assets are assets with a useful life exceeding one year and value of 1,000 euros or more, in the case of computing equipment with a value of more than 2,000 euros, and in the case of computing equipment of workplaces with value of more than 250 euros. Other equipment is written off upon acquisition.

Tangible fixed assets are initially recognised at their acquisition cost, which comprises the purchase price and expenses directly attributable to the acquisition. Thereafter the tangible fixed assets are recorded on the Balance Sheet at the acquisition cost thereof less accumulated depreciation and any possible write-downs arising from impairment.

The difference between cost of an asset and its terminal value is expensed during the useful lifetime of that asset. Depreciation period is 2-4 years, depending on the nature of the asset. Depreciation is calculated according to the straight-line method.

As of each balance sheet date the evaluation of occurrence of factors referring to any possible impairment of fixed assets is carried out. The recoverable amount of the assets is assessed if such circumstances appear and it is compared to the book value of relevant assets. If the recoverable amount of tangible fixed assets (the higher of the two: fair value less costs to sell or value in use) is permanently lower than the book value, the assets are indicated in the presumably recoverable amount.

1.11 Financial Liabilities

Financial liabilities are contractual obligations to give the other party money or other financial assets, a contractual obligation to exchange with the other party financial instruments under potentially unfavorable conditions.

Financial liabilities are initially recognised at their fair value, less transaction costs, and thereafter at adjusted acquisition cost using the effective interest rate method. The adjusted acquisition cost of short-term financial liabilities is generally equal to their nominal value and therefore short-term financial liabilities are recognised on the Balance Sheet in the amounts subject to payment. Financial liabilities are derecognised when they are satisfied, i.e. the liability set out in a contract has been discharged, cancelled or expired. The quantitative distribution of liabilities has been set out in clauses 4 and 5 of Note 2.

1.12 Technical Provisions

Provision for unearned premiums is formed from the sum of provisions for unearned premiums of individual contracts. The provision is the amount of the premium or installments of premium of contract in force that corresponds to the outstanding risks as of the balance sheet date.

Provision for outstanding claims is the amount that reflects the final estimated expenditure, including all claims handling expenses, of all insurance claims incurred but not yet settled as of the balance sheet date, irrespective of whether these claims have been reported. As an input for measuring the liabilities arising from unsettled claims, the Company uses the estimation about the volume of individual claims reported to the Company and statistical analysis of claims incurred but not yet reported. The Company does not discount the liabilities arising from unsettled claims except for liabilities arising from traffic pension claims.

1.13 Liabilities from Reinsurance

Reinsurance liabilities from proportional reinsurance arise at the same time and proportionally to the accrual of receivables (incl. the initial commission) and payables of the Company in respect of policyholders.

Non-proportional reinsurance premium rate, minimum and deposit payment and procedure for payment thereof for an insured year is determined in a reinsurance contract. The amount of an insurance premium is based on the volume of premium actually earned during the underwriting year and the initial premium is adjusted at the end of the underwriting year.

1.14 Liability Adequacy Test

At each balance sheet date liability adequacy tests are performed to ensure the adequacy of liabilities arising from insurance contracts, considering the current judgements of the present value of contractual cash flow, and also loss adjustment and administrative expenses. All deficits are recorded in the Statement of Comprehensive Income and a provision based on the liability adequacy test is created on the Balance sheet (unexpired risk reserve).

1.15 Lease Accounting

Lease transactions where all significant risks and benefits relating to the ownership of the property transfer to the lessee are recorded as finance lease. Other lease transactions are treated as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income over the lease term on a straight-line basis.

Finance lease is reported by the Company as the lessee on the Balance Sheet as the assets and liabilities in the amount of the fair value thereof or in the present value of the minimum lease payments, if that is lower. Lease payments are divided between financial expenses (interest expenses) and reduction of the residual value of the liability. Financial expenses are allocated to each lease period so as to produce a constant periodic rate of interest on the residual value of the liability during the lease period. Financial expenses are recognised on accrual basis in the Statement of Comprehensive Income.

1.16 Share-based payment

Since the Group (refers to Swedbank AB (publ) and its subsidiaries) receives services from its employees and assumes an obligation to settle the transactions with equity instruments, this is recognised as share based payment. This means that the fair value of the services that entitle the employees to an allotment of equity instruments is expensed at the time the services are rendered. At the same time a corresponding increase in liabilities is recognised. For share-based payment to employees settled with equity instruments, the services rendered are valued with reference to the fair value of the allotted equity instruments. The fair value of the equity instruments is calculated as per the allotment date for accounting purposes, i.e., the valuation date. The valuation date refers to the date when a contract was entered into and the parties agreed on the terms of the share-based payment. On the allotment date, the employees are allotted rights to share-based payment. Since the allotted equity instruments are not vested until the employees have fulfilled a period of service, it is assumed that the services are rendered during the vesting period. This means that the cost and corresponding increase in liabilities are recognised over the entire vesting period. Non market based vesting terms, such as a requirement that a person remain employed, are taken into account in the assumption of how many equity instruments are expected to be vested. At the end of each report period the Group reassesses its judgments of how many shares it expects to be vested based on the non-market based vesting terms. Any deviation from the original judgment is recognised through profit or loss and a corresponding adjustment is recognised in liabilities. Related social insurance charges are recognised as cash-settled share-based payment, i.e., as a cost during the corresponding period, but based on the fair value that at any given time serves as the basis for a payment of social insurance charges. Subsidiary shall record the transactions with its employees as cash-settled. The liability will be applied irrespective of how the subsidiary obtains the equity instruments to execute the obligations to its employees.

1.17 Reserves

Pursuant to the requirements of the Commercial Code, the legal reserve that is formed of transfers made from net profit has been indicated. The amount of the annual transfer must be at least 1/20 of the approved net profit for the financial year until the legal reserve accounts for at least 1/10 of the share capital.

1.18 New and Amended International Financial Reporting Standards (IFRS)

The International Accounting Standard Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2015. The IASB permits earlier application. For the Company to apply them also requires that they be approved by the EU if the amendments are not consistent with previous IFRS rules.

1.18.1 Initial application of new amendments to the existing Standards and Interpretation effective for current financial period

Annual improvements 2011-2013

Resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015). Adoption is not expected to have a significant effect on the Company's financial position or results.

IFRIC 21 Levies

Issued by IASB on 20 May 2013. IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. Adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014). The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Company's financial statements.

1.18.2 Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations

Adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016). Amendments will not have impact to Company's financial reports.

IAS 1 Presentation of Financial Statements - Disclosure Initiative

Issued by IASB on 18 December 2014. The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. Adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
Issued by IASB on 12 May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016).

Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants
Adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016). Amendments will not have impact to Company's financial reports.

IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions
Issued by IASB on 21 November 2013. The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).

Amendments to IAS 27 Separate Financial Statements - Equity Method in Separate Financial Statements
Adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016). Amendments will not have impact to Company's financial reports.

Annual improvements 2010-2012
Resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015). Adoption is not expected to have a significant effect on the Company's financial position or results.

Annual improvements 2012-2014
Resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016). Adoption is not expected to have a significant effect on the Company's financial position or results.

1.18.3 New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

IFRS 9 Financial Instruments
Issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The classification and measurement requirements for financial assets reduce the number of valuation categories and place

dependence on entity's business model for managing financial assets as well as whether the contractual cash flows represent solely payments of principal and interest. IFRS 9 also introduces an expected credit losses model for the measurement of impairment, removing the requirement to identify an incurred loss event. The new impairment model establishes a three stage approach based on whether there have been significant changes in credit risk. The requirements for financial liabilities remain largely unchanged from IAS 39. The primary change permits the presentation of fair value movements due to own credit risk on financial liabilities designated at fair value through profit or loss in other comprehensive income, rather than in profit or loss. The amended general hedge accounting rules allow entities to better reflect their risk management activities in the financial statements. IFRS 9 will affect Company's financial reporting. The impacts on financial reports are still being assessed. Effective for annual periods beginning on or after 1 January 2018.

IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes the principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard introduces a five-step model to determine how and when to recognise revenue. The standard supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The standard also establishes new disclosures to provide more relevant information. The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 will not substantially impact Company´s financial reports because it does not apply to insurance contracts.

IFRS 16 Leases
Issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. Effective for annual periods beginning on or after 1 January 2019. IFRS 16 will not have significant impact to Company's financial reports.

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016). Amendments will not have impact to Company's financial reports.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded). Amendments will not have impact to Company's financial reports.

NOTE 2. RISK MANAGEMENT

The Company considers risk management as an integral part of a sound management, governance and decision making process. Risk management is embedded into daily business activities, forming a part of the Company's culture. The main aim of the risk management is to secure, that the company is capable to fulfil the insured persons' and shareholders' interests by keeping all risks within the Company's risk appetite and holding sufficient capital to be solvent at any time.

The Company's risk management system consists of processes, methodologies, tools and organizational structures, with the purpose to manage risks that are inherent or related to the company's business in order to support effective achievements of business goals. A well-developed risk management process is in place (Figure1). This enables understanding, analysing and quick mitigation of unfavorable risks. The company's risk management is based on the risk management framework and on the risk strategy and risk appetite statement.

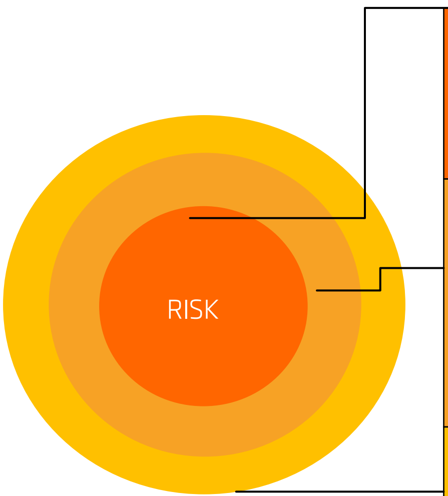
Figure 1. Risk Management Process.

In line with the Solvency 2 regulation, the Own Risk and Solvency Assessment (ORSA) process has been implemented in the company. ORSA is a management tool for the company's council and management board in order to understand the risks and related capital implications, and to contribute to risk-informed decision-making. The ORSA process follows the annual planning cycle and is interdependent with other key processes within the Company.

2.1 Organizational Set-up of Risk Management in the Company

The organizational set-up of risk management is based on the concept of the three lines of defense, with clear goals, responsibilities and a simple reporting structure in accordance with the internationally recognised best practices (Figure 2).

Figure 2. Risk Management Organisation.



First line of defence – Risk management by business operations
Company's business units bear full responsibility for the risks that arise in their operations. Their employees have the best understanding of the risks related to their activities and are supported with standardised risk management tools for risk assessment, mitigation and reporting by the second line of defence.

Second line of defence – Independent risk control
Second Line of Defence refers to the independent Risk Control, Actuarial and Compliance functions. They are responsible for identification, quantification, analysis, advising on mitigation actions and reporting of all risks. They assist Management Board and the Council on risk and compliance field of expertise and support organisation to keep sound risk awareness within the Company. The Risk and Compliance Committee is established as a committee to the Council to advice on risk and compliance matters.

Third line of defence – Internal Audit
Third Line of Defence refers to the independent Internal Audit Function conducting reviews of the first and second lines of defence. It identifies potential improvements in operations by evaluating risk management, governance and internal control and informs regularly the Management Board and the Council on the areas needing improvements. Internal audit service is outsourced from Swedbank AS.

2.2 Risk Profile of the Company

The company is exposed mainly to underwriting, market, credit and operational risks, as well as to strategic and business risks. The company's main business focus is on providing simple and wide insurance cover, mainly for private customers, while keeping the portfolio well diversified. The company holds sufficient capital to cover its obligations. Therefore, the overall level of the company's risk profile can be regarded as low. The underwriting principles and investment strategy have not changed much during the last year; therefore also the risk profile of the company has remained stable.

2.3 Management of Underwriting Risk

Underwriting risk is one of the most important risks for the company reflecting the core business of insurance, which is taking and managing insurance risk. It´s proper management and control determines largely the company's overall results. Underwriting risk involves risks related with proper pricing, reserving and appropriate reinsurance cover. The business model of the company is based on offering simple products for mass market, where the effect of individual risks is not very high. Therefore, the main focus is on portfolio management.

The main framework for managing underwriting risk is stated in the underwriting risk management policy and additional underwriting guidelines.

The main components of portfolio risk management are:

- Choice and volume of products
- Setting target loss ratios
- Price establishment
- Selection of individual insured risks
- Assessment of sufficiency of insurance premiums
- Appropriate reserves and underlying assumptions
- Reinsurance

2.3.1. Choice and volume of products

The choice of products is determined by the business model of the company, which is to offer simple insurance contracts which can be concluded easily along with other products in the Swedbank Group. The principle for choosing products is to maximise the potential customer base and the amount of contracts in order to ensure well diversified portfolio.

Products are standardized and suitable for most of the potential policyholders without applying any unnecessary special conditions and expert knowledge for concluding a contract.

