

SWEDBANK P&C INSURANCE AS

Interim Report

As of 30 September 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 Q3 of 2018

Q3 2018 profitability was better compared to last year same period as a result of premium volumes growth outpacing the growth in claims. Moreover, the Company has held the expense side under strict control and is continuously keeping its focus on the efficiency improvement projects. Premiums earned net of reinsurance in Q3 2018 amounted to 25.6 million euros (Q3 2017: 21.0 million euros). Q3 2018 net profit amounted to 6.9 million euros (Q3 2017: 4.9 million euros).

Year-to-date results have slightly improved compared to the last year as a consequence of surging premium volumes caused by strong business growth and moderate price increase in the market. The most rapid business volumes growth was reported in Latvia, in motor third party liability insurance business. Year-to-date premiums earned net of reinsurance totalled 73.1 million euros (same period last year: 59.0 million euros). Year-to-date net profit amounted to 14.4 million euros (same period last year: 12.1 million euros).

In euros	Q3 of 2018	Q3 of 2017	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
Premiums earned net of reinsurance	25 561 351	21 028 132	73 096 487	58 995 375
Claims incurred net of reinsurance	15 763 742	13 190 159	47 867 969	37 353 209
Net operating expenses	2 466 441	2 619 168	7 479 974	7 653 993
Return of insurance activities	7 331 168	5 218 805	17 748 544	13 988 173
Net profit	6 933 742	4 922 864	14 435 304	12 086 064
Net claims ratio	61.7%	62.7%	65.5%	63.3%
Net expense ratio	9.6%	12.5%	10.2%	13.0%
Combined ratio	71.3%	75.2%	75.7%	76.3%
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	Q3 of 2018	Proportion	01.01.2018-30.09.2018	Proportion
Motor own damage insurance	6 022 509	36.6%	17 182 755	36.2%
Home insurance	5 152 668	31.3%	15 102 600	31.8%
Motor third party liability insurance	2 652 001	16.1%	7 601 438	16.0%
Travel insurance	1 294 688	7.9%	3 680 081	7.8%
Payment protection insurance	1 203 584	7.2%	3 483 276	7.3%
Apartment building insurance	122 131	0.7%	325 560	0.7%
Other	27 994	0.2%	83 720	0.2%
TOTAL	16 475 575	100%	47 459 430	100%

Sales Results of the Company in Latvia

In euros	Q3 of 2018	Proportion	01.01.2018-30.09.2018	Proportion
Motor third party liability insurance	2 868 584	41.7%	7 754 134	40.7%
Home insurance	1 930 539	28.1%	5 570 916	29.2%
Motor own damage insurance	1 485 055	21.6%	4 103 746	21.5%
Payment protection insurance	311 603	4.5%	854 365	4.5%
Travel insurance	277 949	4.0%	761 561	4.0%
Other	7 047	0.1%	19 675	0.1%
TOTAL	6 880 777	100%	19 064 397	100%

Sales Results of the Company in Lithuania

In euros	Q3 of 2018	Proportion	01.01.2018-30.09.2018	Proportion
Home insurance	3 196 793	50.0%	9 192 940	50.7%
Motor own damage insurance	1 518 784	23.7%	4 204 008	23.2%
Payment protection insurance	1 090 388	17.1%	3 047 092	16.8%
Travel insurance	559 418	8.7%	1 605 683	8.8%
Other	30 228	0.5%	90 071	0.5%
TOTAL	6 395 611	100%	18 139 794	100%

Assets of Company

The assets of the Company increased during the quarter by EUR 5.7 million (6.6%) and formed EUR 91.2 million. The volume of financial investments increased during the quarter by EUR 4.7 million (11.1%) and formed EUR 47.0 million. The assets in the investment portfolio of the Company exceeded the technical provisions 1.8 times.

Number of Employees and Remunerations

As of 30 September 2018, the Company employed 128 full-time employees – 75 in Estonia, 21 in Latvia and 32 in Lithuania. Remunerations paid in Q3 2018 amounted to EUR 707.9 thousand (Q3 2017: EUR 553.9 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 Lidfelt 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	30.09.2018	31.12.2017
ASSETS		
Cash and cash equivalents	27 462 359	29 141 918
Financial investments	47 018 772	39 596 601
Bonds	47 018 772	39 596 601
Receivables related to insurance activities	4 262 455	4 220 855
Prepaid expenses	303 484	230 592
Reinsurance assets	12 103 503	10 053 012
Receivables	2 996 539	2 720 652
Technical provisions	9 106 964	7 332 360
Deferred tax assets	3 343	3 343
Tangible assets	1 575	3 658
Total assets	91 155 491	83 249 979
LIABILITIES AND EQUITY		
Liabilities related to insurance activities	46 100 862	39 406 390
Technical provisions	40 876 028	34 611 291
Liabilities related to reinsurance	4 318 095	4 071 754
Other	906 739	723 345
Other liabilities	1 948 909	1 443 227
Total liabilities	48 049 771	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	14 435 304	17 066 103
Total equity	43 105 720	42 400 362
Total liabilities and equity	91 155 491	83 249 979

