

SWEDBANK P&C INSURANCE AS

Interim Report

As of 30 June 2018

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 Q2 of 2018

Q2 2018 profitability has decreased compared to last year same period caused by higher number of fire claims in property insurance and increased loss ratio in motor own damage insurance. Moreover, it is important to emphasize that the results in Q2 2017 were better than usual. All things considered, in spite of profitability drop the Company is satisfied with the Q2 2018 bottom line.

Premiums earned net of reinsurance in Q2 2018 amounted to 24.3 million euros (Q2 2017: 19.5 million euros). Q2 2018 net profit amounted to 4.8 million euros (Q2 2017: 5.0 million euros).

Year-to-date net profit amounted to 7.5 million euros (same period last year: 7.2 million euros). At the same time, claims incurred net of reinsurance grew faster than premiums earned net of reinsurance.

In euros	Q2 of 2018	Q2 of 2017	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017
Premiums earned net of reinsurance	24 263 487	19 491 713	47 535 136	37 967 243
Claims incurred net of reinsurance	16 389 537	11 508 937	32 104 227	24 163 050
Net operating expenses	2 701 414	2 642 089	5 013 533	5 034 825
Return of insurance activities	5 172 536	5 340 687	10 417 376	8 769 368
Net profit	4 833 553	4 968 684	7 501 562	7 163 200
Net claims ratio	67.5%	59.0%	67.5%	63.6%
Net expense ratio	11.1%	13.6%	10.5%	13.3%
Combined ratio	78.6%	72.6%	78.0%	76.9%
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 the Company in Estonia

In euros	Q2 of 2018	Proportion	01.01.2018-30.06.2018	Proportion
Motor own damage insurance	5 601 945	35.5%	11 160 246	36.0%
Home insurance	5 048 028	31.9%	9 949 932	32.1%
Motor third party liability insurance	2 661 643	16.8%	4 949 437	16.0%
Travel insurance	1 187 980	7.5%	2 385 392	7.6%
Payment protection insurance	1 161 794	7.4%	2 279 692	7.4%
Apartment building insurance	111 363	0.7%	203 429	0.7%
Other	27 917	0.2%	55 726	0.2%
TOTAL	15 800 670	100%	30 983 854	100%

Sales Results of the Company in Latvia

In euros	Q2 of 2018	Proportion	01.01.2018-30.06.2018	Proportion
Motor third party liability insurance	2 595 962	41.2%	4 885 550	40.1%
Home insurance	1 843 629	29.2%	3 640 378	29.8%
Motor own damage insurance	1 338 238	21.2%	2 618 691	21.5%
Payment protection insurance	283 845	4.5%	542 762	4.5%
Travel insurance	238 163	3.8%	483 612	4.0%
Other	6 333	0.1%	12 628	0.1%
TOTAL	6 306 170	100%	12 183 621	100%

Sales Results of the Company in Lithuania

In euros	Q2 of 2018	Proportion	01.01.2018-30.06.2018	Proportion
Home insurance	3 032 016	50.5%	5 996 147	51.1%
Motor own damage insurance	1 380 037	23.0%	2 685 224	22.8%
Payment protection insurance	1 011 375	16.9%	1 956 704	16.7%
Travel insurance	544 645	9.1%	1 046 265	8.9%
Other	30 000	0.5%	59 842	0.5%
TOTAL	5 998 073	100%	11 744 182	100%

Insurance premiums have increased by 33.7% compared to Q2 2017. Compared to the last year, sales results improved markedly in motor hull and motor liability insurance: 27.2% and 136.1% compared to Q2 2017. Motor third party liability sales were surging due to increasing prices in Latvia which made the Company's price position considerably more competitive. Home insurance premiums grew 16.6% compared to Q2 2017. At the same time loan payment

protection insurance premiums grew 37.5% driven by the high coverage of Swedbank credit card portfolio. Travel insurance premiums grew 19.3% compared to Q2 2017.

Assets of Company

The assets of the Company increased during the quarter by EUR 9.0 million (11.7%) and formed EUR 85.5 million. The volume of financial investments decreased during the quarter by EUR 0.1 million (0.3%) and formed EUR 42.3 million. The assets in the investment portfolio of the Company exceeded the technical provisions 1.7 times.

