

SWEDBANK P&C INSURANCE AS

Interim Report

As of 31 December 2017

Business name	Swedbank P&C Insurance AS
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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 Q4 of 2017

In spite of robust sales volumes growth financial results of the Company in Q4 were slightly worse in comparison to Q4 2016 mainly due to higher claim volumes. Claim ratio amounted to 64.2% and was considerably higher than year ago (Q4 2016: 55.3%). On the other hand, the Company has successfully kept the expense side flat as quarterly expense ratio totaled 12.1% (Q4 2016: 13.3%). Net profit of the Q4 2017 amounted 5.0 million euros (Q4 2016: 5.3 million euros).

The financial results of the Company improved markedly compared to previous year driven by surging business volumes, growing prices in the non-life markets and limited increase in expenses. Moreover, the income tax on dividends was significantly lower than in 2016. Net profit of 2017 amounted to 17.1 million euros growing 6.3 million euros or 58% year-on-year.

In euros	Q4 of 2017	Q4 of 2016	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Premiums earned net of reinsurance	22 210 557	17 908 018	81 205 932	66 200 196
Claims incurred net of reinsurance	14 213 307	9 896 702	51 566 516	40 714 650
Net operating expenses	2 727 432	2 381 325	10 381 425	8 998 662
Return of insurance activities	5 269 818	5 629 991	19 257 991	16 486 884
Net profit	4 980 039	5 291 895	17 066 103	10 819 903
Net claims ratio	64.2%	55.3%	63.6%	61.5%
Net expense ratio	12.1%	13.3%	12.7%	13.6%
Combined ratio	76.3%	68.6%	76.3%	75.1%

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

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

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

Insurance premium by products and countries:

Sales results of the Company in Estonia

In euros	Q4 of 2017	Proportion	31.12.2017	Proportion
Motor own damage insurance	5 917 719	39.2%	20 980 592	38.0%
Home insurance	4 780 331	31.6%	18 087 415	32.6%
Motor third party liability insurance	2 075 562	13.7%	7 533 488	13.6%
Payment protection insurance	1 114 473	7.4%	4 071 099	7.4%
Travel insurance	1 104 282	7.3%	4 142 954	7.5%
Apartment building insurance	91 515	0.6%	376 840	0.7%
Other	27 759	0.2%	90 598	0.2%
TOTAL	15 111 641	100%	55 282 986	100%

Sales Results of the Company in Latvia

In euros	Q4 of 2017	Proportion	31.12.2017	Proportion
Home insurance	1 777 505	33.9%	6 613 001	41.4%
Motor third party liability insurance	1 765 484	33.6%	3 566 192	22.3%
Motor own damage insurance	1 237 952	23.6%	4 138 793	25.9%
Payment protection insurance	233 114	4.4%	752 063	4.7%
Travel insurance	228 728	4.4%	870 850	5.5%
Other	6 343	0.1%	30 696	0.2%
TOTAL	5 249 126	100%	15 971 595	100%

Sales Results of the Company in Lithuania

In euros	Q4 of 2017	Proportion	31.12.2017	Proportion
Home insurance	2 824 041	52.3%	10 361 658	55.1%
Motor own damage insurance	1 182 976	21.9%	3 507 723	18.7%
Payment protection insurance	872 998	16.2%	2 900 667	15.4%
Travel insurance	489 484	9.1%	1 891 991	10.1%
Other	29 612	0.5%	129 022	0.7%
TOTAL	5 399 111	100%	18 791 061	100%

Insurance premiums have increased by 30.5% compared to Q4 2016. Compared to the last year, sales results improved markedly in motor hull and motor liability insurance: 21.8% and 124.7% compared to Q4 2016. Motor hull insurance sales were highly supported by the product digitalization that was made in the beginning of 2017. Motor third party liability sales were surging due to skyrocketing prices in Latvia which made the Company's price position considerably more competitive. Home insurance premiums grew 16.7% compared to Q4 2016. At the same time loan payment protection insurance premiums grew 43.6% driven by the high

coverage of Swedbank credit card portfolio. The highest increase was continuously reported in Lithuania. Travel insurance premiums grew 25.7% compared to Q4 2016 being mainly influenced by the product launch in Lithuania.

