If P&C Insurance AS

ANNUAL REPORT

2013

ANNUAL REPORT

Business name:	If P&C Insurance AS
Registry code:	10100168
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Main field of activity:	non-life insurance services (EMTAK 65121)
Beginning of financial year:	1 January 2013
End of financial year:	31 December 2013
Chairman of the Management Board:	Andris Morozovs
Auditor:	Ernst & Young Baltic AS

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MANAGEMENT REPORT

ORGANIZATION

If P&C Insurance AS (the Company, If) is wholly owned by the leading Nordic P&C insurance group If P&C Insurance Holding Ltd, which is itself owned by Sampo Plc., a Finnish company listed on the Helsinki Stock Exchange. In addition to the property and casualty insurance operations conducted within If, the Sampo Group also conducts life insurance operations.

The Baltic business area covers both private individuals and corporate customers. If has offered property and casualty insurance in the Baltic countries since 1992. If has approximately 350,000 customers in the Baltic countries and is the market leader in Estonia.

The company is registered in Estonia and operates branches there and in Latvia and Lithuania. The current corporate structure improves the efficiency of operations and claims handling in the Baltic region. Some of the business functions are common for all three Baltic countries, however each country has its own sales and customer service functions in order to better cater to its customers' needs and practices.

LEGAL STRUCTURE OF THE COMPANY

If P&C Insurance AS (Estonia)
Reg. no. 10100168

Branch in Latvia
If P&C Insurance AS Latvijas filiāle
Reg. no. 40103201449

ECONOMIC OUTLOOK

The macro economy in the Baltic States continued to improve in 2013. Latvia's gross domestic product (GDP) grew by 4.5% in the first nine months of 2013, while in both Lithuania and Estonia GDP growth was slower – 3.1% and 0.9% respectively over the same period. By the end of 2013, GDP is expected to have grown by roughly 4% in Latvia, by 3% in Lithuania and by roughly 1% in Estonia. Economic growth is mainly driven by robust industrial production and domestic demand in Lithuania. The driving force of Estonian and Latvian economic growth was domestic demand, supported by private consumption and recovered investments. On the other hand, the unemployment rate remained very high and only minor improvement is expected in the years ahead.

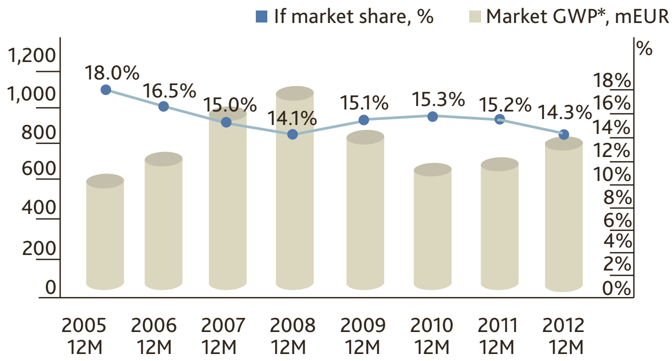
During 2013 inflation was lower than expected in all Baltic countries, Latvia especially. Inflation in 2013 was 3.0% in Estonia, 1.2% in Lithuania and 0% in Latvia. The increase in the inflation rate in Estonia was influenced by hikes in electricity, heat energy, fuel and food prices. Inflation for 2014 is expected to stay at the same level or slightly increase in Latvia and Lithuania with some decrease expected in Estonia. Next year the trends in consumer prices will largely depend on the prices for food commodities and for energy in the international markets.

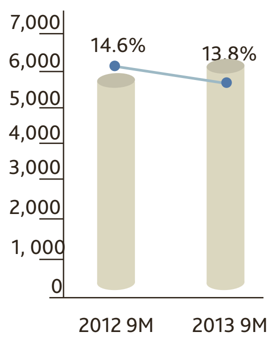
Economic development in the Baltic region in 2014 is estimated to continue to grow, but will be dependent on the economic development of other European countries. In Latvia and Lithuania, the economic outlook is brighter partly due to introduction of Euro as the Latvian national currency in 2014 and the expected Euro introduction in Lithuania in 2015. The main contributor for growth in the Baltic states is expected to be exports, domestic demand and recovery of foreign demand and investments.