Before launching any new services or significant changes to existing services, relevant risks are analysed and assessed for capital requirements. During 2015 no remarkable changes were made to the existing services. Therefore, the company´s underwriting risk has not changed substantially. In general, underwriting risk impact as such is increasing along the overall portfolio increase. This is natural due to the business growth.

2.3.2. Setting a targeted loss ratio

The management board assesses the results of product portfolio and market situation and defines the target loss ratio for the financial year in respect of each product. The maximum acceptable loss ratio is decided as well. If the product's loss ratio exceeds the maximum acceptable loss ratio or will likely exceed it in the future, the preparation of an action plan to keep the loss ratio below the maximum acceptable level is required.

2.3.3. Price establishment

The company establishes prices of insurance products according to its previous claims experience taking into account the historical loss ratios of the respective insurance product in the country of operation.

The company analyses the difference in sales price and technical price for every insurance product. This gives the opportunity to discover the risks arising during pricing and when needed to implement quickly mitigation actions in order to decrease the risks related to pricing.

The current loss ratio level provides a basis for considering the premium rates used in 2015 as adequate in order to ensure that the company's liabilities will be met on the account of the collected insurance premiums.

The establishment of adequate price is also directly related to using adequate insured sums in insurance contracts. The company observes construction and service prices and adjusts, where necessary, the insured sums used by default and permitted as a minimum. In order to state the proper sum insured of the insured vehicles, the actual market price is controlled. During each policy renewal the sum insured is adjusted based on the actual market price. This should ensure the use of actual market price in insurance contracts.

2.3.4. Choice of risks insured

In consideration of the small size of the Estonian, Latvian and Lithuanian insurance markets as well as the company's goals for its market share, the company does not concentrate on limited client segments. The selection of risks in portfolio management consists rather of the identification of loss-generating segments and reduction of their share in the portfolio. To refrain from risks of low quality disturbing the portfolio balance, principles of taking insurance risks have been established and restrictions and approval requirements have been set for insurance agents. Furthermore, individual risks of low quality are eliminated from the portfolio during the contract prolongation process.

2.3.5. Appropriate reserves and underlying assumptions

The company enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. These reserves are measured individually for each file by the claims departments. Additional reserves for Incurred but not reported (IBNR) claims are also booked. Reserves are based on applicable accounting and actuarial standards as well as internal and industry best practice.

The principal assumption underlying the liability estimates is that the company's future claims development will follow a similar pattern to past claims development experience. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future.

For long-tail claims such as motor third party liability annuities that take many years to settle, there is also a risk in inflation, interest rates that are used for discounting, as well as longevity risk. The sensitivity analysis of these assumptions is presented in the table below:

Sensitivity	Effect on net liabilities / profit before tax, EUR	
	2015	2014
Inflation increase by 1% pp	317 449	367 170
Decrease in discount rate by 1% pp	328 133	379 452
Decrease in mortality by 20%	31 935	35 619

The development of claims: 2006- 2015

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. Recoveries, salvage and claims handling costs are excluded from the triangles. The amounts showed below are gross of reinsurance. The surplus (deficiency) of the initial reserve at the end of accident year with respect to the re-estimated (gross) final cost for each year represents the difference between the amount shown in the first line and the amount shown in the final diagonal under "current estimate of cumulative claims".

Estimate of ultimate claims costs, gross

In thousands of euros											
Accident year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
at the end of accident year	859	14 054	21 937	22 833	20 988	19 617	21 720	25 419	28 520	35 720	
1 year later	851	13 753	22 064	22 958	20 674	19 127	21 017	24 556	28 518		
2 years later	855	13 776	21 373	22 443	20 312	18 766	20 904	24 639			
3 years later	853	13 704	21 174	22 301	20 997	18 963	20 859				
4 years later	853	13 620	21 266	22 603	21 052	18 905					
5 years later	852	13 665	21 267	22 730	20 950						
6 years later	852	13 478	21 417	22 731							
7 years later	852	13 400	21 406								
8 years later	852	13 397									
9 years later	852										
Current estimate of cumulative claims	852	13 397	21 406	22 731	20 950	18 905	20 859	24 639	28 518	35 720	207 977
Current estimate of surplus/(deficiency)	7	657	531	102	38	712	861	780	2		
% Surplus/(deficiency) of initial gross reserve	1%	5%	2%	0%	0%	4%	4%	3%	0%		

Claims paid, gross

In thousands of euros											
Accident year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
at the end of accident year	375	10 453	17 305	17 829	16 450	15 163	16 017	19 003	21 121	26 365	
1 year later	851	13 276	20 947	21 548	19 980	18 461	19 687	23 408	26 575		
2 years later	851	13 312	21 071	21 735	20 163	18 638	20 516	23 843			
3 years later	851	13 323	21 136	21 795	20 237	18 680	20 578				
4 years later	852	13 356	21 178	21 827	20 296	18 696					
5 years later	852	13 361	21 193	21 853	20 318						
6 years later	852	13 368	21 202	21 872							
7 years later	852	13 372	21 206								
8 years later	852	13 374									
9 years later	852										
Cumulative payments to date	852	13 374	21 206	21 872	20 318	18 696	20 578	23 843	26 575	26 365	193 679
Liability recognised in the balance sheet, gross	0	22	199	859	632	209	281	796	1 943	9 355	14 297

2.3.6. Reinsurance and concentration of risks

To manage underwriting risk and protect the equity of the company, reinsurance is used. In 2015, all the motor own damage, property, motor third party liability and travel insurance contracts of the company were covered by non-proportional reinsurance programs. Additionally, motor third party liability insurance was covered by proportional reinsurance. According to the business model of the company, there is no need for facultative reinsurance.

To minimize the reinsurance counterparty default risks particularly the reinsurer's insolvency and dependency on one reinsurer, the company defines the minimum permitted credit rating and the maximum permitted share per reinsurer in a reinsurance contract. Reinsurer's share in motor own damage and property insurance as well as motor third party liability insurance is limited to 30% in 2015.

Due to the small volume of the travel insurance portfolio, in the context of global reinsurance market, one reinsurer has been selected as a partner in travel insurance.

The credit ratings set for reinsurers have been specified in chapter 2.6. Credit risk.

2.4 Market Risk

Market risk is the risk that the value of an investment portfolio will decrease due to the changes in the market risk factors. The Company has kept a very conservative investment strategy and due to that, the main market risk factor influencing the portfolio is unfavorable changes in interest rates.