Number of Employees and Remunerations

As of 30 June 2018, the Company employed 123 full-time employees – 71 in Estonia, 21 in Latvia and 31 in Lithuania. Remunerations paid in Q2 2018 amounted to EUR 671.1 thousand (Q2 2017: EUR 521.6 thousand).

Important Events during the Quarter

In Q2, the IT department, which was on outsource prior, was legally merged with the Company resulting in a significant labour force increase. This was followed by slight structural changes in the Company.

STATEMENT OF FINANCIAL POSITION

In euros	30.06.2018	31.12.2017
ASSETS		
Cash and cash equivalents	25 009 252	29 141 918
Financial investments	42 316 937	39 596 601
Bonds	42 316 937	39 596 601
Receivables related to insurance activities	4 087 641	4 220 855
Prepaid expenses	331 584	230 592
Reinsurance assets	13 722 356	10 053 012
Receivables	5 378 914	2 720 652
Technical provisions	8 343 442	7 332 360
Deferred tax assets	3 343	3 343
Tangible assets	2 087	3 658
Total assets	85 473 200	83 249 979
LIABILITIES AND EQUITY		
Liabilities related to insurance activities	47 532 422	39 406 390
Technical provisions	39 196 686	34 611 291
Liabilities related to reinsurance	7 461 222	4 071 754
Other	874 514	723 345
Other liabilities	1 768 800	1 443 227
Total liabilities	49 301 222	40 849 617
Equity		
Share capital	21 210 000	21 210 000
Share premium	1	1
Statutory legal reserve	2 121 000	2 121 000
Retained earnings	5 339 415	2 003 258
Net profit for current period	7 501 562	17 066 103
Total equity	36 171 978	42 400 362
Total liabilities and equity	85 473 200	83 249 979

STATEMENT OF COMPREHENSIVE INCOME

In euros	Q2 of 2018	Q2 of 2017	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017
Premiums earned, net of reinsurance				
Premiums earned	27 747 844	20 698 906	53 776 572	40 451 529
Reinsurance premium	-3 484 357	-1 207 193	-6 241 436	-2 484 286
TOTAL	24 263 487	19 491 713	47 535 136	37 967 243
Claims incurred, net of reinsurance				
Claims incurred, gross	17 396 015	11 414 984	33 744 555	23 933 577
Claims handling expenses	957 059	820 535	1 914 434	1 540 722
Share of reinsurance in claims incurred	-1 963 537	-726 582	-3 554 762	-1 311 249
TOTAL	16 389 537	11 508 937	32 104 227	24 163 050
Operating expenses				
Acquisition costs, net of reinsurance	921 832	1 095 023	1 613 634	2 213 384
Administrative expenses	1 567 138	1 445 585	3 009 078	2 632 023
Other operating expenses	212 444	101 481	390 821	189 418
TOTAL	2 701 414	2 642 089	5 013 533	5 034 825
Return of insurance activities	5 172 536	5 340 687	10 417 376	8 769 368
Investment income and expenses, net	-32 240	-60 193	-75 137	-104 041
Other income	769	122	916	664
Other expenses	73 036	59 959	146 154	110 593
Profit before income tax	5 068 029	5 220 657	10 197 001	8 555 398
Income tax	234 476	245 045	2 695 439	1 387 176
Deferred income tax	0	6 928	0	5 022
Net profit for the period	4 833 553	4 968 684	7 501 562	7 163 200
Total comprehensive income for the period	4 833 553	4 968 684	7 501 562	7 163 200

STATEMENT OF CASH FLOWS

In euros	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Cash flow from / used in operating activities	12 347 086	10 304 923
Insurance premium collected	55 918 885	41 810 876
Claims, recourses and handling expenses paid	-31 956 330	-23 585 553
Settlements with reinsurers	-1 113 390	-741 062
Operating expenses paid	-7 607 410	-7 461 814
Income tax paid	-2 908 375	-638 903
Other income and expenses	13 706	921 379
Cash flow from / used in investing activities	-2 767 904	3 411 385
Acquisition of fixed tangible assets	0	-2 352
Interest collected	236 123	302 705
Acquisition of bonds	-10 872 718	-8 544 880
Disposal of bonds	7 952 590	3 216 825
Proceeds from matured term deposits	0	8 500 000
Investment expenses paid	-83 899	-60 913
Cash flow from / used in financing activities	-13 700 000	-8 700 000
Distribution of dividends	-13 700 000	-8 700 000
TOTAL CASH FLOW	-4 120 818	5 016 308
Cash and cash equivalents at beginning of the period	29 141 918	13 621 772
Change in cash and cash equivalents	-4 120 818	5 016 308
Effect of exchange rate changes	-11 848	-8 025
Cash and cash equivalents at end of the period	25 009 252	18 630 055