NON-LIFE INSURANCE MARKET

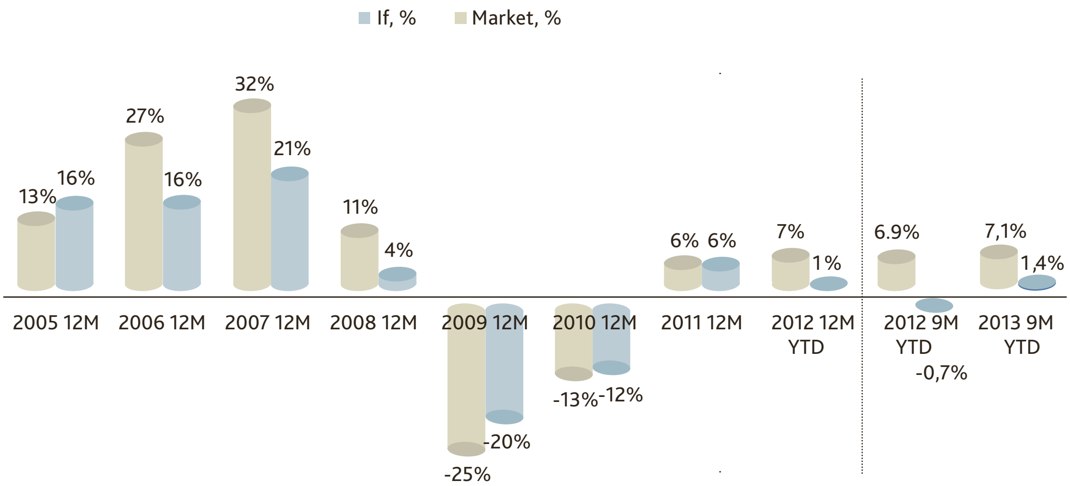
The improvement in the economy has had a positive impact on the development of the insurance market. The Baltic non-life insurance market grew by 7.1% in the first nine months of 2013 (the latest available information). The insurance market in Lithuania showed the strongest growth among the Baltic States, 9.7% in the first 9 months 2013. The Lithuanian non-life insurance market growth was supported mainly by an increase in motor insurance lines, with especially strong growth in compulsory Motor Third Party Liability insurance. The growth was mainly supported by the macro-economic development and increase in car sales and new leasings. The Estonian and Latvian non-life insurance markets showed a somewhat slower growth, 5.9% and 4.3% respectively. In Latvia the main growth drivers were also motor insurance and health insurance. In Estonia If is market leader with a 26.4% market share. If market share is 11.6% in Latvia and 7.2% in Lithuania (first 9 months of 2013).

If market share development





Baltic P&C market volume* change vs. If



* Market GWP is official market data adjusted for GWP volumes outside Baltic countries

MANAGEMENT REPORT

OPERATIONS

If sells insurance products to corporate and private customers via salespoints, telephone, internet, brokers and partners. If has 26 sales and customer service offices spread over Estonia, with the largest offices located in Tallinn, Tartu and Pärnu. The company has 3 offices in Latvia and 11 in Lithuania, all located in the main towns. If holds the second largest position by insurance volumes among all non-life insurance providers in the Baltic States. The number of customers in the Baltic's is approximately 350,000 counting both private individuals as well as companies.

Over the years, attention has been given to improving existing e-solutions. In 2013 the company sold more than 150,000 policies via the Internet;20% more than the year before. If is confident that the growth trend on the Internet will continue as result of continued investments in product development and the user friendliness of the Internet portal.

If has continued to develop its partner channel, supported by new partners, product development and the development of systems for cooperation with banks, car importers and car retailers in 2013.

The strategic partnership with Nordea Banking Group that was agreed in 2012 was successfully launched in 2013 in all three Baltic countries. A strong partnership is one of the key things in delivering the best customer experience.

As the leading insurance company in the Baltics, If is aware of its social responsibility. Through sponsorships and funding, the company is making consistent contributions to different projects related to claims prevention. If is also attentive to raising awareness of insurance products in society, especially in areas where insurance coverage is low or, in many cases, non-existent.

Unique customer experience – that was the focus area in If during 2013. Starting from sales, ending with claims and claims partners, If's goal is to have simple processes for customers and effectiveness internally. The company continues to focus on high quality in claims handling. Claims handling should take place with the highest speed and convenience for the customer. This is in line with If's slogan 'claims handling the way it should be'. Regular feedback from customers shows that 9 out of 10 customers evaluate If's claims handling on the 'very good' or 'good' level. In 2013 claims investigators discovered the biggest insurance fraud in If Baltic history, (600,000 euros).

The company's efforts on its customers behalf are noticed. In 2013, for the second time in a row, the market research company Spect Dive Lietuva declared If as the best customer service provider among non-life insurance companies in Lithuania. Also the chamber of Insurance Brokers of Lithuania rated If as one of the best insurers in the market.

