

SWEDBANK P&C INSURANCE AS

Interim Report

As of 31 March 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 Q1 of 2018

Q1 2018 profitability improved markedly compared to last year same period supported by growing market prices and robust business volumes growth, especially in Latvia.

Premiums earned net of reinsurance amounted to 23.3 million euros (Q1 2017: 18.5 million euros). Increase in expenses arising out of increasing business volumes was significantly limited. Net profit of Q1 2018 amounted to 2.7 million euros (Q1 2017: 2.2 million euros).

In euros	Q1 of 2018	Q1 of 2017
Premiums earned net of reinsurance	23 271 649	18 475 530
Claims incurred net of reinsurance	15 714 690	12 654 113
Net operating expenses	2 312 119	2 392 736
Return of insurance activities	5 244 840	3 428 681
Net profit	2 668 009	2 194 516
Net claims ratio	67.5%	68.5%
Net expense ratio	9.9%	13.0%
Combined ratio	77.4%	81.5%

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

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

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

Insurance premium by products and countries:

Sales results of the Company in Estonia

In euros	Q1 of 2018	Proportion
Motor own damage insurance	5 558 300	32.3%
Home insurance	4 901 905	36.6%
Motor third party liability insurance	2 287 794	15.1%
Travel insurance	1 197 413	7.4%
Payment protection insurance	1 117 898	7.8%
Apartment building insurance	92 065	0.6%
Other	27 809	0.2%
TOTAL	15 183 184	100%

Sales Results of the Company in Latvia

In euros	Q1 of 2018	Proportion
Motor third party liability insurance	2 289 589	39.0%
Home insurance	1 796 748	30.6%
Motor own damage insurance	1 280 454	21.8%
Payment protection insurance	258 917	4.4%
Travel insurance	245 448	4.1%
Other	6 295	0.1%
TOTAL	5 877 451	100%

Sales Results of the Company in Lithuania

In euros	Q1 of 2018	Proportion
Home insurance	2 964 130	51.6%
Motor own damage insurance	1 305 187	22.7%
Payment protection insurance	945 329	16.5%
Travel insurance	501 620	8.7%
Other	29 843	0.5%
TOTAL	5 746 109	100%

Insurance premiums have increased by 34.4% compared to Q1 2017. Compared to the last year, sales results improved markedly in motor hull and motor liability insurance: 26.1% and 149.1% compared to Q1 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 17.1% compared to Q1 2017. At the same time loan payment protection insurance premiums grew 41.4% driven by the high coverage of

Swedbank credit card portfolio. Travel insurance premiums grew 20.1% compared to Q1 2017 being mainly influenced by the product launch in Lithuania.

Assets of Company

The assets of the Company decreased during the quarter by EUR 6.7 million (8.0%) and formed EUR 76.5 million. The volume of financial investments increased during the quarter by EUR 2.8 million (7.2%) and formed EUR 42.4 million. The technical liabilities of the Company exceeded the financial investments 1.1 times.

Number of Employees and Remunerations

As of 31 March 2018, the Company employed 114 people – 64 in Estonia, 19 in Latvia and 31 in Lithuania. Remunerations paid in Q1 2018 amounted to EUR 578.0 thousand (Q1 2017: EUR 485.8 thousand).

Important Events during the Quarter

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

STATEMENT OF FINANCIAL POSITION

In euros	31.03.2018	31.12.2017
ASSETS		
Cash and cash equivalents	18 387 742	29 141 918
Financial investments	42 439 358	39 596 601
Bonds	42 439 358	39 596 601
Receivables related to insurance activities	4 362 295	4 220 855
Prepaid expenses	360 160	230 592
Reinsurance assets	10 962 815	10 053 012
Receivables	3 291 146	2 720 652
Technical provisions	7 671 669	7 332 360
Deferred tax assets	3 343	3 343
Tangible assets	2 913	3 658
Total assets	76 518 626	83 249 979
LIABILITIES AND EQUITY		
Liabilities related to insurance activities	41 104 020	39 406 390
Technical provisions	36 757 384	34 611 291
Liabilities related to reinsurance	3 531 932	4 071 754
Other	814 704	723 345
Other liabilities	4 046 235	1 443 227
Total liabilities	45 150 255	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	5 369 361	2 003 258
Net profit for current period	2 668 009	17 066 103
Total equity	31 368 371	42 400 362
Total liabilities and equity	76 518 626	83 249 979

