

# SWEDBANK P&C INSURANCE AS

## Interim Report

As of 31 March 2017

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

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## OVERVIEW OF THE BUSINESS RESULTS

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

### Results of Business Operations of Q1 of 2016

Q1 2017 profitability was at the same level as last year. However, the results improved due to increased volumes of the insurance premiums.

The Company distributed dividends in a sum of 8.7 million euros in Q1, which is substantially less than year ago. As a result of this, the income tax on distributed dividends was considerably lower and the Q1 2017 profit of the Company amounted 2.2 million euros.

In euros	Q1 of 2017	Q1 of 2016
Premiums earned net of reinsurance	18 475 530	15 378 729
Claims incurred net of reinsurance	12 654 113	10 485 814
Net operating expenses	2 392 736	2 030 158
Return of insurance activities	3 428 681	2 862 757
Net profit/loss	2 194 516	-2 063 628
Net claims ratio	68.5%	68.2%
Net expense ratio	13.0%	13.2%
Combined ratio	81.5%	81.4%

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

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

Combined ratio = Net claims ratio + net expense ratio

Insurance premium by products and countries:

### Sales results of Company in Estonia

in thousands of euros	Q1 of 2017	Proportion
Motor own damage insurance	4 984	38.5%
Home insurance	4 283	33.1%
Motor third party liability insurance	1 628	12.5%
Travel insurance	1 012	7.8%
Payment protection insurance	941	7.3%
Apartment building insurance	81	0.6%
Other	20	0.2%
<b>TOTAL</b>	<b>12 949</b>	<b>100%</b>

### Sales Results of Company in Latvia

in thousands of euros	Q1 of 2017	Proportion
Home insurance	1 551	51.6%
Motor own damage insurance	888	29.5%
Motor third party liability insurance	209	7.0%
Travel insurance	205	6.8%
Payment protection insurance	146	4.8%
Other	8	0.3%
<b>TOTAL</b>	<b>3 007</b>	<b>100%</b>

### Sales Results of Company in Lithuania

in thousands of euros	Q1 of 2017	Proportion
Home insurance	2 420	60.5%
Motor own damage insurance	587	14.7%
Payment protection insurance	555	13.9%
Travel insurance	402	10.1%
Other	31	0.8%
<b>TOTAL</b>	<b>3 995</b>	<b>100%</b>

Insurance premiums have increased compared to Q1 2016 21.0%. Compared to the last year, sales results improved remarkably in motor hull and motor liability insurance: 11.4% and 26.0% compared to Q1 2016. Home insurance premiums grew 19.9% compared to Q1 2016. At the same time loan payment protection insurance premiums grew 41.6% driven by the high coverage of Swedbank credit card portfolio. The highest increase was continuously

reported in Lithuania. Travel insurance premiums grew 53.9% compared to Q1 2016 being mainly influenced by the pricing review.

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

With the decision of the Shareholder of Swedbank P&C Insurance AS, Swedbank AS, on 17.03.2017 was decided to distribute net profit of 2016 in a sum of 10,819,903 euros and retained earnings from previous financial periods in a sum of 1,345,855 euros as follows: pay as dividends to the Shareholder 8,700,000 euros, increase the statutory legal reserve by 1,400,000 and to be left undistributed 2,065,758 euros.

During the first quarter, the functionality of the internet bank was substantially expanded providing Swedbank P&C Insurance AS' clients new opportunities when it comes to signing the insurance contracts in the digital channels. Swedbank customers can now conclude motor hull insurance contracts in the internet bank. Additionally, the internet bank solution was added to travel insurance in Lithuania.

### **Assets of Company**

As a result of the profit distribution, the assets of the Company decreased during the quarter by 3.7 million (6.0%) and formed EUR 57.7 million. The volume of financial investments decreased during the quarter by EUR 6.7 million (17.2%) and formed EUR 32.0 million, which is EUR 2.4 million (7.1%) more than in the end of Q1 2016. The financial investments of the Company exceeded technical liabilities 1.2 times.

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

As of 31 March 2017, the Company employed 104 people – 58 in Estonia, 19 in Latvia and 27 in Lithuania. Labour costs of Q1 were EUR 639.5 thousand (Q1 2016: EUR 617.6 thousand).