A major operational challenge of 2013 was preparations for euro introduction in Latvia. If had a secure approach to the topic and activities were started early to ensure a smooth change over. Due to these good preparations If was one of the first insurers to start sales through electronical channels on 1st January 2014.

In the future If will continue its investments in improving the efficiency of business processes and the convenience of customers.

RESULTS FROM OPERATIONS

Currency: €000	2013	2012	2011
Premiums written, gross	116,906	115,165	113,932
Premiums earned, net of reinsurance	112,876	110,954	110,035
Claims incurred, net of reinsurance	68,248	65,123	58,224
Total operating expenses	32,548	31,862	31,949
Technical result	12,463	14,323	20,228
Net profit	13,242	20,675	22,420
Combined ratio	89.1%	87.2%	81.7%
Expense ratio	28.6%	28.5%	28.8%
Loss ratio	60.5%	58.7%	52.9%
Financial investments	198,805	184,710	195,839
Return on investments per annum	0.7%	3.8%	1.5%
Balance sheet volume	225,376	215,315	226,983
Owner's equity	97,164	91,277	109,320

Formulas

Epe nse ratio

$$\frac{\text{Total insurance contract acqis ition costs and administrative epe nses (-) reinsurance commissions}}{\text{Premiums earned, net of reinsurance}}$$

Ls s ratio

$$\frac{\text{Claims incurred, net of reinsurance}}{\text{Premiums earned, net of reinsurance}}$$

Combined ratio

Expense ratio + loss ratio

Annual return on investments

$$\frac{\text{R turn on investments including investment epe nses}}{\text{Weighted average volume of financial investments in the period}}$$

Results

In 2013, the technical result decreased in comparison with the year before, at €12.5 million (2012: €14.3 million). The decrease in the technical result is epla ined by a higher number of large claims throughout 2013 compared to 2012.

Premium earned

In 2013 the overall stable economic development of the Baltic States continued to support the non-life insurance mark t. The Company's gross written premiums increased by €1.7 million to €116.9 million (2012: €115.2 million). Premium volumes increased in all countries, fastest in Latvia due to strong health insurance volume growth.

Claims and operating expenses

Claims, including claims adjustment expenses, increased €3.1 million to €68.2 million (2012: €65.1 million).

Operating expenses, excluding claims adjustment expenses, increased €0.6 million to €32.5 million (2012: €31.9 million). Relatively low expense growth due to continuous efforts to create more cost-effective processes in distribution, customer service and claims handling had a favourable impact on costs development during the year.

Net profit and tax cost

Net profit ended at €13.2 million in 2013 (2012: €20.7 million). Current tax costs accounted for €0.54 million (2012: €0.82 million).

Financial ratios

The company's expense ratio remained at the same level: 28.6% (2012: 28.5%).

The loss ratio, including claims adjustment expenses, worsened during 2013 and amounted to 60.5% (2012: 58.7%). 2013 has brought an exceptional number of large fire claims in all three countries. The results for motor products were supported by low claims frequencies in 2013, especially at the end of the year because of the mild winter weather. Results for Lithuania continued to improve as a result of various actions related to profitability.

The combined ratio increased to 89.1% (2012: 87.2 %). The increase is explained by a poorer loss ratio outcome for large claims.

INVESTMENT RESULT

The assets of the company have increased from €215.3 million at the beginning of the year to €225.4 million as of 31st December 2013. Financial investments (€198.8 million as at 31 December 2013) are €82.9 million higher than the obligations under insurance contracts net of reinsurance assets, resulting in a strong solvency position.

The Company's investment portfolio earned an investment return of 0.7 % in 2013 (2012: 3.8%). YTD performance (without investment expenses) for fixed income portfolio was 0.8% (2012: 4.4%). The average weighted credit rating for the holdings in the investment portfolio as of 31 December 2013 was A+ using Standard & Poor's scale (2012: A).

SOLVENCY CAPITAL AND CASH FLOW

Solvency capital increased to €92.5 million compared with €86.5 million in 2012. During the year, a dividend of €7.0 (2012: €39.0) million was paid.

OBJECTIVES AND POLICIES FOR FINANCIAL RISK MANAGEMENT

The core of the Company insurance operaions is the transfer of risk from the insured clients to the insurer. For the Company, the result depends on both the underwriting result and the return on investments assets. The Company's risk management approach is to ensure that sufficient return is achieved for the risk taken in all business transactions. All risks are taken into account in risk-return considerations and pricing decisions.

The key objectives for risk management are to ensure that the Company has sufficient capital in relation to the risks in the business activities and to limit fluctuations in financial results. This requires all risks to be properly identified and monitored. The Company's risks, exposures and risk management are described in Note 2.

