

# SWEDBANK P&C INSURANCE AS

## Interim Report

As of 30 June 2017

Business name	Swedbank P&C Insurance AS
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Website	<a href="http://www.swedbank.ee/varakindlustus">www.swedbank.ee/varakindlustus</a>
Principal activity	Provision of insurance services
Chairman of the Management Board	Rasa Balevičienė
Auditors	AS Deloitte Audit Eesti

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## OVERVIEW OF THE BUSINESS RESULTS

Swedbank P&C Insurance AS (hereinafter also the Company) operates through its branches in Estonia, Latvia and Lithuania. The Company provides motor own damage, motor third party liability, home and apartment building insurance and travel insurance. The Company also renders financial loss and accident insurance as well as travel insurance to credit card customers of Swedbank. The products of Swedbank P&C Insurance AS are sold through the sales channels of Swedbank. Customers can also enter into contracts by telephone and e-mail and partially via other e-channels.

### Results of Business Operations of Q2 of 2017

Q2 financial results of the Company improved in comparison to Q2 2016 mainly due to increase of earned premiums. Claim ratio was 59.0 and stayed at the same level as year ago (Q2 2016: 58.4%). However, the profitability has improved as the Company managed to limit the growth of expenses arising from the increased business volumes. Net profit of the Q2 2017 amounted 5.0 million euros and increased by 0.9 million euros compared to the Q2 2016.

Six months financial results of the Company improved compared to last year same period. Combined ratio decreased by 0.4 percentage points and the business volumes grew considerably. Expense ratio was 13.3% (year ago 14.1%). The Company distributed dividends in a sum of 8.7 million euros this year, which is considerably less than in 2016. As a result of this, the income tax on dividends was substantially lower this year and six months net profit amounted 7.2 million euros.

In euros	Q2 2017	Q2 2016	30.06.2017	30.06.2016
Premiums earned net of reinsurance	19 491 713	16 000 812	37 967 243	31 379 541
Claims incurred net of reinsurance	11 508 937	9 341 436	24 163 050	19 827 250
Net operating expenses	2 642 089	2 386 667	5 034 825	4 416 825
Return of insurance activities	5 340 687	4 272 709	8 769 368	7 135 466
Net profit	4 968 684	4 115 959	7 163 200	2 052 331
Net claims ratio	59,0%	58,4%	63,6%	63,2%
Net expense ratio	13,6%	14,9%	13,3%	14,1%
Combined ratio	72,6%	73,3%	76,9%	77,3%

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

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

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

Insurance premium by products and countries:

### Sales results of Company in Estonia

in thousands of euros	Q2 of 2017	Proportion	6 months 2017	Proportion
Motor own damage insurance	4 800	36.4%	9 784	37.4%
Home insurance	4 437	33.6%	8 720	33.3%
Motor third party liability insurance	1 903	14.4%	3 531	13.5%
Payment protection insurance	981	7.4%	1 923	7.4%
Travel insurance	962	7.3%	1 974	7.5%
Apartment building insurance	98	0.7%	179	0.7%
Other	21	0.2%	40	0.2%
<b>TOTAL</b>	<b>13 202</b>	<b>100%</b>	<b>26 151</b>	<b>100%</b>

### Sales Results of Company in Latvia

in thousands of euros	Q2 of 2017	Proportion	6 months 2017	Proportion
Home insurance	1 615	48.4%	3 166	49.9%
Motor own damage insurance	920	27.5%	1 809	28.5%
Motor third party liability insurance	426	12.7%	635	10.0%
Travel insurance	203	6.1%	407	6.3%
Payment protection insurance	172	5.1%	317	5.0%
Other	8	0.2%	17	0.3%
<b>TOTAL</b>	<b>3 344</b>	<b>100%</b>	<b>6 352</b>	<b>100%</b>

### Sales Results of Company in Lithuania

in thousands of euros	Q2 of 2017	Proportion	6 months 2017	Proportion
Home insurance	2 496	55.8%	4 916	58.1%
Motor own damage insurance	766	17.1%	1 352	16.0%
Payment protection insurance	679	15.2%	1 234	14.6%
Travel insurance	497	11.1%	900	10.5%
Other	36	0.8%	66	0.8%
<b>TOTAL</b>	<b>4 474</b>	<b>100%</b>	<b>8 468</b>	<b>100%</b>

Insurance premiums have increased compared to Q2 2016 24.8%. Compared to the last year, sales results improved remarkably in motor hull and motor liability insurance: 17.4% and 45.5% compared to Q2 2016. Motor hull insurance sales were highly supported by the product digitalization that took place in the beginning of the year. Home insurance premiums grew 18.5% compared to Q2 2016. At the same time loan payment protection insurance premiums grew 40.8% driven by the high coverage of Swedbank credit card portfolio. The highest

increase was continuously reported in Lithuania. Travel insurance premiums grew 60.5% compared to Q2 2016 being mainly influenced by the pricing review.