## STATEMENT OF FINANCIAL POSITION

In euros	Note	31.03.2017	31.12.2016
<b>ASSETS</b>			
Cash and cash equivalents		17 052 283	13 621 772
Financial investments		31 995 254	38 655 459
Bonds	2	27 002 761	25 153 925
Term deposits	2	4 992 493	13 501 534
Receivables related to insurance activities		3 881 602	3 777 726
Accrued income and prepaid expenses		252 699	122 480
Reinsurance assets	3	4 461 433	5 130 244
Receivables		976 748	1 711 359
Technical provisions		3 484 685	3 418 885
Deferred tax assets		24 189	22 283
Tangible assets		7 129	5 977
<b>Total assets</b>		<b>57 674 589</b>	<b>61 335 941</b>
<b>LIABILITIES AND EQUITY</b>			
Liabilities related to insurance activities	4	27 275 899	25 881 824
Technical provisions		25 628 328	23 511 766
Liabilities related to reinsurance		1 058 829	1 879 971
Other		588 742	490 087
Other liabilities	5	2 848 967	1 357 358
<b>Total liabilities</b>		<b>30 124 866</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		2 024 206	1 345 855
Net profit for current period		2 194 516	10 819 903
<b>Total equity</b>		<b>27 549 723</b>	<b>34 096 759</b>
<b>Total liabilities and equity</b>		<b>57 674 589</b>	<b>61 335 941</b>

## STATEMENT OF COMPREHENSIVE INCOME

In euros	Note	Q1 of 2017	Q1 of 2016
<b>Premiums earned, net of reinsurance</b>	6		
Premiums earned		19 752 623	16 454 246
Reinsurance premium		-1 277 093	-1 075 517
<b>TOTAL</b>		<b>18 475 530</b>	<b>15 378 729</b>
<b>Claims incurred, net of reinsurance</b>	7		
Claims incurred, gross		12 518 593	10 697 837
Claims handling expenses		720 187	616 461
Share of reinsurance in claims incurred		-584 667	-828 484
<b>TOTAL</b>		<b>12 654 113</b>	<b>10 485 814</b>
<b>Operating expenses</b>			
Acquisition costs, net of reinsurance	9	1 118 361	807 970
Administrative expenses	10	1 186 438	1 150 923
Other operating expenses		87 937	71 265
<b>TOTAL</b>		<b>2 392 736</b>	<b>2 030 158</b>
<b>Return of insurance activities</b>		<b>3 428 681</b>	<b>2 862 757</b>
Investment income and expenses, net	11	-43 848	136 960
Other income		542	239
Other expenses		50 634	44 309
<b>Profit before income tax</b>		<b>3 334 741</b>	<b>2 955 647</b>
Income tax		1 142 131	5 019 275
Deferred income tax		-1 906	0
<b>Net profit for the period</b>		<b>2 194 516</b>	<b>-2 063 628</b>
<b>Total comprehensive income for the period</b>		<b>2 194 516</b>	<b>-2 063 628</b>



## STATEMENT OF CASH FLOWS

In euros	Q1 of 2017	Q1 of 2016
<b>Cash flow from / used in operating activities</b>	<b>5 018 067</b>	<b>3 798 134</b>
Insurance premium collected	20 180 738	16 672 673
Claims, recourses and handling expenses paid	-11 367 854	-10 118 047
Settlements with reinsurers	-660 391	-338 409
Operating expenses paid	-3 183 222	-2 282 509
Income tax paid	-181 414	-137 847
Other income and expenses	230 210	2 273
<b>Cash flow from / used in investing activities</b>	<b>7 116 340</b>	<b>6 755 006</b>
Acquisition of fixed tangible assets	-2 352	-1 243
Interest collected	39 097	109 018
Acquisition of bonds	-2 589 465	-491 717
Disposal of bonds	1 200 000	566 202
Placed in term deposits	0	-5 000 000
Proceeds from matured term deposits	8 500 000	11 600 000
Investment expenses paid	-30 940	-27 254
<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>3 434 407</b>	<b>1 753 140</b>
Cash and cash equivalents at beginning of the year	13 621 772	7 184 894
Change in cash and cash equivalents	3 434 407	1 753 140
Effect of exchange rate changes	-3 896	-4 086
Cash and cash equivalents at end of the year	17 052 283	8 933 948