2.4.1. Currency risk

Currency risk arises in the circumstances where the value of a financial instrument may float due to changes in foreign exchange rates. As of 31.12.2015 all the investments in the investment portfolio are in EUR and according to the investment strategy other currencies are not allowed anymore. Therefore, there is also no direct currency risk for the company.

Financial position by currencies

In thousands of euros	EUR	LTL[1]	Total
Assets		31.12.2015	
Cash	7 185		7 185
Financial investments at fair value	24 444		24 444
Financial investments at amortised cost	16 619		16 619
Receivables	7 401		7 401
Non-financial assets	149		149
TOTAL assets	**55 798**	**-**	**55 798**
Liabilities and equity			
Liabilities related to insurance activities	22 396		22 396
Other liabilities	1 256		1 256
Equity	32 146		32 146
TOTAL liabilities and equity	**55 798**	**-**	**55 798**
Balance sheet net position	**0**	**-**	**0**
Assets		31.12.2014	
Cash	7 722	1 548	9 270
Financial investments at fair value	9 034	1 995	11 029
Financial investments at amortised cost	23 904	0	23 904
Receivables	5 993	384	6 377
Non-financial assets	106	1	107
TOTAL assets	**46 759**	**3 928**	**50 687**
Liabilities and equity			
Liabilities related to insurance activities	17 091	1 248	18 339
Other liabilities	840	261	1 101
Equity	31 247	0	31 247
TOTAL liabilities and equity	**49 178**	**1 509**	**50 687**
Balance sheet net position	**-2 419**	**2 419**	**0**

[1] Foreign currencies are translated into euros using the rates of the European Central Bank as of the balance sheet date. LTL rate as of 31.12.2014 was 3.4528

2.4.2. Interest rate risk

Interest rate risk means uncertainty concerning future interest rates. Financial effect on the assets of the company's investment portfolio which may occur due to unfavorable changes in interest rates is quantified based on sensitivity testing. Sensitivity testing takes into account the negative change of interest rates by 100 basis points. However, it does not take into account the probability of the change.

Change in interest rate	Effect of the change on the Company's assets, in thousands of euros
- 100 bps	-690

Distribution of interest-bearing assets and liabilities by interest-fixing terms

In thousands of euros	Up to 3 months	3…12 months	1…2 years	Over 2 years	Total
			31.12.2015		
Assets					
Cash	7 185	0	0	0	**7 185**
Financial investments at fair value through profit or loss	76	861	9 514	13 993	**24 444**
Financial investments at amortised cost	11 620	4 999	0	0	**16 619**
Exposure to interest rate risk	**18 881**	**5 860**	**9 514**	**13 993**	**48 248**
			31.12.2014		
Assets					
Cash	9 270	0	0	0	**9 270**
Financial investments at fair value through profit or loss	4 126	4 864	0	2 039	**11 029**
Financial investments at amortised cost	9 594	14 310	0	0	**23 904**
Exposure to interest rate risk	**22 990**	**19 174**	**0**	**2 039**	**44 203**

2.5 Liquidity risk

Liquidity risk is the risk that the company is unable to realize investments and other assets to settle its financial obligations when they fall due without a significant increase in the cost of obtaining means of payment.

The company may theoretically incur liquidity problems particularly if claims concentrate on one short period of time mainly due to natural or man-made catastrophic events. To manage the liquidity risk, the cash-flow and liabilities of the company as well as the duration thereof are analysed. The provision for claims incurred but not settled is constantly compared with the balance of bank accounts.

The liquidity risk of the company is very low. Cash-flows from insurance activities have been constantly positive and should remain positive also in the future. Liabilities of the company from insurance activities are mainly short-term, with duration of up to one year except relatively small amount of annuity claims from motor third liability insurance. Due to the uncertainty of financial markets, the company avoids taking long-term positions in compilation of an investment portfolio, which reduces the possibility of earning on the account of taking interest or credit risk. Exception is the annuities arising from the motor third party liabilities; there the long-term positions are in accordance with the duration of the liabilities. Majority of assets in an investment portfolio may be realised, if necessary, within one week at the market price. Claims are paid out within 2-3 days from making a pay-out decision.

Distribution of assets and liabilities by remaining maturities

In thousands of euros	Up to 3 months	3...12 months	1...2 years	Over 2 years	Without maturity	Total
			31.12.2015			
Assets						
Cash	7 185	0	0	0	0	**7 185**
Financial investments at fair value through profit or loss	76	861	9 514	13 993	0	**24 444**
Financial investments at amortised cost	11 620	4 999	0	0	0	**16 619**
Tangible assets	0	0	0	0	11	**11**
Other assets	7 147	353	39	0	0	**7 539**
Total assets	**26 028**	**6 213**	**9 553**	**13 993**	**11**	**55 798**
Liabilities and equity						
Liabilities related to insurance activities	17 600	2 903	108	1 785	0	**22 396**
Other liabilities	598	343	149	166	0	**1 256**
Equity	0	0	0	0	32 146	**32 146**
Total liabilities and equity	**18 198**	**3 246**	**257**	**1 951**	**32 146**	**55 798**
Exposure by maturities	**7 830**	**2 967**	**9 296**	**12 042**	**-32 135**	**0**

In thousands of euros	Up to 3 months	3...12 months	1...2 years	Over 2 years	Without maturity	Total
			31.12.2014			
Assets						
Cash	9 270	0	0	0	0	**9 270**
Financial investments at fair value through profit or loss	4 126	4 864	0	2 039	0	**11 029**
Financial investments at amortised cost	9 594	14 310	0	0	0	**23 904**
Tangible assets	0	0	0	0	18	**18**
Other assets	6 194	267	5	0	0	**6 466**
Total assets	**29 184**	**19 441**	**5**	**2 039**	**18**	**50 687**
Liabilities and equity						
Liabilities related to insurance activities	14 231	2 150	90	1 868	0	**18 339**
Other liabilities	304	414	212	171	0	**1 101**
Equity	0	0	0	0	31 247	**31 247**
Total liabilities and equity	**14 535**	**2 564**	**302**	**2 039**	**31 247**	**50 687**
Exposure by maturities	**14 648**	**16 877**	**-297**	**0**	**-31 228**	**0**

2.6. Credit Risk

Credit risk refers to the risk that the counterparty of a financial transaction due to its insolvency does not meet its contractual obligations towards the entity.

The credit risk of the company is mainly associated with the reinsurance and the investment management. Realization of the risk within the next 12 months is considered low by the company. The reason being that high credit rating requirements have been set for both reinsurers as well as investment portfolio counterparties.

Credit risk is minimized with the minimum credit ratings established on the credit institution of security issuance and on reinsurance partners and monitoring the maximum share of counterparties in the investment portfolio and reinsurance programs.

