

# P&C Insurance

If P&C is the leading property and casualty insurance group in the Nordic region, with insurance operations that also encompass the Baltic countries. The P&C insurance group's parent company, If P&C Insurance Holding Ltd, is located in Sweden, and the If subsidiaries and branches provide insurance solutions and services in Finland, Sweden, Norway, Denmark and the Baltic countries. If P&C's operations are divided into four business areas: Private, Commercial, Industrial and Baltic. The Danish insurance company Topdanmark is If P&C's associated company.

## Results P&C Insurance, 2013

EURm	2013	2012	Change, %
Premiums, net	4,560	4,441	3
Net income from investments	368	359	2
Other operating income	28	33	-14
Claims incurred	-2,946	-2,876	2
Change in insurance liabilities	-55	-78	-29
Staff costs	-564	-521	8
Other expenses expenses	-493	-521	-5
Finance costs	-18	-19	-5
Share of associates' profit/loss	50	46	8
<b>Profit before taxes</b>	<b>929</b>	<b>864</b>	<b>8</b>

	2013	2012	Change
Combined ratio, %	88.1	88.9	-0.8
Risk ratio, %	65.4	65.9	-0.5
Cost ratio, %	22.8	23.0	-0.2
Expense ratio, %	16.8	16.9	-0.1
Return on equity, %	24.4	36.9	-12.5
Average number of staff (FTE)	6,238	6,225	13

P&C insurance segment's profit before taxes for 2013 rose to EUR 929 million (864) because of the excellent insurance technical profitability.

Combined ratio for the full year 2013 was the best ever in If P&C's history and amounted to 88.1 per cent (88.9). EUR 79 million (133) was released from

technical reserves relating to prior year claims.

Technical result improved to EUR 601 million (574) for the full year 2013. Technical result for Private business area increased to EUR 360 million (349) and for business area Industrial to EUR 43 million (28). The technical result for Commercial and Baltics remained

stable at EUR 166 million (168) and EUR 15 million (17), respectively. The mild weather at the beginning and end of 2013 influenced the frequency claims development positively. Storm claims incurred in the fourth quarter of 2013 affected results at the same time negatively, the most significant storm amounted to approx. EUR 23 million. Insurance margin (technical result in relation to net premiums earned) improved to

13.3 per cent (13.1).

Return on equity (RoE) decreased to 24.4 per cent (36.9). Fair value reserve for If P&C rose to EUR 472 million (364) at the end of December 2013 because of the good equity market performance. Currency movements had a negative impact of EUR 153 million on the fair value reserve.

	Combined ratio, %			Risk ratio, %		
	2013	2012	Change	2013	2012	Change
Private	87.8	88.1	-0.3	64.9	64.9	-0.0
Commercial	88.6	89.0	-0.4	65.1	65.5	-0.4
Industrial	91.5	95.8	-4.3	70.7	73.9	-3.2
Baltic	88.4	87.1	1.3	56.2	54.7	1.5
Sweden	93.5	95.8	-2.3	70.7	72.4	-1.7
Norway	83.3	81.3	2.0	61.4	59.1	2.3
Finland	88.5	89.5	-1.0	65.5	66.7	-1.2
Denmark	91.3	99.4	-8.1	64.7	71.7	-7.0

Combined ratios improved in all business areas except Baltics during 2013. Business area Baltic continued to have very good profitability and combined ratio in business area Industrial improved significantly in 2013 due to lower large claims costs compared to 2012. Combined ratios decreased in all the markets with a clear improvement in Denmark, despite the high storm related claims in the fourth quarter.

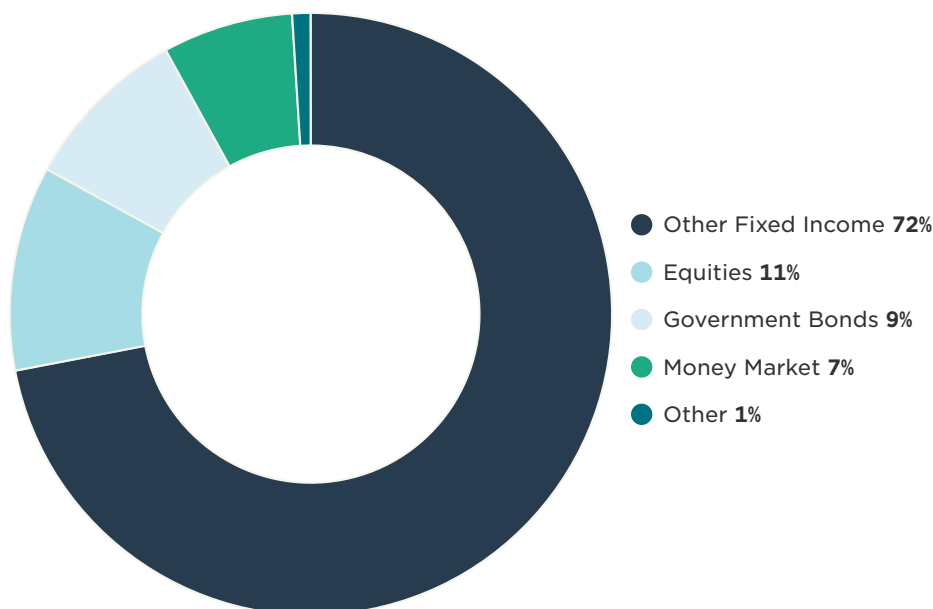
Large claims development in 2013 was better than in 2012 and in total large claims ended up EUR 14 million (51) higher than normalized for the full year 2013, an improvement by EUR 37 million.