Assets of Company

The assets of the Company increased compared to Q3 by EUR 10.5 million (14.5%) and formed EUR 83.2 million. The volume of financial investments decreased during the quarter by EUR 0.4 million (1.1%) and formed EUR 39.6 million. The financial investments of the Company were equal to its technical liabilities.

Number of Employees and Remunerations

As of 31 December 2017, the Company employed 113 people – 64 in Estonia, 18 in Latvia and 31 in Lithuania. Remunerations paid in Q4 amounted to EUR 600.4 thousand (Q4 2016: EUR 510.3 thousand).

STATEMENT OF FINANCIAL POSITION

In euros	31.12.2017	31.12.2016
ASSETS		
Cash and cash equivalents	29 141 918	13 621 772
Financial investments	39 596 601	38 655 459
Bonds	39 596 601	25 153 925
Term deposits	0	13 501 534
Receivables related to insurance activities	4 220 855	3 777 726
Prepaid expenses	230 592	122 480
Reinsurance assets	10 053 012	5 130 244
Receivables	2 720 652	1 711 359
Technical provisions	7 332 360	3 418 885
Deferred tax assets	3 343	22 283
Tangible assets	3 658	5 977
Total assets	83 249 979	61 335 941
LIABILITIES AND EQUITY		
Liabilities related to insurance activities	39 406 390	25 881 824
Technical provisions	34 611 291	23 511 766
Liabilities related to reinsurance	4 071 754	1 879 971
Other	723 345	490 087
Other liabilities	1 443 227	1 357 358
Total liabilities	40 849 617	27 239 182
Equity		
Share capital	21 210 000	21 210 000
Share premium	1	1
Statutory legal reserve	2 121 000	721 000
Retained earnings	2 003 258	1 345 855
Net profit for current period	17 066 103	10 819 903
Total equity	42 400 362	34 096 759
Total liabilities and equity	83 249 979	61 335 941

STATEMENT OF COMPREHENSIVE INCOME

In euros	Q4 of 2017	Q4 of 2016	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Premiums earned, net of reinsurance				
Premiums earned	24 337 972	18 926 201	87 276 127	70 208 209
Reinsurance premium	-2 127 415	-1 018 183	-6 070 195	-4 008 013
TOTAL	22 210 557	17 908 018	81 205 932	66 200 196
Claims incurred, net of reinsurance				
Claims incurred, gross	15 594 537	9 621 500	54 149 553	40 890 915
Claims handling expenses	956 312	729 433	3 257 861	2 675 022
Share of reinsurance in claims incurred	-2 337 542	-454 231	-5 840 898	-2 851 287
TOTAL	14 213 307	9 896 702	51 566 516	40 714 650
Operating expenses				
Acquisition costs, net of reinsurance	1 140 159	1 116 099	4 433 883	3 974 790
Administrative expenses	1 434 219	1 182 738	5 485 419	4 716 892
Other operating expenses	153 054	82 488	462 123	306 980
TOTAL	2 727 432	2 381 325	10 381 425	8 998 662
Return of insurance activities	5 269 818	5 629 991	19 257 991	16 486 884
Investment income and expenses, net	-17 654	-66 456	-99 254	201 600
Other income	427	0	2 104	501
Other expenses	75 417	61 062	258 083	231 584
Profit before income tax	5 177 174	5 502 473	18 902 758	16 457 401
Income tax	182 931	231 437	1 817 715	5 658 357
Deferred income tax	14 204	-20 859	18 940	-20 859
Net profit for the period	4 980 039	5 291 895	17 066 103	10 819 903
Total comprehensive income for the period	4 980 039	5 291 895	17 066 103	10 819 903