Distribution of the investment portfolio in terms of credit ratings:

2015 in percentage	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Total
Bonds	3.6	2.7	11.7	21.9			4.6	6.3	8.7	59.5
Term deposit				40.4						40.4
Cash in investment portfolio				0.1						0.1
TOTAL	**3.6**	**2.7**	**11.7**	**62.4**	**0**	**0**	**4.6**	**6.3**	**8.7**	**100.0**
2014										
Bonds				5.8		51.0	8.8			65.6
Term deposit	4.0	2.8	5.2	2.3	3.6		6.8	5.5		30.2
Cash in investment portfolio						4.2				4.2
TOTAL	**4.0**	**2.8**	**5.2**	**8.1**	**3.6**	**55.2**	**15.6**	**5.5**	**0**	**100.0**

The average credit rating of the reinsurers participating in the motor own damage, motor third party liability and property reinsurance programmes remains between Aa3-A3 according to Moody's. Compared to 2014, no significant changes have occurred in the average credit ratings of reinsurance programmes. Additionally, credit ratings of the reinsurers are assessed by the Swedbank Group own credit risk methodology to minimize the impact from the external credit ratings systematic potential failures. Also the financial performance and claims payment habit of the reinsures' that participate in the company's reinsurance treaties, is monitored.

Debt securities by issuer type

In euros	31.12.2015	31.12.2014
Government bonds of European countries	5 055 995	7 587 512
Bonds of banks	13 114 692	3 441 556
Other corporate bonds	6 273 199	0
TOTAL	**24 443 886**	**11 029 068**

2.7 Operational Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. The definition of operational risk includes legal risk.

The company has implemented the following main methods and tools in order to systematically identify, analyse, monitor and mitigate the operational risks:

- Risk and Control Self-Assessment is carried out at least annually by the business and mitigation actions are monitored regularly.
- Risk analysis of new products and services.

- Business continuity management through up-to-date business continuity plans and regular business continuity testing.
- Reporting and analysing incidents.

Additionally, Risk Management Maturity Assessment method is used for assessing the overall level of risk management and risk awareness in the company. The company follows standardised Swedbank Group methodology.

Operational risk management has three main goals:

- Prevention

  Once a year risks related to business activities of all departments are mapped and their probability and financial impact, impact on the functioning of business processes and reputation is assessed. In the case of significant risks, clear responsibilities and deadlines for implementing mitigation actions are in place. Monitoring of the implementation of the mitigation actions should reduce the risk to the acceptable level.

  All new products and processes as well as significant changes made to the existing ones are subject to risk assessment. The purpose of the process is to ensure that the company is not entering into activities that contain unintended forms of risk or risks that are not immediately managed and controlled by part of the process.

- Ensuring preparedness for fast and efficient solution of potential crisis situation

  The company has drawn up a business continuity plan that contains the code of practice and predefined actions for restoring quickly the situation as before any potential crisis situation. The business continuity plan is updated on a constant basis and the functioning thereof is tested during business continuity tests.

- Development and implementation of improvement activities

  To develop improvement activities and quantify the impact of operational incidents and losses, information is collected regularly about failures and incidents from daily activities. Mitigation actions are developed based on the size and frequency of the incidents.

2.8. Capital Management

2.8.1. Capital content and management

The target of capital management is to ensure the sustainability and stability of the company protecting therewith the interests of policyholders and shareholders. Capital management is based on the management of the assets and liabilities of the company and risks related thereto and consists in regular assessment of the compliance with the capital requirements established in the Insurance Activities Act (hereinafter the IAA).

The term 'capital' refers to equity capital, which consists of paid-up share capital, share premium, legal reserve and retained earnings. The company does not use any external funding.

2.8.2. Capital requirements established by law

The Insurance Activities Act defines three capital requirements for the Company:

- the share capital shall be three million euros in minimum;
- available solvency margin shall not be less than the minimum solvency margin, which is set at 3.7 million euros;
- available solvency margin shall not be less than the required solvency margin calculated according to the formula described in § 72 of the IAA (IAA valid until 31 December 2015).

The definition of an available solvency margin is provided in § 67 of the IAA. It includes paid-up share capital and share premium, legal reserve and retained earnings reduced by intangible fixed assets, losses earned, significant holdings in other financial institutions, treasury shares repurchased, all off-balance sheet liabilities, and to which subordinated liabilities or other instruments with no specified maturity date may be added, upon the consent of the Financial Supervision Authority. The Company does not own listed reducible assets or addable subordinated liabilities. Therefore the size and content of the available solvency margin is generally equal to the Company's own capital on the Balance Sheet.

The Company has a strong capital position and as of 31.12.2015 available capital exceeds 1.91 times (2014: 2.01) the Solvency I capital requirement.

2.8.3. Compliance with capital requirements

Compliance with capital requirements arising from the IAA

In euros	31.12.2015	31.12.2014
Share capital requirement	3 000 000	3 000 000
Share capital of Swedbank P&C Insurance AS	7 210 000	7 210 000
Surplus	4 210 000	4 210 000
Minimum solvency margin	3 700 000	3 700 000
Required solvency margin	10 108 737	8 769 844
Solvency margin of Swedbank P&C Insurance AS	19 273 802	17 623 195
Surplus	9 165 065	8 853 351

NOTE 3. CASH AND CASH EQUIVALENTS

In euros	31.12.2015	31.12.2014
Demand deposits	7 184 894	9 270 039
TOTAL	7 184 894	9 270 039

NOTE 4. FINANCIAL INVESTMENTS

Investment activities of insurance undertakings are regulated by the Investment Activities Act. Upon investment of an insurance undertaking's assets the nature of commitments arising from insurance activities and insurance contracts shall be taken into account, including the currency in which the commitments are assumed. Upon investment of an insurance undertaking's assets, optimum safety and proceeds shall be secured and, at the same time, the constant liquidity of the insurance undertaking and the diversification and adequate spread of the investments of the insurance undertaking shall be maintained.

The company uses sundry valuation methods appropriate in the circumstances and for which relevant observable inputs are available to measure fair value. There are three valuation levels. Fair value hierarchy level 1 consists of financial instruments tradable at quoted prices on active market. All assets of the Company that are recognised at fair value are grouped according to fair value hierarchy level 1. The measurements of fair value of assets of investment portfolio are provided by portfolio manager based on market information.