STATEMENT OF CHANGES IN EQUITY

In euros	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
<b>As at 01.01.2016</b>	<b>7 210 000</b>	<b>1</b>	<b>300 002</b>	<b>23 737 139</b>	<b>31 247 142</b>
Net profit for the period	0	0	0	-2 063 628	-2 063 628
Share capital increase	14 000 000	0	0	0	14 000 000
Distribution of dividends	0	0	0	-22 800 000	-22 800 000
<b>As at 31.03.2016</b>	<b>21 210 000</b>	<b>1</b>	<b>721 000</b>	<b>-649 118</b>	<b>21 281 883</b>
<b>As at 01.01.2017</b>	<b>7 210 000</b>	<b>1</b>	<b>721 000</b>	<b>24 214 510</b>	<b>32 145 511</b>
Net loss for the period	0	0	0	2 194 516	2 194 516
Distribution of dividends	0	0	0	-8 700 000	-8 700 000
Statutory legal reserve increase	0	0	1 400 000	-1 400 000	0
Fair value adjustment of share based payment at the settlement date	0	0	0	-41 552	-41 552
<b>As at 31.03.2017</b>	<b>21 210 000</b>	<b>1</b>	<b>2 121 000</b>	<b>4 218 722</b>	<b>27 549 723</b>

## NOTES TO THE INTERIM REPORT

### NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q1 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 Q1 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. FINANCIAL INVESTMENTS

The contents of the investment portfolio managed by Swedbank Investeerimisfondid AS:

In euros	31.03.2017		31.12.2016	
Instruments of fixed interest rate	27 002 761	55.0%	25 153 925	48.1%
Term deposits	4 992 493	10.2%	13 501 534	25.8%
Cash in investment portfolio	17 052 283	34.8%	13 621 772	26.1%
<b>TOTAL</b>	<b>49 047 537</b>	<b>100.0%</b>	<b>52 277 231</b>	<b>100.0%</b>

### NOTE 3. REINSURANCE ASSETS

In euros	31.03.2017	31.12.2016
<b>Technical provisions</b>	<b>3 484 685</b>	<b>3 418 885</b>
Reinsurer's share in provision for unearned premiums	778 421	778 422
Reinsurer's share in provision for outstanding claims	2 640 462	2 640 463
<b>Receivables</b>	<b>976 748</b>	<b>1 711 359</b>
Reinsurance commissions	461 812	461 813
Share of reinsurance in claims	1 141 721	1 141 722
Refundable reinsurance premium	107 823	107 824
<b>TOTAL</b>	<b>4 461 433</b>	<b>5 130 244</b>

### NOTE 4. LIABILITIES RELATED TO INSURANCE ACTIVITIES

In euros	31.03.2017	31.12.2016
<b>Technical provisions</b>	<b>25 628 328</b>	<b>23 511 766</b>
Provision for unearned premiums	6 339 971	6 339 972
Provision for outstanding claims	17 075 464	17 075 465
Unexpired risk reserve	96 328	96 329
<b>Liabilities related to reinsurance</b>	<b>1 058 829</b>	<b>1 879 971</b>
Reinsurance premium	1 755 408	1 755 409
Reinsurance share in recoveries	95 993	95 994
Refundable commissions	28 567	28 568
<b>Other liabilities</b>	<b>588 742</b>	<b>490 087</b>
Policyholders	101 726	101 727
Other	388 358	388 359
<b>TOTAL</b>	<b>27 275 899</b>	<b>25 881 824</b>

**NOTE 5. OTHER LIABILITIES**

In euros	31.03.2017	31.12.2016
Accounts payable	83 880	56 340
Accrued expenses	2 244 768	1 272 605
Other liabilities	520 319	28 413
<b>TOTAL</b>	<b>2 848 967</b>	<b>1 357 358</b>

**Accrued expenses**

In euros	31.03.2017	31.12.2016
Liabilities from share-based bonus program	484 864	552 485
Deferred reinsurance commission	204 418	206 282
Reserve for unused vacation	143 180	143 180
Taxes payable	1 411 245	370 658
Other	1 061	0
<b>TOTAL</b>	<b>2 244 768</b>	<b>1 272 605</b>

**NOTE 6. PREMIUMS EARNED NET OF REINSURANCE**

In euros	Q1 of 2017	Q1 of 2016
Gross premium (see Note 8)	19 950 999	16 494 008
Change in provisions for unearned premium	-198 376	-39 762
<b>Premiums earned</b>	<b>19 752 623</b>	<b>16 454 246</b>
Reinsurance premium	-1 315 782	-1 075 777
Reinsurers' share in change of unearned premiums provision	38 689	260
<b>Reinsurance premium</b>	<b>-1 277 093</b>	<b>-1 075 517</b>
<b>TOTAL</b>	<b>18 475 530</b>	<b>15 378 729</b>