Gross written premiums increased 1.5 per cent to EUR 4,768 million (4,698). Adjusted for currency premiums increased 2.9 per cent. Premiums grew in all business areas except Industrial. In Private gross written premiums adjusted for currency increased 5.0 per cent, in Commercial 1.7 per cent and in the Baltic operations by 1.6 per cent. Gross written premiums in Industrial decreased by 4.4 per cent.

Cost ratio for 2013 improved by 0.2 percentage points and amounted to 22.8 per cent (23.0). Expense ratio decreased to 16.8 (16.9). In Finland the acquisition of Tryg's Finnish business increased nominal costs as the number of employees increased.

### Investment Allocation

P&C Insurance, 31 December 2013, total EUR 11.7 billion



At the end of December 2013 the total investment assets of If P&C amounted to EUR 11.7 billion (11.7).

Net income from investments increased to EUR 368 million (359). Investment return mark-to-market for 2013 was 5.0 per cent (6.1).

Duration for interest bearing assets was 1.3 year (1.1) and average maturity 2.3 years (2.3). Fixed income running yield as at 31 December 2013 was 2.9 per cent (3.6).

If P&C's solvency ratio as at 31 December 2013 (solvency capital in relation to net written premiums) amounted to 81 per cent (75). Solvency capital increased from the previous year to EUR 3,601 million (3,485), although a dividend of SEK 4.3 billion was paid to Sampo plc in the fourth quarter. Reserve ratios were 160 per cent (164) of net written premiums and 227 per cent (222) of claims paid.

## Significant Events During 2013

If P&C Insurance Company Ltd (Finland) signed an agreement to acquire the P&C insurance business of the Finnish branch of Tryg A/S in November 2012. Tryg's Finnish branch had approximately 155,000 customers and a market share of around two per cent. The acquisition was closed in May 2013 after all necessary approvals had been obtained.

If P&C and Nordea signed in November 2012 a partnership agreement. Nordea sells If P&C's insurance products to its clients in Sweden, Finland, Estonia, Latvia and Lithuania. The first months of co-operation have been encouraging, particularly in Sweden.

## Associated Company Topdanmark

If P&C holds 25.2 per cent of the total number of shares in Topdanmark and 28.0 per cent of all shares excluding the shares held by the company itself. Topdanmark, which is listed in the Copenhagen Stock Exchange, is a P&C insurance company with a small exposure to life insurance in Denmark. In 2012 Topdanmark's gross written premiums amounted to approx. EUR 1.6 billion. The company has a market share of 17 per cent in P&C insurance and 3 per cent in life insurance in Denmark.

Topdanmark has a profit distribution policy according to which it does not pay dividends but buys back its own shares in the market. If P&C has not bought Topdanmark's shares since May 2011, but as it has not participated in the buybacks, its holding as a percentage of all Topdanmark shares has grown. In May 2011 the holding exceeded 20 per cent and If P&C started to account for Topdanmark as an associated company.

In Sampo Group's segment reporting Topdanmark

holding is included in the P&C insurance segment. Due to the late publication of financial reports by Topdanmark, consensus estimate for the company's profit is used as a basis of calculating If P&C's share of Topdanmark's profit. Any deviation from the actual reported profit will be corrected in Sampo Group's next quarterly report.

In Sampo Group's 2013 accounts the contribution of Topdanmark's net profit after an amortization of EUR 8 million amounted to EUR 52 million (50). If P&C's solvency capital on 31 December 2013 includes the proportion of Topdanmark's solvency capital corresponding to If P&C's holding.

On 31 December 2013 If P&C held 31,476,920 Topdanmark shares. The average acquisition price is DKK 78 and the book value in Sampo Group's balance sheet on 31 December 2013 was EUR 363 million. The closing price at the end of trading year 2013 in the Copenhagen Stock Exchange was DKK 142.80 (approx. EUR 19) per share.