			31.12.2015		
In thousands of euros	Up to 3 months	3...12 months	1...2 years	Over 2 years	Total
Bonds	76	861	9 514	13 993	24 444
Term deposits	11 620	4 999	0	0	16 619
TOTAL	11 696	5 860	9 514	13 993	41 063
			31.12.2014		
Bonds	4 126	4 864	0	2 039	11 029
Term deposits	9 594	14 310	0	0	23 904
TOTAL	13 720	19 174	0	2 039	34 933

The Company outsources the investment management services from Swedbank Investeerimisfondid AS. Investment strategy of the company has been very conservative and is stated in the Investment Policy. Investment declaration sets detailed limits on the investments (most important are indicated in the table below). Compliance of the investments to the stated limits is monitored monthly in order to manage market risks, including interest rate risk and credit risk. Investments are allowed only in euro nominated investments, and this requirement is adhered to.

Restriction	2015		2014	
Distribution of assets	Lower limit	Upper limit	Lower limit	Upper limit
Instruments of fixed interest rate	10%	70%	10%	70%
Term deposits	0%	80%	0%	80%
Cash	0%	20%	0%	20%

As of the balance sheet date the investment portfolio of the Company consists of debt instruments, deposits and cash at bank.

Distribution of the investment portfolio

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%**

As of the end of the 2015, 59.5% (in 2014: 30.2%) of the portfolio has been invested in bonds and bonds funds. Current level remained within the range established by the investment declaration. During 2015 assets under management of Swedbank Investeerimisfondid AS increased from 25 million euros to 28 million euros. Maximum allowed duration of the portfolio was prolonged from one year to two years. Also investment universe was expanded to OECD countries plus Lithuania. In the beginning of 2015, duration of the portfolio under Swedbank Investeerimisfondid AS management was 0.94 years (2014: 0.94). As investment criteria were changed then duration increased to 2.2 as end of 2015. During the year weight of deposits decreased as local commercial banks were not interested in attracting new deposits and were offering very low yields or even negative yields. In June investment criteria were changed due to absence of positive yielding instruments according to the existing declaration. At the end of 2015 deposits made 40% of the portfolio.

In 2015, gross return of the portfolio was -0.19% (2014: 0.80%). At the same time benchmark return was -0.13%. In the end of 2014 yield to maturity of the portfolio was 0.36% and this declined to 0.27% at the end of 2015.

2015 was relatively volatile year for bond markets. The year began with declining yields as markets were expecting quantitative easing program from ECB. In January ECB announced bond buying program starting from March which means buying 60 billion euros per month until September 2016 or until 2% inflation level is reached. In April bond yields reached record low levels which brought sellers to the market to lock profits. Throughout the year yields up to 2 year for low risk German government bonds remained in negative territory. In the beginning of 2015, German 1-year bonds yielded -0.06% and 2-year bonds -0.1%. In the end of year 1-year bonds reached -0.38% and 2-year bonds -0.35% as ECB cut deposit facility rates by 10 bps to -0.3% in December 2015 and prolonged asset purchase programme until 2017. Market participants also expected increasing of monthly bond buying volumes from December meeting. In expectation of latter yields had been declining for couple of months. As this expectation was not met by ECB, no change in volumes was announced and market reacted to this with a big sell off.

In annual report 2014 we expressed, that in year 2015 return would be similar to yield to maturity of the portfolio as at the end of 2014 but that was not achieved as the portfolio changed quite a lot during the year and bond markets were very volatile.

In 2016 bond markets could remain volatile as US FED began rate hiking cycle for US dollar. We believe that short end of euro curve will remain supported by ECB asset buying program.

NOTE 5. PREPAID EXPENSES

In euros	31.12.2015	31.12.2014
Prepaid taxes	31 557	14
Other prepaid expenses	105 032	88 361
TOTAL	**136 589**	**88 375**

31,532 euros of the prepaid taxes is non-current because it will be realised during a period longer than 12 months. All other prepayments are short term.

NOTE 6. 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**

7,327 euros of the technical provisions will be realised during a period longer than 12 months. All other provisions and receivables are realizable within the next 12 months and therefore they can be considered to be short-term.

NOTE 7. 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 (see Note 11)	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

1,893,077 euros of the technical provisions is a non-current liability because it will be realised during a period longer than 12 months. All other liabilities from insurance activity are short-term.

7.1 Liability adequacy test

As of the balance sheet date liability adequacy test has been carried out. The test indicated a deficiency in amount of 97,280 euros (2014: 61,823) that was recognised in income statement and in insurance technical liabilities.

NOTE 8. 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

Accrued expenses

In euros	31.12.2015	31.12.2014
Liabilities from share-based bonus program	617 130	511 179
Deferred reinsurance commission	182 093	175 511
Reserve for unused vacation	110 050	93 757
Taxes payable	238 834	236 452
Other	2 682	10 456
TOTAL	1 150 789	1 027 355

Deferred reinsurance commissions arise from proportional reinsurance program which started in 2015. This amount reflects unearned part of reinsurance commissions related with the policies in force at the balance sheet date.

Liabilities from share-based bonus program in the amount of 315,245 euros are long-term as they become collectible in a period longer than 12 months. All other liabilities in the current note are short-term.

NOTE 9. SHARE CAPITAL

According to the Insurance Activities Act, the minimum share capital of an insurance undertaking engaged in certain insurance classes, incl. Motor third party liability insurance, is three million euros.

As of 31.12.2015 and 31.12.2014 the share capital of the Company consists of 721,000 shares with a nominal value of 10 euros per share. The share capital of the Company is 7,210,000 euros. The 100% holder of the shares is Swedbank AS.

NOTE 10. PREMIUMS EARNED NET OF REINSURANCE

In euros	2015	2014
Gross premium (see Note 12)	59 861 764	51 877 530
Change in provisions for unearned premiums	-611 141	-486 749
Premiums earned	**59 250 623**	**51 390 781**
Reinsurance premium	-3 664 117	-3 531 765
Reinsurers' share in change of unearned premiums provision	24 836	662 305
Reinsurance premium	**-3 639 281**	**-2 869 460**
TOTAL	**55 611 342**	**48 521 321**

NOTE 11. CLAIMS INCURRED NET OF REINSURANCE

In euros	2015	2014
Claims incurred, gross amount	**32 715 452**	**26 135 981**
Claims paid (see Note 12)	32 380 429	26 520 356
Change in the claims provision	3 205 375	1 623 731
Amounts recovered from salvage and recourses	-2 905 808	-2 037 313
Change in Unexpired risk reserve	35 456	29 207
Claims handling expenses	**2 114 512**	**1 992 045**
Direct claims handling expenses	1 020 296	987 742
Indirect claims handling expenses	1 094 216	1 004 303
Staff costs	827 371	734 149
Depreciation of fixed assets	4 151	3 694
Other	262 694	266 460
Reinsurers` share of claims incurred	**-2 151 843**	**-1 709 504**
Reinsurers` share in claims paid	-1 584 737	-939 744
Reinsurers` share in change of claims provisions	-567 106	-769 760
TOTAL	**32 678 121**	**26 418 522**

