

SWEDBANK P&C INSURANCE AS

Interim Report

As of 31 December 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 enter into contracts in the branch, by telephone and e-mail and partially via internet bank.

Results of Business Operations of Q4 of 2018

Q4 2018 was a very good quarter for the Company. Premium income grew markedly compared to last year's same period as a consequence of strong new business growth while being supported by the market price level increase in some product lines. Net claims stayed virtually flat compared to the last year's same period while the costs remained under strict control. Premiums earned net of reinsurance in Q4 2018 amounted to 26.2 million euros (Q4 2017: 22.2 million euros). Q4 2018 net profit amounted to 8.8 million euros (Q4 2017: 5.0 million euros).

Driven by good macroeconomic environment in general and very good results in Q4 2018 in particular, year-to-date net profit grew by 6.2 million euros compared to year 2017 and totalled 23.3 million euros (same period last year: 17.1 million euros).

In euros	Q4 of 2018	Q4 of 2017	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Premiums earned net of reinsurance	26 221 171	22 210 557	99 317 658	81 205 932
Claims incurred net of reinsurance	14 305 833	14 213 307	62 173 802	51 566 516
Net operating expenses	2 628 419	2 727 432	10 108 393	10 381 425
Return of insurance activities	9 286 919	5 269 818	27 035 463	19 257 991
Net profit	8 835 018	4 980 039	23 270 322	17 066 103
Net claims ratio	54.6%	64.2%	62.6%	63.6%
Net expense ratio	10.0%	12.1%	10.2%	12.7%
Combined ratio	64.6%	76.3%	72.8%	76.3%

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

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

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

Insurance premium by products and countries:

Sales results of the Company in Estonia

In euros	Q4 of 2018	Proportion	01.01.2018-31.12.2018	Proportion
Motor own damage insurance	6 654 502	38.0%	23 837 257	36.7%
Home insurance	5 317 684	30.5%	20 420 284	31.3%
Motor third party liability insurance	2 718 594	15.5%	10 320 032	15.9%
Travel insurance	1 433 541	8.2%	5 113 622	7.9%
Payment protection insurance	1 233 252	7.0%	4 716 528	7.3%
Apartment building insurance	107 330	0.6%	432 890	0.7%
Other	28 079	0.2%	111 799	0.2%
TOTAL	17 492 982	100.0%	64 952 412	100.0%

Sales Results of the Company in Latvia

In euros	Q4 of 2018	Proportion	01.01.2018-31.12.2018	Proportion
Motor third party liability insurance	2 945 248	41.1%	10 699 383.0	40.8%
Home insurance	2 054 480	28.6%	7 625 396	29.1%
Motor own damage insurance	1 547 040	21.6%	5 650 786	21.5%
Payment protection insurance	341 341	4.8%	1 195 705	4.6%
Travel insurance	270 196	3.8%	1 031 757	3.9%
Other	8 467	0.1%	28 142	0.1%
TOTAL	7 166 772	100.0%	26 231 169	100.0%

Sales Results of the Company in Lithuania

In euros	Q4 of 2018	Proportion	01.01.2018-31.12.2018	Proportion
Home insurance	3 396 394	50,0%	12 589 334	50,5%
Motor own damage insurance	1 687 387	24,9%	5 891 395	23,6%
Payment protection insurance	1 120 798	16,5%	4 167 889	16,7%
Travel insurance	559 292	8,2%	2 164 975	8,7%
Other	30 463	0,4%	120 533	0,5%
TOTAL	6 794 334	100.0%	24 934 126	100.0%

Assets of Company

The assets of the Company increased during the quarter by EUR 14.1 million (15.5%) and formed EUR 105.3 million. The volume of financial investments increased during the quarter by EUR 0.2 million (0.4%) and formed EUR 47.2 million. The assets in the investment portfolio of the Company exceeded the technical provisions 2.0 times.

Number of Employees and Remunerations

As of 31 December 2018, the Company employed 128 full-time employees – 72 in Estonia, 23 in Latvia and 33 in Lithuania. Remunerations paid in Q4 2018 amounted to EUR 749.3 thousand (Q4 2017: EUR 600.4 thousand).

Overview of Other Significant Transactions and Events

In the first quarter there were three new members appointed to the Supervisory Council of the Company: Göran Böhlmark, Jon Liddefelt and Peter Henn.

In the second quarter, there were structural changes in the Company, during which the IT department, whose work had previously been outsourced, was legally merged with the company. As a result, the number of employees increased significantly.

STATEMENT OF FINANCIAL POSITION

In euros	31.12.2018	31.12.2017
ASSETS		
Cash and cash equivalents	36 501 800	29 141 918
Financial investments	47 198 808	39 596 601
Bonds	47 198 808	39 596 601
Receivables related to insurance activities	4 831 311	4 220 855
Prepaid expenses	321 829	230 592
Reinsurance assets	16 425 480	10 053 012
Receivables	6 240 269	2 720 652
Technical provisions	10 185 211	7 332 360
Deferred tax assets	281	3 343
Tangible assets	0	3 658
Total assets	105 279 509	83 249 979
LIABILITIES AND EQUITY		
Liabilities related to insurance activities	51 188 772	39 406 390
Technical provisions	41 352 694	34 611 291
Liabilities related to reinsurance	8 908 120	4 071 754
Other	927 958	723 345
Other liabilities	2 149 999	1 443 227
Total liabilities	53 338 771	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	23 270 322	17 066 103
Total equity	51 940 738	42 400 362
Total liabilities and equity	105 279 509	83 249 979