STATEMENT OF COMPREHENSIVE INCOME

In euros	Q3 of 2018	Q3 of 2017	01.01.2018- 30.09.2018	01.01.2017- 30.06.2017
Premiums earned, net of reinsurance				
Premiums earned	29 485 514	22 486 626	83 262 086	62 938 155
Reinsurance premium	-3 924 163	-1 458 494	-10 165 599	-3 942 780
TOTAL	25 561 351	21 028 132	73 096 487	58 995 375
Claims incurred, net of reinsurance				
Claims incurred, gross	17 090 639	14 621 439	50 835 194	38 555 016
Claims handling expenses	946 895	760 827	2 861 329	2 301 549
Share of reinsurance in claims incurred	-2 273 792	-2 192 107	-5 828 554	-3 503 356
TOTAL	15 763 742	13 190 159	47 867 969	37 353 209
Operating expenses				
Acquisition costs, net of reinsurance	744 720	1 080 340	2 358 354	3 293 724
Administrative expenses	1 497 005	1 419 177	4 506 083	4 051 200
Other operating expenses	224 716	119 651	615 537	309 069
TOTAL	2 466 441	2 619 168	7 479 974	7 653 993
Return of insurance activities	7 331 168	5 218 805	17 748 544	13 988 173
Investment income and expenses, net	-78 864	22 441	-154 001	-81 600
Other income	340	1 013	1 256	1 677
Other expenses	89 513	72 073	235 667	182 666
Profit before income tax	7 163 131	5 170 186	17 360 132	13 725 584
Income tax	229 389	247 608	2 924 828	1 634 784
Deferred income tax	0	-286	0	4 736
Net profit for the period	6 933 742	4 922 864	14 435 304	12 086 064
Total comprehensive income for the period	6 933 742	4 922 864	14 435 304	12 086 064

STATEMENT OF CASH FLOWS

In euros	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017
Cash flow from / used in operating activities	19 581 034	18 101 678
Insurance premium collected	85 980 928	65 192 380
Claims, recourses and handling expenses paid	-48 519 585	-35 610 438
Settlements with reinsurers	-3 370 795	-1 428 529
Operating expenses paid	-11 556 303	-10 810 432
Income tax paid	-2 967 153	-853 542
Other income and expenses	13 942	1 612 239
Cash flow from / used in investing activities	-7 546 086	-1 443 739
Acquisition of fixed tangible assets	0	-2 352
Interest collected	402 774	505 247
Acquisition of bonds	-15 773 988	-17 600 396
Disposal of bonds	7 952 590	7 248 062
Proceeds from matured term deposits	0	8 500 000
Investment expenses paid	-127 462	-94 300
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	-1 665 052	7 957 939
Cash and cash equivalents at beginning of the period	29 141 918	13 621 772
Change in cash and cash equivalents	-1 665 052	7 957 939
Effect of exchange rate changes	-14 507	-11 737
Cash and cash equivalents at end of the period	27 462 359	21 567 974

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	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
As at 30.09.2017	21 210 000	1	2 121 000	14 090 198	37 421 199
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	14 435 304	14 435 304
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 30.09.2018	21 210 000	1	2 121 000	19 774 719	43 105 720

NOTES TO THE INTERIM REPORT

NOTE 1. ACCOUNTING POLICIES AND PROCEDURES USED

The interim report of Q3 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 Q3 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	Q3 of 2018	Q3 of 2017	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017
Gross premium				
Home insurance	10 280 000	8 877 952	29 866 456	25 680 198
Motor own damage insurance	9 026 348	7 343 778	25 490 509	20 288 462
Motor third party liability insurance	5 520 585	3 092 518	15 355 572	7 258 634
Payment protection insurance	2 605 575	2 028 745	7 384 733	5 503 244
Travel insurance	2 132 055	1 802 074	6 047 325	5 083 300
Apartment building insurance	122 131	106 513	325 560	285 325
Other	65 269	63 190	193 466	186 601
TOTAL	29 751 963	23 314 770	84 663 621	64 285 764
Claims				
Home insurance	6 123 229	4 476 948	16 302 406	12 985 473
Motor own damage insurance	6 987 289	4 521 136	20 916 928	14 122 303
Motor third party liability insurance	2 249 517	1 097 865	6 422 765	3 317 579
Payment protection insurance	522 533	357 232	1 472 375	1 041 638
Travel insurance	1 139 714	1 049 155	4 806 619	3 398 116
Apartment building insurance	35 781	47 893	92 359	64 919
Other	40 644	30 424	94 687	81 112
TOTAL	17 098 707	11 580 652	50 108 139	35 011 140

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 30.09.2018			
Cash and deposits	6 093 189	21 369 170	27 462 359
Receivables from insurance activities	370 856	218 899	589 755
TOTAL	6 464 045	21 588 069	28 052 114
Other liabilities	160	12 684	11 737
TOTAL	160	12 684	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
Accrued interests	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	Q3 of 2018	Q3 of 2017	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017
Intermediary fee				
Swedbank AS	-468 267	-486 983	-1 378 094	-1 441 035
Other Group companies	-925 869	-713 011	-2 585 695	-1 765 529
TOTAL	-1 394 136	-1 199 994	-3 963 789	-3 206 564
Revenue from insurance premium				
Swedbank AS	970 724	755 901	2 689 179	2 127 761
Other Group companies	669 212	634 258	1 964 815	1 845 925
TOTAL	1 639 936	1 390 159	4 653 994	3 973 686
Paid/received interests				
Swedbank AS	-349	-120	-1 407	-1 805
Other Group companies	-7 158	-10 665	-19 577	-27 271
TOTAL	-7 507	-10 785	-20 984	-29 076
Other purchases				
Swedbank AS	-329 053	-470 603	-1 240 913	-1 381 997
Other Group companies	-506 322	-418 035	-1 471 684	-1 228 087
TOTAL	-835 375	-888 638	-2 712 597	-2 610 084