STATEMENT OF CASH FLOWS

In euros	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Cash flow from / used in operating activities	25 267 925	12 635 329
Insurance premium collected	90 993 935	71 637 885
Claims, recourses and handling expenses paid	-50 775 902	-40 659 078
Settlements with reinsurers	-1 543 304	-1 146 189
Operating expenses paid	-14 602 749	-11 694 443
Income tax paid	-1 068 181	-5 506 356
Other income	2 264 126	3 510
Cash flow from / used in investing activities	-1 032 943	2 612 896
Acquisition of fixed tangible assets	-2 352	-4 386
Interest collected	794 589	701 563
Acquisition of bonds	-28 754 537	-9 866 831
Disposal of bonds	13 558 340	8 806 600
Placed in term deposits	0	-15 300 000
Proceeds from matured term deposits	13 500 000	18 386 711
Investment expenses paid	-128 983	-110 761
Cash flow used in financing activities	-8 700 000	-8 800 000
Distribution of dividends	-8 700 000	-22 800 000
Proceeds from issuance of shares	0	14 000 000
TOTAL CASH FLOW	15 534 982	6 448 225
Cash and cash equivalents at beginning of the period	13 621 772	7 184 894
Change in cash and cash equivalents	15 534 982	6 448 225
Effect of exchange rate changes	-14 836	-11 347
Cash and cash equivalents at end of the period	29 141 918	13 621 772

STATEMENT OF CHANGES IN EQUITY

In euros	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
As at 01.01.2016	7 210 000	1	721 000	24 214 510	32 145 511
Net profit for the year	0	0	0	10 819 903	10 819 903
Proceeds from issuance of shares	14 000 000	0	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	-68 655	-68 655
As at 31.12.2016	21 210 000	1	721 000	12 165 758	34 096 759
Net profit of the year	0	0	0	17 066 103	17 066 103
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	-62 500	-62 500
As at 31.12.2017	21 210 000	1	2 121 000	19 069 361	42 400 362

NOTES TO THE INTERIM REPORT

NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q4 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 Q4 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	Q4 of 2017	Q4 of 2016	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Gross premium				
Motor own damage insurance	8 338 647	6 847 104	28 627 108	24 209 422
Home insurance	9 381 877	8 041 785	35 062 074	29 723 769
Motor third party liability insurance	3 841 046	1 709 442	11 099 680	6 373 955
Payment protection insurance	2 220 585	1 546 732	7 723 829	5 441 707
Travel insurance	1 822 494	1 449 907	6 905 795	4 749 129
Apartment building insurance	91 515	83 803	376 840	338 445
Other	63 714	64 262	250 316	281 596
TOTAL	25 759 878	19 743 035	90 045 642	71 118 023
Claims paid				
Motor own damage insurance	5 767 051	5 097 224	19 889 353	18 977 926
Home insurance	5 388 071	4 228 219	18 373 544	14 180 785
Motor third party liability insurance	1 808 864	1 153 140	5 126 443	4 227 483
Payment protection insurance	376 456	295 352	1 418 094	1 069 428
Travel insurance	1 192 773	798 444	4 590 889	3 674 802
Apartment building insurance	110 610	21 457	175 530	64 880
Other	32 153	18 776	113 265	44 876
TOTAL	14 675 979	11 612 612	49 687 118	42 240 180

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
Receivables and liabilities as of 31.12.2017			
Cash and deposits	13 595 375	15 546 543	29 141 918
Receivables from insurance activities	274 532	196 736	471 268
Other receivables	0	518	518
TOTAL	13 869 907	15 743 797	29 613 704
Other liabilities	216	9 439	9 655
TOTAL	216	9 439	9 655
Receivables and liabilities as of 31.12.2016			
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
TOTAL	5 942 411	13 061 026	19 003 437
Other liabilities	0	8 855	8 855
TOTAL	0	8 855	8 855

In euros	Q4 of 2017	Q4 of 2016	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Intermediary fee				
Swedbank AS	-475 826	-448 189	-1 916 861	-1 647 484
Other Group companies	-769 731	-542 697	-2 535 260	-1 701 171
TOTAL	-1 245 557	-990 886	-4 452 121	-3 348 655
Revenue from insurance premium				
Swedbank AS	815 636	625 061	2 943 397	1 738 352
Other Group companies	644 526	542 123	2 490 451	2 086 908
TOTAL	1 460 162	1 167 184	5 433 848	3 825 260
Paid/received interests				
Swedbank AS	25	235	-1 780	1 362
Other Group companies	-10 474	22 203	-37 745	2 487
TOTAL	-10 449	22 438	-39 525	3 849
Other purchases				
Swedbank AS	-448 067	-384 920	-1 830 064	-1 620 975
Other Group companies	-438 222	-388 208	-1 666 309	-1 468 589
TOTAL	-886 289	-773 128	-3 496 373	-3 089 564