### **Important events during the quarter**

With the resolution of the Supervisory Council submitted on 30 May 2017 was decided:

1. To elect as of 1 June 2017 Rasa Balevičienė as the Member of the Management Board of Swedbank P&C Insurance AS.
2. To appoint as of 1 June 2017 Rasa Balevičienė as the Chair of the Management Board of Swedbank P&C Insurance AS. To call back Margus Liigand from being Chairman of the Management Board of Swedbank P&C Insurance AS as of the appointment of Rasa Balevičienė as the Chair of the Management Board of Swedbank P&C Insurance AS. After removal of Margus Liigand from the Chairman of the Management Board position, he will continue to belong to the Management Board of Swedbank P&C Insurance AS as the member of the Management Board of the Swedbank P&C Insurance AS.
3. To call back Vaida Janušytė from being Member of the Management Board of Swedbank P&C Insurance AS as of 14 May 2017 due to the expiry of the term of office of the Member of the Management Board.

On 24 May 2017, the shareholder of SPCI decided to call back Aet Altroff from the Supervisory Council and appointed Dovilė Grigienė as new member of the Supervisory Council.

### **Assets of Company**

The assets of the Company decreased compared to Q1 EUR 5.6 million (9.8%) and formed EUR 63.3 million. The volume of financial investments decreased during the quarter by EUR 3.1 million (9.9%) and formed EUR 35.2 million. The financial investments of the Company exceeded technical liabilities 1.2 times.

### **Number of Employees and Staff Costs**

As of 30 June 2017, the Company employed 114 people – 67 in Estonia, 20 in Latvia and 27 in Lithuania. Labour costs of Q2 were EUR 686.8 thousand (Q2 2016: EUR 645.0 thousand).

## STATEMENT OF FINANCIAL POSITION

In euros	Note	30.06.2017	31.12.2016
<b>ASSETS</b>			
Cash and cash equivalents		18 630 055	13 621 772
Financial investments		35 150 099	38 655 459
Bonds		30 163 547	25 153 925
Term deposits		4 986 552	13 501 534
Receivables related to insurance activities		3 601 425	3 777 726
Accrued income and prepaid expenses		245 947	122 480
Reinsurance assets		5 672 150	5 130 244
Receivables		1 861 193	1 711 359
Technical provisions		3 810 957	3 418 885
Deferred tax assets		17 261	22 283
Tangible assets		5 910	5 977
<b>Total assets</b>		<b>63 322 847</b>	<b>61 335 941</b>
<b>LIABILITIES AND EQUITY</b>			
Liabilities related to insurance activities		29 489 191	25 881 824
Technical provisions		26 524 992	23 511 766
Liabilities related to reinsurance		2 328 957	1 879 971
Other		635 242	490 087
Other liabilities		1 335 321	1 357 358
<b>Total liabilities</b>		<b>30 824 512</b>	<b>27 239 182</b>
Equity			
Share capital		21 210 000	21 210 000
Share premium		1	1
Statutory legal reserve		2 121 000	721 000
Retained earnings		2 004 134	1 345 855
Net profit for current period		7 163 200	10 819 903
<b>Total equity</b>		<b>32 498 335</b>	<b>34 096 759</b>
<b>Total liabilities and equity</b>		<b>63 322 847</b>	<b>61 335 941</b>