In euros	2015	2014
Outstanding claims provision at the beginning of year	**11 621 611**	**9 997 880**
Claims paid amount from the reported claims provision related with previous years claims	- 4 422 003	-4 287 967
Change in the reported claims provision, related with current year claims	7 875 950	5 886 887
Change in the reported claims provision related with previous years claims	-723 398	-401 537
Change in the incurred but not reported claims provision	472 425	303 610
Change in the provision for claims handling costs	2 401	122 738
Outstanding claims provision at the end of year (see Note 7)	**14 826 986**	**11 621 611**

NOTE 12. GROSS PREMIUMS AND CLAIMS PAID BY PRODUCTS

In euros	2015	2014
Gross premium		
Motor own damage insurance	22 698 291	21 475 090
Home insurance	23 548 835	18 547 363
Motor third party liability insurance	5 634 580	5 477 685
Travel insurance	3 746 536	2 941 045
Payment protection insurance	3 685 388	2 812 236
Apartment building insurance	300 395	273 837
Other	247 739	350 274
TOTAL	**59 861 764**	**51 877 530**
Claims paid		
Motor own damage insurance	16 758 691	14 601 220
Home insurance	8 838 870	6 202 292
Motor third party liability insurance	3 492 772	3 248 940
Travel insurance	2 575 322	1 909 379
Payment protection insurance	653 923	387 313
Apartment building insurance	28 852	147 971
Other	31 999	23 241
TOTAL	**32 380 429**	**26 520 356**

NOTE 13. ACQUISITION COSTS, NET OF REINSURANCE

In euros	2015	2014
Staff costs	55 268	417 738
Other operating expenses	744 788	693 553
Outsourced services	2 842 059	2 249 189
Depreciation and impairment of fixed assets	84	1 783
Reinsurance commission	-773 369	-731 238
Change of accrued reinsurance commissions	6 582	175 511
TOTAL	2 875 412	2 806 536

NOTE 14. ADMINISTRATIVE EXPENSES

In euros	2015	2014
Staff costs	1 504 877	1 237 302
Other operating expenses	2 406 980	2 000 727
Outsourced services	493 625	504 939
Depreciation and impairment on fixed assets	7 325	7 953
TOTAL	4 412 807	3 750 921

NOTE 15. COMPENSATION

The remuneration of Swedbank P&C Insurance AS Members of Management Board and employees is based on the Swedbank Group remuneration policy. The aim is to encourage employees to live up to their individual goals and at the same time attract employees with the competence that the Group needs, within established cost limits, so that it has a positive impact on Group activity. Swedbank Group has established remuneration policy in a way that would be consistent with and promoting sound and effective risk management not encouraging excessive risk-taking.

The majority of employees have fixed and variable compensation components, which, together with other benefits, represent their total compensation. The goal is to achieve a sound balance between variable and fixed components. Total compensation should be competitive and responsive to market conditions, while also reflecting Swedbank Group principle values – open, simple and caring. Also support business strategy, goals, long-term value and vision. Fixed remuneration constitutes the primary component of remuneration. Managers' manager approves the decision about the remuneration and assesses also the achievement of the goals and their consistency with the Group values.

Bonuses are paid regarding to Swedbank Group principles of ethics and conflict avoidance and other internal rules. The bonuses are paid in multiple years delay, that it would be able to take into consideration Swedbank Group long term and sustainability oriented growth strategy, the cyclical nature of the economy and the risks to be taken. Furthermore, the bonus payment considers the establishment by the employee with internal and external rules. In 2015, based on bonus programme of Swedbank Group, 10,509 shares of Swedbank AB were transferred to the Company´s employees and the Board Members for the performance in year 2011.

Staff costs are recognised in accordance with the nature of work in indirect claims handling expenses, acquisition costs or administrative expenses (see Notes 11, 13, 14).

NOTE 16. INVESTMENT INCOME AND EXPENSES

In euros	2015	2014
Interest income	371 822	382 010
Change in value of financial assets at fair value with changes through statement of profit and loss	-168 233	77 089
Net losses from financial investments	-10 825	-207 580
Realised gains/losses from changes in currency rates	-4 563	-3 788
Other investment management expenses	-66 200	-97 736
TOTAL	**122 001**	**149 995**

NOTE 17. INCOME TAX

Dividends payable in Estonia are subject to income tax which is recognised as expense at the moment of declaration thereof and is recorded as “Income tax” in the Statement of Comprehensive Income. In March 2015, the Sole Shareholder approved the decision to pay out dividends in the amount of 11.5 million euros from the retained earnings as of 31.12.2014. Dividends were partly paid out from the profits of Latvian and Lithuanian branches. Income tax calculated on the dividend distribution was 2.1 million euros.

In euros	Estonia	Latvia	Tax rate	Lithuania	Tax rate	Total
Profit before tax	11 134 228	2 031 635		2 100 705		15 266 568
Income tax on dividends	2 123 946					2 123 946
Effect of tax rates in foreign jurisdictions		304 745	15%	315 106	15%	619 851
Income tax on non-deductible expenses		703		7 179		7 882
Non-taxable income and tax incentives		-13 654		0		-13 654
Deferred income tax		6 205		1 423		7 628
Other		-2 037		0		-2 037
Income tax expense in Other Comprehensive Income	**2 123 946**	**295 962**		**323 708**		**2 743 616**

Income earned in the Latvian branch is subject to income tax at the rate of 15%. Considering non-deductible expenses, the effective tax rate was as well 15%. Income earned in the Lithuanian branch is subject to income tax at the rate of 15% which was also the effective tax rate.

