

# SWEDBANK P&C INSURANCE AS

## Interim Report

As of 30 September 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 Q3 of 2017

Q3 financial results of the Company improved in comparison to Q3 2016 mainly due to sales volumes increase. Claim ratio amounted 62.7% and was better than year ago (Q3 2016: 65.0%). The profitability has improved as the Company managed to limit the growth of expenses arising from the increased business volumes. Net profit of the Q3 2017 amounted 4.9 million euros (Q3 2016: 3.4 million euros).

Nine months financial results of the Company improved compared to last year same period. Combined ratio decreased by 1.2 percentage points and the business volumes grew considerably. Expense ratio was 13.0% (year ago 13.7%). The income tax on dividends was substantially lower this year and mainly as a result of this nine months net profit amounted 12.1 million euros (year ago 5.5 million euros).

In euros	Q3 of 2017	Q3 of 2016	30.09.2017	30.09.2016
Premiums earned net of reinsurance	21 028 132	16 912 637	58 995 375	48 292 178
Claims incurred net of reinsurance	13 190 159	10 990 698	37 353 209	30 817 948
Net operating expenses	2 619 168	2 200 512	7 653 993	6 617 337
Return of insurance activities	5 218 805	3 721 427	13 988 173	10 856 893
Net profit	4 922 864	3 475 677	12 086 064	5 528 008
Net claims ratio	62.7%	65.0%	63.3%	63.8%
Net expense ratio	12.5%	13.0%	13.0%	13.7%
Combined ratio	75.2%	78.0%	76.3%	77.5%
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 euros	Q3 of 2017	Proportion	30.09.2017	Proportion
Motor own damage insurance	5 279 090	37.7%	15 062 874	37.5%
Home insurance	4 587 002	32.7%	13 307 084	33.1%
Motor third party liability insurance	1 926 643	13.7%	5 457 926	13.6%
Travel insurance	1 064 374	7.5%	3 038 670	7.5%
Payment protection insurance	1 034 015	7.4%	2 956 626	7.4%
Apartment building insurance	106 513	0.8%	285 325	0.7%
Other	22 773	0.2%	62 838	0.2%
<b>TOTAL</b>	<b>14 020 410</b>	<b>100%</b>	<b>40 171 343</b>	<b>100%</b>

### Sales Results of Company in Latvia

In euros	Q3 of 2017	Proportion	30.09.2017	Proportion
Home insurance	1 669 645	38.2%	4 835 496	45.1%
Motor third party liability insurance	1 165 875	26.6%	1 800 708	16.8%
Motor own damage insurance	1 092 120	25.0%	2 900 841	27.1%
Travel insurance	234 280	5.4%	642 123	6.0%
Payment protection insurance	201 463	4.6%	518 949	4.8%
Other	7 741	0.2%	24 353	0.2%
<b>TOTAL</b>	<b>4 371 124</b>	<b>100%</b>	<b>10 722 470</b>	<b>100%</b>

### Sales Results of Company in Lithuania

In euros	Q3 of 2017	Proportion	30.09.2017	Proportion
Home insurance	2 621 305	53.2%	7 537 618	56.3%
Motor own damage insurance	972 568	19.8%	2 324 747	17.4%
Payment protection insurance	793 267	16.1%	2 027 669	15.1%
Travel insurance	503 420	10.2%	1 402 507	10.5%
Other	32 676	0.7%	99 410	0.7%
<b>TOTAL</b>	<b>4 923 236</b>	<b>100%</b>	<b>13 391 951</b>	<b>100%</b>

Insurance premiums have increased compared to Q3 2016 29.2%. Compared to the last year, sales results improved remarkably in motor hull and motor liability insurance: 21.5% and 92.7% compared to Q3 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 17.1% compared to Q3 2016. At the same time loan payment protection insurance premiums grew 41.5% driven by the high coverage of Swedbank credit card portfolio. The highest

increase was continuously reported in Lithuania. Travel insurance premiums grew 48.8% compared to Q3 2016 being mainly influenced by the pricing review.

### **Important Events During the Quarter**

With the resolution of the Supervisory Council submitted on 4 September 2017 was decided:

1. To call back Evaldas Valeiša from being Member of the Management Board of Swedbank P&C Insurance AS as of 04.09.2017.
2. To elect as of 04.09.2017 Vaida Janušytė as the Member of the Management Board of Swedbank P&C Insurance AS.

### **Assets of Company**

The assets of the Company increased compared to Q2 by EUR 9.4 million (14.8%) and formed EUR 72.7 million. The volume of financial investments decreased during the quarter by EUR 4.9 million (13.9%) and formed EUR 40.0 million. The financial investments of the Company exceeded technical liabilities 1.2 times.