NOTE 7. CLAIMS INCURRED, NET OF REINSURANCE

In euros	Q1 of 2017	Q1 of 2016
<b>Claims incurred, gross amount</b>	<b>12 518 593</b>	<b>10 697 837</b>
Claims paid (see Note 8)	11 607 137	10 563 955
Change in the claims provision	1 912 736	1 049 644
Amounts recovered from salvage and recourses	-1 006 730	-915 762
Change in Unexpired risk reserve	5 450	0
<b>Claims handling expenses</b>	<b>720 187</b>	<b>616 461</b>
Direct claims handling expenses	341 481	295 845
Indirect claims handling expenses	378 706	320 616
Staff costs	272 243	235 737
Depreciation of fixed assets	317	957
Other	106 146	83 922
<b>Reinsurers` share of claims incurred</b>	<b>-584 667</b>	<b>-828 484</b>
Reinsurers` share in claims paid	-557 556	-606 740
Reinsurers` share in change of claims provisions	-27 111	-221 744
<b>TOTAL</b>	<b>12 654 113</b>	<b>10 485 814</b>

## NOTE 8. GROSS PREMIUM AND CLAIMS PAID BY PRODUCTS

In euros	Q1 of 2017	Q1 of 2016
<b>Gross premium</b>		
Motor own damage insurance	6 459 155	5 796 010
Home insurance	8 254 107	6 886 365
Motor third party liability insurance	1 837 219	1 458 237
Travel insurance	1 618 928	1 052 226
Payment protection insurance	1 642 017	1 159 358
Apartment building insurance	80 721	71 557
Other	58 852	70 255
<b>TOTAL</b>	<b>19 950 999</b>	<b>16 494 008</b>
<b>Claims paid</b>		
Motor own damage insurance	4 894 954	4 891 614
Home insurance	4 076 739	3 037 849
Motor third party liability insurance	1 116 633	1 281 755
Travel insurance	1 162 077	1 067 346
Payment protection insurance	328 472	253 957
Apartment building insurance	8 582	24 519
Other	19 680	6 915
<b>TOTAL</b>	<b>11 607 137</b>	<b>10 563 955</b>

## NOTE 9. ACQUISITION COSTS, NET OF REINSURANCE

In euros	Q1 of 2017	Q1 of 2016
Staff costs	0	6 398
Other operating expenses	461 169	196 595
Outsourced services	912 169	797 994
Reinsurance commission	-253 113	-192 949
Change of accrued reinsurance commissions	-1 864	-68
<b>TOTAL</b>	<b>1 118 361</b>	<b>807 970</b>

## NOTE 10. ADMINISTRATIVE EXPENSES

In euros	Q1 of 2017	Q1 of 2016
Staff costs	367 232	375 487
Other operating expenses	678 906	641 395
Outsourced services	139 417	132 539
Depreciation and impairment on fixed assets	883	1 502
<b>TOTAL</b>	<b>1 186 438</b>	<b>1 150 923</b>

## NOTE 11. INVESTMENT REVENUE AND EXPENSES

In Euros	Q1 of 2017	Q1 of 2016
Interest income	154 719	153 916
Change in value of financial assets at fair value with changes through statement of profit and loss	-160 868	-6 218
Net gains/losses from financial investments	-4 782	17 915
Realised losses from changes in currency rates	-2 049	-1 982
Other investment management expenses	-30 868	-26 671
<b>TOTAL</b>	<b>-43 848</b>	<b>136 960</b>

## NOTE 12. RELATED PARTIES

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



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

In euros	Swedbank AS	Other Group companies	TOTAL
<b>Receivables and liabilities as of 31.03.2017</b>			
Cash and deposits	9 848 297	12 203 985	22 052 282
Receivables from insurance activities	226 530	167 593	394 123
Accrued interest	0	-7 507	-7 507
<b>TOTAL</b>	<b>10 074 827</b>	<b>12 364 071</b>	<b>22 438 898</b>
Other liabilities	3 253	9 188	12 441
<b>TOTAL</b>	<b>3 253</b>	<b>9 188</b>	<b>12 441</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	Q1 of 2017	Q1 of 2016
Intermediary fee		
Swedbank AS	-464 420	-373 601
Other Group companies	-440 468	-266 332
<b>TOTAL</b>	<b>-904 888</b>	<b>-639 933</b>
Revenue from insurance premium		
Swedbank AS	664 321	327 151
Other Group companies	570 102	505 181
<b>TOTAL</b>	<b>1 234 423</b>	<b>832 332</b>
Interests		
Swedbank AS	158	782
Other Group companies	-7 074	-3 286
<b>TOTAL</b>	<b>-6 916</b>	<b>-2 504</b>
Other purchases		
Swedbank AS	-437 586	-415 319
Other Group companies	-410 591	-292 646
<b>TOTAL</b>	<b>-848 177</b>	<b>-707 965</b>

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