Latvian branch

In euros	2015	Tax rate	2014	Tax rate
Profit before tax	2 031 635		2 124 807	
Effect of Latvian tax rate	304 745	15%	318 721	15%
Income tax on non-deductible expenses	703	0%	3 348	0%
Deferred income tax	6 205	0%	9 574	0%
Income tax deduction on non-taxable income	-13 654	-1%	0	0%
Other	-2 037	0%	70	0%
Income tax expense	295 962	15%	331 713	16%

Lithuanian branch

In euros	2015	Tax rate	2014	Tax rate
Profit before tax	2 100 705		1 434 932	
Effect of Lithuanian tax rate	315 106	15%	215 240	15%
Income tax on non-deductible expenses	7 179	0%	5 326	0%
Deferred income tax on non-deductible expenses	1 423	0%	930	0%
Income tax expense	323 708	15%	221 496	15%
Deferred income tax	-494		2 315	
Deferred tax assets	1 423		930	

NOTE 18. CONTINGENT INCOME TAX

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to corporate income tax, instead the tax is due on the distribution of dividends or distribution of profit in any other forms. Income tax should be calculated also on payments made from equity that exceed the monetary and non-monetary contributions made to the equity. According to the aforementioned Act the dividends and profit distributed in any other forms are subject to income tax with the tax rate 20/80 starting from 2015 (2014: 21/79) on the actual distribution.

The contingent tax liability that may occur if all distributable retained earnings should be distributed or in case the capital is decreased is not reported on the statement of financial positions. The income tax due on dividend distribution or any other distribution of equity is expensed in the income statement when respective disbursements are declared.

Retained earnings of the Company as of 31 December 2015 amounted to 24.2 million euros. Taking into account that of distributable profit 3.5 million euros has already been taxed in other countries, the maximum contingent income tax liability, which would become payable if retained earnings were fully distributed, would be 5.2 million euros.

NOTE 19. 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 related to them and companies in which they have a considerable holding, and key personnel of the parent. The parent company of the Company is Swedbank AS, which holds 100% of the voting rights. The parent company of Swedbank AS 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:

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	2015	2014
Intermediary fee		
Swedbank AS	-1 464 490	-1 268 739
Other Group companies	-1 346 075	-938 815
TOTAL	**-2 810 565**	**-2 207 554**
Revenue from insurance premium		
Swedbank AS	1 409 539	1 156 627
Other Group companies	1 909 728	1 912 472
TOTAL	**3 319 267**	**3 069 099**
Interests		
Swedbank AS	62 444	62 159
Other Group companies	738	15 032
TOTAL	**63 182**	**77 191**
Other purchases		
Swedbank AS	-1 312 142	-1 015 328
Other Group companies	-1 028 089	-955 237
TOTAL	**-2 340 231**	**-1 970 565**
Other sales		
Other Group companies	1 961	6 156
TOTAL	**1 961**	**6 156**

Swedbank Group banks are settlement and depositary banks of the Company in Estonia, Latvia and Lithuania. Settlement, deposit and securities transactions with Swedbank Group banks take place under market conditions.

The Company has entered into agency contracts for selling insurance products with Swedbank AS and Swedbank Liising AS in Estonia, with AS Swedbank in Latvia and with Swedbank AB and Swedbank Lizingas UAB in Lithuania. In 2015, the Company paid intermediary's fee in Estonia in an amount of 1,660 thousand euros (2014: 1,490), in Latvia 747 thousand euros (2014: 599) and in Lithuania 404 thousand euros (2014: 119).

In addition, Swedbank AS provides services to the Company in respect of several functions, like personnel records, salaries accounting and legal consultation. At the Group level IT development and management activities and internal audit has centralized.

The Company does not provide services to other related parties, except the conclusion of insurance contracts. Insurance contracts with members of the Supervisory and Management Board are entered into on a general basis.

Key management personnel within the definition of IAS 24 are members of the Management Board and key management personnel of the parent. The remuneration paid to members of the Management Board in 2015 amounted to 164.6 thousand euros (2014: 119.6 thousand euros) and under employment contracts 30.0 thousand euros (2014: 52.7 thousand euros). In 2014, based on bonus program of Swedbank Group, 1,649 shares of Swedbank AB were transferred to Board Members for the performance in year 2011. According to the Board Member contract, Members of the Management Board have the right, upon termination of a contract, to receive remuneration of a member of the management board for three to six months. The Company did not calculate or pay any remuneration to members of the Supervisory Board.

NOTE 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

	31.12.2015			31.12.2014		
In thousands of euros	Fair value	Carrying amount	Diffe-rence	Fair value	Carrying amount	Diffe-rence
ASSETS						
Cash and cash equivalents	7 185	7 185	0	9 270	9 270	0
Debt securities at fair value through profit or loss	24 444	24 444	0	11 029	11 029	0
Term deposits	16 619	16 619	0	23 904	23 904	0
Receivables and prepaid expenses	7 401	7 401	0	6 377	6 377	0
Non-financial assets	149	149	0	107	107	0
Total assets	**55 798**	**55 798**	**0**	**50 687**	**50 687**	**0**
LIABILITIES						
Liabilities related to insurance activities	22 396	22 396	0	18 339	18 339	0
Other liabilities	1 256	1 256	0	1 101	1 101	0
Total liabilities	**23 652**	**23 652**	**0**	**19 440**	**19 440**	**0**

NOTE 21. EVENTS AFTER BALANCE SHEET DATE

With the decision of the Shareholder, Swedbank AS, on 09.02.2016 the share capital of the Company was increased by 14 million euros in monetary contribution, 1,400,000 new shares were issued. The reason of the increase of share capital is to cover next three years capital need with share capital, which allows paying out dividends from retained earnings of 2015 as well as previous periods.

With the decision of the Council of Swedbank P&C Insurance AS starting from 12.02.2016, Ivika Torpel was called back from the Management Board of the Company. The decision is related with the rearrangements in organizational setup, after what Ivika Torpel started to work in Swedbank AS, which acts as an agent of Swedbank P&C Insurance AS.

Starting from 2016 new Insurance Activities Act was enforced, which main purpose is to fully reflect Solvency II requirements. In connection with aforementioned enforced Insurance Activities Act, the Company has made changes in its management and control systems to be compliant with the new requirements. Moreover, the Management has assessed the Company sufficiently capitalized to meet the new capital requirements, for what in 2015 forward looking Own Risk and Solvency Assessment was performed.

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PROFIT DISTRIBUTION PROPOSAL

The Board confirmed the 12,523,446 euros net profit of Swedbank P&C Insurance AS. In accordance with the audited financial results, the Board recommends the annual shareholders´ meeting that the Swedbank P&C Insurance AS 2015 net profit of 12,523,446 euros and retained earnings from previous financial periods of 11,691,064 euros, all totaling to 24,214,510 euros, to be distributed as shown below:

- To be paid as dividends	22,800,000 euros
- To be undistributed	1,414,510 euros

Name	Position	Signature / Date
Margus Liigand	Chairman of the Management Board	/digital signature/
Peeter Kabbun	Member of the Management Board	/digital signature/
Vaida Janušytė	Member of the Management Board	/digital signature/
Mihkel Mandre	Member of the Management Board	/digital signature/