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

As of 30 September 2017, the Company employed 109 people – 61 in Estonia, 19 in Latvia and 29 in Lithuania. Labour costs of Q3 were EUR 729.9 thousand (Q3 2016: EUR 627.3 thousand).

## STATEMENT OF FINANCIAL POSITION

In euros	30.09.2017	31.12.2016
<b>ASSETS</b>		
Cash and cash equivalents	21 567 974	13 621 772
Financial investments	40 037 201	38 655 459
Bonds	35 056 654	25 153 925
Term deposits	4 980 547	13 501 534
Receivables related to insurance activities	3 878 751	3 777 726
Accrued income and prepaid expenses	362 542	122 480
Reinsurance assets	6 852 388	5 130 244
Receivables	1 396 971	1 711 359
Technical provisions	5 455 417	3 418 885
Deferred tax assets	17 547	22 283
Tangible assets	4 749	5 977
<b>Total assets</b>	<b>72 721 152</b>	<b>61 335 941</b>
<b>LIABILITIES AND EQUITY</b>		
Liabilities related to insurance activities	33 665 292	25 881 824
Technical provisions	31 264 073	23 511 766
Liabilities related to reinsurance	1 717 175	1 879 971
Other	684 044	490 087
Other liabilities	1 634 661	1 357 358
<b>Total liabilities</b>	<b>35 299 953</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	12 086 064	10 819 903
<b>Total equity</b>	<b>37 421 199</b>	<b>34 096 759</b>
<b>Total liabilities and equity</b>	<b>72 721 152</b>	<b>61 335 941</b>

## STATEMENT OF COMPREHENSIVE INCOME

In euros	Q3 of 2017	Q3 of 2016	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
<b>Premiums earned, net of reinsurance</b>				
Premiums earned	22 486 626	17 877 764	62 938 155	51 282 008
Reinsurance premium	-1 458 494	-965 127	-3 942 780	-2 989 830
<b>TOTAL</b>	<b>21 028 132</b>	<b>16 912 637</b>	<b>58 995 375</b>	<b>48 292 178</b>
<b>Claims incurred, net of reinsurance</b>				
Claims incurred, gross	14 621 439	11 148 922	38 555 016	31 269 415
Claims handling expenses	760 827	689 673	2 301 549	1 945 589
Share of reinsurance in claims incurred	-2 192 107	-847 897	-3 503 356	-2 397 056
<b>TOTAL</b>	<b>13 190 159</b>	<b>10 990 698</b>	<b>37 353 209</b>	<b>30 817 948</b>
<b>Operating expenses</b>				
Acquisition costs, net of reinsurance	1 080 340	955 831	3 293 724	2 858 691
Administrative expenses	1 419 177	1 168 065	4 051 200	3 534 154
Other operating expenses	119 651	76 616	309 069	224 492
<b>TOTAL</b>	<b>2 619 168</b>	<b>2 200 512</b>	<b>7 653 993</b>	<b>6 617 337</b>
<b>Return of insurance activities</b>	<b>5 218 805</b>	<b>3 721 427</b>	<b>13 988 173</b>	<b>10 856 893</b>
Investment income and expenses, net	22 441	65 531	-81 600	268 056
Other income	1 013	0	1 677	501
Other expenses	72 073	87 297	182 666	170 522
<b>Profit before income tax</b>	<b>5 170 186</b>	<b>3 699 661</b>	<b>13 725 584</b>	<b>10 954 928</b>
Income tax	247 608	223 984	1 634 784	5 426 920
Deferred income tax	-286	0	4 736	0
<b>Net profit for the period</b>	<b>4 922 864</b>	<b>3 475 677</b>	<b>12 086 064</b>	<b>5 528 008</b>
<b>Total comprehensive income for the period</b>	<b>4 922 864</b>	<b>3 475 677</b>	<b>12 086 064</b>	<b>5 528 008</b>