## STATEMENT OF COMPREHENSIVE INCOME

In euros	Note	Q2 of 2017	Q2 of 2016	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
<b>Premiums earned, net of reinsurance</b>					
Premiums earned		20 698 906	16 949 998	40 451 529	33 404 244
Reinsurance premium		-1 207 193	-949 186	-2 484 286	-2 024 703
<b>TOTAL</b>		<b>19 491 713</b>	<b>16 000 812</b>	<b>37 967 243</b>	<b>31 379 541</b>
<b>Claims incurred, net of reinsurance</b>					
Claims incurred, gross		11 414 984	9 422 656	23 933 577	20 120 493
Claims handling expenses		820 535	639 455	1 540 722	1 255 916
Share of reinsurance in claims incurred		-726 582	-720 675	-1 311 249	-1 549 159
<b>TOTAL</b>		<b>11 508 937</b>	<b>9 341 436</b>	<b>24 163 050</b>	<b>19 827 250</b>
<b>Operating expenses</b>					
Acquisition costs, net of reinsurance		1 095 023	1 094 890	2 213 384	1 902 860
Administrative expenses		1 445 585	1 215 166	2 632 023	2 366 089
Other operating expenses		101 481	76 611	189 418	147 876
<b>TOTAL</b>		<b>2 642 089</b>	<b>2 386 667</b>	<b>5 034 825</b>	<b>4 416 825</b>
<b>Return of insurance activities</b>		<b>5 340 687</b>	<b>4 272 709</b>	<b>8 769 368</b>	<b>7 135 466</b>
Investment income and expenses, net		-60 193	65 565	-104 041	202 525
Other income		122	262	664	501
Other expenses		59 959	38 916	110 593	83 225
<b>Profit before income tax</b>		<b>5 220 657</b>	<b>4 299 620</b>	<b>8 555 398</b>	<b>7 255 267</b>
Income tax		245 045	183 661	1 387 176	5 202 936
Deferred income tax		6 928	0	5 022	0
<b>Net profit for the period</b>		<b>4 968 684</b>	<b>4 115 959</b>	<b>7 163 200</b>	<b>2 052 331</b>
Fair value adjustment of share based payment at the settlement date		0	-69 916	0	-69 916
<b>Total comprehensive income for the period</b>		<b>4 968 684</b>	<b>4 046 043</b>	<b>7 163 200</b>	<b>1 982 415</b>



STATEMENT OF CASH FLOWS

In euros	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
<b>Cash flow from / used in operating activities</b>	<b>10 304 923</b>	<b>3 279 694</b>
Insurance premium collected	41 810 876	34 077 874
Claims, recourses and handling expenses paid	-23 585 553	-19 421 369
Settlements with reinsurers	-741 062	-644 648
Operating expenses paid	-7 461 814	-5 506 809
Income tax paid	-638 903	-5 228 359
Other income and expenses	921 379	3 005
<b>Cash flow from / used in investing activities</b>	<b>3 411 385</b>	<b>9 693 560</b>
Acquisition of fixed tangible assets	-2 352	-3 782
Interest collected	302 705	344 867
Acquisition of bonds	-8 544 880	-5 542 848
Disposal of bonds	3 216 825	6 549 629
Placed in term deposits	0	-5 000 000
Proceeds from matured term deposits	8 500 000	13 400 000
Investment expenses paid	-60 913	-54 306
<b>Cash flow used in financing activities</b>	<b>-8 700 000</b>	<b>-8 800 000</b>
Distribution of dividends	-8 700 000	-22 800 000
Proceeds from issuance of shares	0	14 000 000
<b>TOTAL CASH FLOW</b>	<b>5 016 308</b>	<b>4 173 254</b>
Cash and cash equivalents at beginning of the period	13 621 772	7 184 894
Change in cash and cash equivalents	5 016 308	4 173 254
Effect of exchange rate changes	-8 025	-7 740
Cash and cash equivalents at end of the period	18 630 055	11 350 408

## STATEMENT OF CHANGES IN EQUITY

In euros	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
<b>As at 01.01.2015</b>	<b>21 210 000</b>	<b>1</b>	<b>721 000</b>	<b>12 165 758</b>	<b>34 096 759</b>
Net profit for the period	0	0	0	7 163 200	7 163 200
Distribution of dividends	0	0	0	-8 700 000	-8 700 000
Change in Statutory legal reserve	0	0	1 400 000	-1 400 000	0
Fair value adjustment of share based payment at the settlement date	0	0	0	-61 624	-61 624
<b>As at 30.06.2017</b>	<b>21 210 000</b>	<b>1</b>	<b>2 121 000</b>	<b>9 167 334</b>	<b>32 498 335</b>
<b>As at 01.01.2016</b>	<b>7 210 000</b>	<b>1</b>	<b>721 000</b>	<b>24 214 510</b>	<b>32 145 511</b>
Net profit for the period	0	0	0	2 052 331	2 052 331
Proceeds from issuance of shares	14 000 000	0	0		14 000 000
Distribution of dividends	0	0	0	-22 800 000	-22 800 000
Fair value adjustment of share based payment at the settlement date	0	0	0	-69 916	-69 916
<b>As at 30.06.2016</b>	<b>21 210 000</b>	<b>1</b>	<b>721 000</b>	<b>3 396 925</b>	<b>25 327 926</b>

## NOTES TO THE INTERIM REPORT

### NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q2 of 2017 of Swedbank P&C Insurance AS has been prepared in compliance with requirements of International Accounting Standard IAS 34 "Interim Financial Reporting" for abbreviated interim reports. This interim report makes use of the same accounting methods as the annual accounts of Swedbank P&C Insurance AS prepared for the financial year that ended on 31 December 2016. The comparative data of this interim report are figures of Q2 of 2016.