STATEMENT OF COMPREHENSIVE INCOME

In euros	Q4 of 2018	Q4 of 2017	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017
Premiums earned, net of reinsurance				
Premiums earned	30 708 174	24 337 972	113 970 260	87 276 127
Reinsurance premium	-4 487 003	-2 127 415	-14 652 602	-6 070 195
TOTAL	26 221 171	22 210 557	99 317 658	81 205 932
Claims incurred, net of reinsurance				
Claims incurred, gross	16 299 088	15 594 537	67 134 282	54 149 553
Claims handling expenses	1 019 560	956 312	3 880 889	3 257 861
Share of reinsurance in claims incurred	-3 012 815	-2 337 542	-8 841 369	-5 840 898
TOTAL	14 305 833	14 213 307	62 173 802	51 566 516
Operating expenses				
Acquisition costs, net of reinsurance	802 413	1 140 159	3 160 767	4 433 883
Administrative expenses	1 565 518	1 434 219	6 071 601	5 485 419
Other operating expenses	260 488	153 054	876 025	462 123
TOTAL	2 628 419	2 727 432	10 108 393	10 381 425
Return of insurance activities	9 286 919	5 269 818	27 035 463	19 257 991
Investment income and expenses, net	-99 759	-17 654	-253 760	-99 254
Other income	1 570	427	2 826	2 104
Other expenses	80 836	75 417	316 503	258 083
Profit before income tax	9 107 894	5 177 174	26 468 026	18 902 758
Income tax	269 814	182 931	3 194 642	1 817 715
Deferred income tax	3 062	14 204	3 062	18 940
Net profit for the period	8 835 018	4 980 039	23 270 322	17 066 103
Total comprehensive income for the period	8 835 018	4 980 039	23 270 322	17 066 103

STATEMENT OF CASH FLOWS

In euros	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Cash flow from / used in operating activities	28 902 069	25 267 925
Insurance premium collected	117 583 594	90 993 935
Claims, recourses and handling expenses paid	-66 224 056	-50 775 902
Settlements with reinsurers	-3 470 153	-1 543 304
Operating expenses paid	-15 889 540	-14 602 749
Income tax paid	-3 111 883	-1 068 181
Other income and expenses	14 107	2 264 126
Cash flow from / used in investing activities	-7 822 008	-1 032 943
Acquisition of fixed tangible assets	0	-2 352
Interest collected	746 803	794 589
Acquisition of bonds	-19 690 337	-28 754 537
Disposal of bonds	11 295 376	13 558 340
Proceeds from matured term deposits	0	13 500 000
Investment expenses paid	-173 850	-128 983
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	7 380 061	15 534 982
Cash and cash equivalents at beginning of the period	29 141 918	13 621 772
Change in cash and cash equivalents	7 380 061	15 534 982
Effect of exchange rate changes	-20 179	-14 836
Cash and cash equivalents at end of the period	36 501 800	29 141 918

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	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
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	23 270 322	23 270 322
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 31.12.2018	21 210 000	1	2 121 000	28 609 737	51 940 738

NOTES TO THE INTERIM REPORT

NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q4 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 Q4 of 2017.

The presentation currency of Swedbank P&C Insurance AS is the euro. All other currencies 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 2018	Q4 of 2017	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Gross premium				
Home insurance	10 768 558	9 381 877	40 635 014	35 062 074
Motor own damage insurance	9 888 929	8 338 647	35 379 438	28 627 108
Motor third party liability insurance	5 663 842	3 841 046	21 019 415	11 099 680
Payment protection insurance	2 695 391	2 220 585	10 080 122	7 723 829
Travel insurance	2 263 029	1 822 494	8 310 354	6 905 795
Apartment building insurance	107 330	91 515	432 890	376 840
Other	67 009	63 714	260 474	250 316
TOTAL	31 454 088	25 759 878	116 117 707	90 045 642
Claims				
Home insurance	6 315 648	5 388 071	22 618 054	18 373 544
Motor own damage insurance	6 999 751	5 767 051	27 916 679	19 889 353
Motor third party liability insurance	2 873 979	1 808 864	9 296 744	5 126 443
Payment protection insurance	602 234	376 456	2 074 609	1 418 094
Travel insurance	1 158 254	1 192 773	5 964 873	4 590 889
Apartment building insurance	42 795	110 610	135 154	175 530
Other	35 844	32 153	130 531	113 265
TOTAL	18 028 506	14 675 979	68 136 644	49 687 118

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 31.12.2018			
Cash and deposits	10 631 061	25 870 739	36 501 800
Receivables from insurance activities	382 886	220 005	602 891
TOTAL	11 013 947	26 090 744	37 104 691
Other liabilities	0	19 011	19 011
TOTAL	0	19 011	19 011
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

In euros	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Intermediary fee		
Swedbank AS	-1 817 069	-1 916 861
Other Group companies	-3 504 228	-2 535 260
TOTAL	-5 321 297	-4 452 121
Revenue from insurance premium		
Swedbank AS	3 826 859	2 943 397
Other Group companies	2 673 860	2 490 451
TOTAL	6 500 719	5 433 848
Paid/received interests		
Swedbank AS	-1 314	-1 780
Other Group companies	-28 444	-37 745
TOTAL	-29 758	-39 525
Other purchases		
Swedbank AS	-1 616 208	-1 830 064
Other Group companies	-2 013 907	-1 666 309
TOTAL	-3 630 115	-3 496 373