STATEMENT OF CASH FLOWS

In euros	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
<b>Cash flow from / used in operating activities</b>	<b>18 101 678</b>	<b>7 812 365</b>
Insurance premium collected	65 192 380	52 206 536
Claims, recourses and handling expenses paid	-35 610 438	-29 547 188
Settlements with reinsurers	-1 428 529	-1 053 492
Operating expenses paid	-10 810 432	-8 442 033
Income tax paid	-853 542	-5 354 581
Other income and expenses	1 612 239	3 123
<b>Cash flow from / used in investing activities</b>	<b>-1 443 739</b>	<b>8 329 792</b>
Acquisition of fixed tangible assets	-2 352	-4 386
Interest collected	505 247	536 105
Acquisition of bonds	-17 600 396	-9 326 131
Disposal of bonds	7 248 062	8 806 600
Placed in term deposits	0	-5 000 000
Proceeds from matured term deposits	8 500 000	13 400 000
Investment expenses paid	-94 300	-82 396
<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>7 957 939</b>	<b>7 342 157</b>
Cash and cash equivalents at beginning of the period	13 621 772	7 184 894
Change in cash and cash equivalents	7 957 939	7 342 157
Effect of exchange rate changes	-11 737	-9 723
Cash and cash equivalents at end of the period	21 567 974	14 517 328

## STATEMENT OF CHANGES IN EQUITY

In euros	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
<b>As at 01.01.2017</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	12 086 064	12 086 064
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 30.09.2017</b>	<b>21 210 000</b>	<b>1</b>	<b>2 121 000</b>	<b>14 090 198</b>	<b>37 421 199</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	5 528 008	5 528 008
Share capital increase	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
<b>As at 30.09.2016</b>	<b>21 210 000</b>	<b>1</b>	<b>721 000</b>	<b>6 873 863</b>	<b>28 804 864</b>

## NOTES TO THE INTERIM REPORT

### NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q3 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 Q3 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	Q3 of 2017	Q3 of 2016	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
<b>Gross premium</b>				
Home insurance	8 877 952	7 584 750	25 680 198	21 681 984
Motor own damage insurance	7 343 778	6 042 783	20 288 462	17 362 318
Motor third party liability insurance	3 092 518	1 605 144	7 258 634	4 664 513
Payment protection insurance	2 028 745	1 433 869	5 503 244	3 894 975
Travel insurance	1 802 074	1 210 980	5 083 300	3 299 222
Apartment building insurance	106 513	91 639	285 325	254 642
Other	63 190	74 858	186 601	217 334
<b>TOTAL</b>	<b>23 314 770</b>	<b>18 044 023</b>	<b>64 285 764</b>	<b>51 374 988</b>
<b>Claims paid</b>				
Home insurance	4 476 948	3 867 117	12 985 473	9 952 566
Motor own damage insurance	4 521 136	4 599 147	14 122 303	13 880 702
Motor third party liability insurance	1 097 865	930 699	3 317 579	3 074 343
Payment protection insurance	357 232	256 269	1 041 638	774 076
Travel insurance	1 049 155	844 230	3 398 116	2 876 358
Apartment building insurance	47 893	14 943	64 919	43 423
Other	30 424	9 354	81 112	26 100
<b>TOTAL</b>	<b>11 580 652</b>	<b>10 521 759</b>	<b>35 011 140</b>	<b>30 627 568</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 30.09.2017</b>			
Cash and deposits	9 097 124	17 470 850	26 567 974
Receivables from insurance activities	266 477	338 922	605 399
Accrued interest	0	-19 453	-19 453
<b>TOTAL</b>	<b>9 363 601</b>	<b>17 790 319</b>	<b>27 153 920</b>
Other liabilities	61 988	94 249	156 237
<b>TOTAL</b>	<b>61 988</b>	<b>94 249</b>	<b>156 237</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	Q3 of 2017	Q3 of 2016	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
Intermediary fee				
Swedbank AS	-486 983	-405 662	-1 441 035	-1 199 295
Other Group companies	-713 011	-439 152	-1 765 529	-1 158 474
<b>TOTAL</b>	<b>-1 199 994</b>	<b>-844 814</b>	<b>-3 206 564</b>	<b>-2 357 769</b>
Revenue from insurance premium				
Swedbank AS	755 901	445 370	2 127 761	1 113 291
Other Group companies	634 258	520 663	1 845 925	1 544 785
<b>TOTAL</b>	<b>1 390 159</b>	<b>966 033</b>	<b>3 973 686</b>	<b>2 658 076</b>
Interests				
Swedbank AS	-120	202	-1 805	1 127
Other Group companies	-10 665	-13 144	-27 271	-19 716
<b>TOTAL</b>	<b>-10 785</b>	<b>-12 942</b>	<b>-29 076</b>	<b>-18 589</b>
Other purchases				
Swedbank AS	-470 603	-407 632	-1 381 997	-1 236 055
Other Group companies	-418 035	-381 666	-1 228 087	-1 080 381
<b>TOTAL</b>	<b>-888 638</b>	<b>-789 298</b>	<b>-2 610 084</b>	<b>-2 316 436</b>

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