STATEMENT OF COMPREHENSIVE INCOME

In euros	Q1 of 2018	Q1 of 2017
Premiums earned, net of reinsurance		
Premiums earned	26 028 728	19 752 623
Reinsurance premium	-2 757 079	-1 277 093
TOTAL	23 271 649	18 475 530
Claims incurred, net of reinsurance		
Claims incurred, gross	16 348 540	12 518 593
Claims handling expenses	957 375	720 187
Share of reinsurance in claims incurred	-1 591 225	-584 667
TOTAL	15 714 690	12 654 113
Operating expenses		
Acquisition costs, net of reinsurance	691 802	1 118 361
Administrative expenses	1 441 940	1 186 438
Other operating expenses	178 377	87 937
TOTAL	2 312 119	2 392 736
Return of insurance activities	5 244 840	3 428 681
Investment income and expenses, net	-42 897	-43 848
Other income	147	542
Other expenses	73 118	50 634
Profit before income tax	5 128 972	3 334 741
Income tax	2 460 963	1 142 131
Deferred income tax	0	-1 906
Net profit for the period	2 668 009	2 194 516
Total comprehensive income for the period	2 668 009	2 194 516

STATEMENT OF CASH FLOWS

In euros	Q1 of 2018	Q1 of 2017
Cash flow from / used in operating activities	5 815 570	5 018 067
Insurance premium collected	27 085 944	20 180 738
Claims, recourses and handling expenses paid	-15 778 544	-11 367 854
Settlements with reinsurers	-1 797 409	-660 391
Operating expenses paid	-3 485 734	-3 183 222
Income tax paid	-209 251	-181 414
Other income and expenses	564	230 210
Cash flow from / used in investing activities	-2 862 593	7 116 340
Acquisition of fixed tangible assets	0	-2 352
Interest collected	99 276	39 097
Acquisition of bonds	-10 872 718	-2 589 465
Disposal of bonds	7 952 590	1 200 000
Proceeds from matured term deposits	0	8 500 000
Investment expenses paid	-41 741	-30 940
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	-10 747 023	3 434 407
Cash and cash equivalents at beginning of the period	29 141 918	13 621 772
Change in cash and cash equivalents	-10 747 023	3 434 407
Effect of exchange rate changes	-7 153	-3 896
Cash and cash equivalents at end of the period	18 387 742	17 052 283

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	2 194 516	2 194 516
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	-41 552	-41 552
As at 31.03.2017	21 210 000	1	2 121 000	4 218 722	27 549 723
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	2 668 009	2 668 009
Distribution of dividends	0	0	0	-13 700 000	-13 700 000
As at 31.03.2018	21 210 000	1	2 121 000	8 037 370	31 368 371

NOTES TO THE INTERIM REPORT

NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q1 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 Q1 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	Q1 of 2018	Q1 of 2017
Gross premium		
Home insurance	9 662 783	8 254 107
Motor own damage insurance	8 143 941	6 459 155
Motor third party liability insurance	4 577 383	1 837 219
Payment protection insurance	2 322 144	1 642 017
Travel insurance	1 944 481	1 618 928
Apartment building insurance	92 065	80 721
Other	63 947	58 852
TOTAL	26 806 744	19 950 999

Claims		
Home insurance	4 986 030	4 076 739
Motor own damage insurance	6 505 395	4 894 954
Motor third party liability insurance	1 932 834	1 116 633
Payment protection insurance	469 258	1 162 077
Travel insurance	2 154 526	328 472
Apartment building insurance	35 188	8 582
Other	22 064	19 680
TOTAL	16 105 295	11 607 137

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 31.03.2018			
Cash and deposits	4 849 013	13 538 729	18 387 742
Receivables from insurance activities	284 951	198 340	483 291
TOTAL	5 133 964	13 737 069	18 871 033
Other liabilities	0	11 737	11 737
TOTAL	0	11 737	11 737
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	Q1 of 2018	Q1 of 2017
Intermediary fee		
Swedbank AS	-439 634	-464 420
Other Group companies	-681 587	-440 468
TOTAL	-1 121 221	-904 888
Revenue from insurance premium		
Swedbank AS	844 646	664 321
Other Group companies	650 145	570 102
TOTAL	1 494 791	1 234 423
Paid/received interests		
Swedbank AS	-1 206	158
Other Group companies	-6 937	-7 074
TOTAL	-8 143	-6 916
Other purchases		
Swedbank AS	-474 478	-437 586
Other Group companies	-469 261	-410 591
TOTAL	-943 739	-848 177