The presentation currency of Swedbank P&C Insurance AS is the euro. All of the amounts in this report have been recorded with an accuracy of one euro, unless indicated otherwise. All other currencies, except the local accounting currency, are considered foreign currencies.

The preparation of the report in compliance with International Financial Reporting Standards presumes assumptions and judgments of the management having an impact on balances of reported assets and liabilities and revenue and expenses of the reporting period. The judgments and assumptions have been made in accordance with the best knowledge of the management and taking into account the factors that are considered reasonable under the given circumstances. The judgments and assumptions are consistently reviewed.

### NOTE 2. GROSS PREMIUM AND CLAIMS PAID BY PRODUCTS

In euros	Q2 of 2017	Q2 of 2016	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
<b>Gross premium</b>				
Home insurance	8 548 137	7 210 869	16 802 245	14 097 234
Motor own damage insurance	6 485 530	5 523 525	12 944 684	11 319 535
Motor third party liability insurance	2 328 898	1 601 132	4 166 117	3 059 369
Payment protection insurance	1 832 482	1 301 748	3 474 499	2 461 106
Travel insurance	1 662 298	1 036 016	3 281 226	2 088 242
Apartment building insurance	98 092	91 446	178 813	163 003
Other	64 560	72 221	123 412	142 476
<b>TOTAL</b>	<b>21 019 996</b>	<b>16 836 957</b>	<b>40 970 994</b>	<b>33 330 965</b>
<b>Claims paid</b>				
Home insurance	4 431 786	3 047 600	8 508 525	6 085 449
Motor own damage insurance	4 706 213	4 389 941	9 601 167	9 281 555
Motor third party liability insurance	1 103 081	861 889	2 219 714	2 143 644
Payment protection insurance	355 934	263 850	684 406	517 807
Travel insurance	1 186 885	964 782	2 348 961	2 032 128
Apartment building insurance	8 444	3 961	17 026	28 480
Other	31 008	9 831	50 688	16 746
<b>TOTAL</b>	<b>11 823 350</b>	<b>9 541 854</b>	<b>23 430 488</b>	<b>20 105 809</b>

**NOTE 3. RELATED PARTIES**

Transactions with related parties are transactions with the parent company and other Group companies, members of the supervisory board and management board, persons close to them and companies in which they have a considerable holding. The parent company of the Company is Swedbank AS, which holds 100% of the voting rights. The parent company of the Swedbank Group is Swedbank AB (publ). Sweden.

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

In euros	Swedbank AS	Other Group companies	TOTAL
<b>Receivables and liabilities as of 30.06.2017</b>			
Cash and deposits	9 189 555	14 440 500	23 630 055
Receivables from insurance activities	240 078	189 014	429 092
Accrued interest	0	-13 448	-13 448
<b>TOTAL</b>	<b>9 429 633</b>	<b>14 616 066</b>	<b>24 045 699</b>
Other liabilities	2 330	88 804	91 134
<b>TOTAL</b>	<b>2 330</b>	<b>88 804</b>	<b>91 134</b>
<b>Receivables and liabilities as of 31.12.2016</b>			
Cash and deposits	5 729 854	12 891 918	18 621 772
Receivables from insurance activities	212 557	170 740	383 297
Accrued interest	0	-1 632	-1 632
<b>TOTAL</b>	<b>5 942 411</b>	<b>13 061 026</b>	<b>19 003 437</b>
Other liabilities	0	8 855	8 855
<b>TOTAL</b>	<b>0</b>	<b>8 855</b>	<b>8 855</b>

In euros	Q2 of 2017	Q2 of 2016	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Intermediary fee				
Swedbank AS	-489 632	-420 032	-954 052	-793 633
Other Group companies	-612 050	-452 990	-1 052 518	-719 322
<b>TOTAL</b>	<b>-1 101 682</b>	<b>-873 022</b>	<b>-2 006 570</b>	<b>-1 512 955</b>
Revenue from insurance premium				
Swedbank AS	707 539	340 770	1 371 860	667 921
Other Group companies	641 565	518 941	1 211 667	1 024 122
<b>TOTAL</b>	<b>1 349 104</b>	<b>859 711</b>	<b>2 583 527</b>	<b>1 692 043</b>
Interests				
Swedbank AS	-1 843	143	-1 685	925
Other Group companies	-9 532	-3 286	-16 606	-6 572
<b>TOTAL</b>	<b>-11 375</b>	<b>-3 143</b>	<b>-18 291</b>	<b>-5 647</b>
Other purchases				
Swedbank AS	-473 808	-413 104	-911 394	-828 423
Other Group companies	-399 461	-406 069	-810 052	-698 715
<b>TOTAL</b>	<b>-873 269</b>	<b>-819 173</b>	<b>-1 721 446</b>	<b>-1 527 138</b>

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