STATEMENT OF CHANGES IN EQUITY

In euros	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
As at 01.01.2017	21 210 000	1	721 000	12 165 758	34 096 759
Net profit of the year	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
As at 30.06.2017	21 210 000	1	2 121 000	9 167 334	32 498 335
As at 01.01.2018	21 210 000	1	2 121 000	19 069 361	42 400 362
Net profit of the year	0	0	0	7 501 562	7 501 562
Distribution of dividends	0	0	0	-13 700 000	-13 700 000
Fair value adjustment of share based payment at the settlement date	0	0	0	-29 946	-29 946
As at 30.06.2018	21 210 000	1	2 121 000	12 840 977	36 171 978

NOTES TO THE INTERIM REPORT

NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q2 of 2018 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 2017. The comparative data of this interim report are figures of Q2 of 2017.

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 2018	Q2 of 2017	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Gross premium				
Home insurance	9 923 673	8 548 137	19 586 457	16 802 245
Motor own damage insurance	8 320 220	6 485 530	16 464 161	12 944 684
Motor third party liability insurance	5 257 605	2 328 898	9 834 987	4 166 117
Payment protection insurance	2 457 014	1 832 482	4 779 158	3 474 499
Travel insurance	1 970 788	1 662 298	3 915 269	3 281 226
Apartment building insurance	111 363	98 092	203 429	178 813
Other	64 250	64 560	128 196	123 412
TOTAL	28 104 913	21 019 996	54 911 657	40 970 994
Claims				
Home insurance	5 193 148	4 431 786	10 179 177	8 508 525
Motor own damage insurance	7 424 244	4 706 213	13 929 639	9 601 167
Motor third party liability insurance	2 240 414	1 103 081	4 173 248	2 219 714
Payment protection insurance	480 584	355 934	949 842	684 406
Travel insurance	1 512 380	1 186 885	3 666 905	2 348 961
Apartment building insurance	21 391	8 444	56 578	17 026
Other	31 979	31 008	54 043	50 688
TOTAL	16 904 139	11 823 350	33 009 433	23 430 488

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 30.06.2018			
Cash and deposits	7 102 836	17 906 416	25 009 252
Receivables from insurance activities	295 055	196 725	491 780
TOTAL	7 397 891	18 103 141	25 501 032
Other liabilities	0	9 320	11 737
TOTAL	0	9 320	11 737
Receivables and liabilities as of 30.06.2017			
Cash and deposits	9 189 555	14 440 500	23 630 055
Receivables from insurance activities	240 078	189 014	429 092
Accrued interests	0	-13 448	-13 448
TOTAL	9 429 633	14 616 066	24 045 699
Other liabilities	2 330	88 804	91 134
TOTAL	2 330	88 804	91 134

In euros	Q2 of 2018	Q2 of 2017	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Intermediary fee				
Swedbank AS	-470 193	-489 632	-909 827	-954 052
Other Group companies	-978 239	-612 050	-1 659 826	-1 052 518
TOTAL	-1 448 432	-1 101 682	-2 569 653	-2 006 570
Revenue from insurance premium				
Swedbank AS	873 809	707 539	1 718 455	1 371 860
Other Group companies	645 458	641 565	1 295 603	1 211 667
TOTAL	1 519 267	1 349 104	3 014 058	2 583 527
Paid/received interests				
Swedbank AS	148	-1 843	-1 058	-1 685
Other Group companies	-5 482	-9 532	-12 419	-16 606
TOTAL	-5 334	-11 375	-13 477	-18 291
Other purchases				
Swedbank AS	-437 382	-473 808	-911 860	-911 394
Other Group companies	-496 101	-399 461	-965 362	-810 052
TOTAL	-933 483	-873 269	-1 877 222	-1 721 446