PERSONNEL

As an employer, If P&C Insurance AS strives to create a work environment and an atmosphere where talented people want and are encouraged to grow. Consequently – performance management, competence and leadership development are focus areas within the company.

On December the 31st, 2013 the number of full time employees in the company was 530 (2012: 576). Manning has in general decreased as a result of normal efficiency improvements and some targeted efficiency actions within parts of the organization.

The company's expenses for personnel totalled €17.8 million in 2013, an increase of 6.5% over the year (2012: €16.7 million).

All HR activities support the business strategy. In 2013 the If People framework focused on four key areas:

- ***Leadership the If Way***
  A new leadership development concept was implemented with increased focus on coaching and feedback to maximize each employee's performance.
- ***Performance Culture and Employeeship***
  To increase each individual's contribution to If's results, the performance management process was revisited, and an employeeship model clarifying the individual's ownership of his/her performance through own motivation and continuous competence development was launched.
- ***Competence development and innovation***
  Investments in competence development, to secure current and future competence requirements, continued at a high level during 2013.
- ***Right person in the right place***
  Several activities to build the If Employer brand took place during 2013. The focus in recruitment was both on competence and attitude.

The result of the bi-annual employee satisfaction survey "Temper" continues to be very good. 86% of employees have given positive answer for statement "If someone asked me, I would recommend If as employer to him/her". The score 6.3 (out of 7) for the statement "My leader and I have a good co-operation" is evidence of the excellent leadership quality in If. High employee satisfaction is the basis for high customer satisfaction and financial results.

APPLIED ACCOUNTING PRINCIPLES

The 2013 Annual Accounts of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU

The financial statements include the accounts of the Estonian company with its branches.

Heinar Olak,
Member of the Management Board

Artur Praun,
Member of the Management Board

STATEMENT OF COMPREHENSIVE INCOME (€000)

REVENUE	Note	2013	2012
PREMIUMS EARNED, NET OF REINSURANCE			
Premiums earned		116,389	114,253
Premiums ceded		-3,513	-3,299
TOTAL	3	**112,876**	**110,954**
OTHER INCOME			
Reinsurance commissions		244	222
Return on investments	4	1,320	7,170
Other income		140	132
TOTAL		**1,704**	**7,524**
TOTAL REVENUE		**114,580**	**118,478**
EXPENSES			
CLAIMS INCURRED, NET OF REINSURANCE			
Claims incurred, gross	5	-68,539	-65,211
Reinsurer's share in claims paid	5	291	88
TOTAL		**-68,248**	**-65,123**
EXPENSES			
Insurance contract acquisition costs	6	-20,882	-20,704
Administrative expenses	6	-11,666	-11,158
TOTAL		**-32,548**	**-31,862**
TOTAL EXPENSES		**-100,796**	**- 96,985**
NET RESULT BEFORE TAXES		**13,784**	**21,493**
INCOME TAX	16	-542	-818
NET PROFIT FOR THE FINANCIAL YEAR		**13,242**	**20,675**
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED IN SUBSEQUENT PERIODS:			
Change in the value of available-for-sale assets	4	-360	328
Exchange differences on translating foreign operations		5	-46
TOTAL		**-355**	**282**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,887**	**20,957**

The notes to the financial statements set out on pages 14 to 67 form an integral part to the financial statements.

STATEMENT OF FINANCIAL POSITION (€000)

ASSETS	Note	31.12.2013	31.12.2012
Cash and cash equivalents	7	2,812	2,114
Financial investments	10	198,805	184,710
Shares in subsidiary	17	88	88
Receivables related to insurance activities	8	11,063	15,686
Accrued income and prepaid expenses	9	3,772	3,857
Reinsurance assets	15	3,383	3,408
Deferred tax asset	16	123	123
Intangible assets	11	4,649	4,758
Property, plant and equipment	12	681	571
TOTAL ASSETS		**225,376**	**215,315**
LIABILITIES AND OWNER'S EQUITY			
Liabilities related to insurance activities	13	4,830	4,703
Accrued expenses and prepaid revenues	14	3,957	3,570
Liabilities arising from insurance contracts	15	119,425	115,765
Total liabilities		**128,212**	**124,038**
Share capital		6,391	6,391
Share premium		3,679	3,679
Mandatory reserve		2,362	2,362
Revaluation reserve		- 29	326
Retained earnings		71,519	57,844
Net profit for the year		13,242	20,675
Total owner's equity	18	**97,164**	**91,277**
TOTAL LIABILITIES AND OWNER'S EQUITY		**225,376**	**215,315**

The notes to the financial statements set out on pages 14 to 67 form an integral part to the financial statements.

STATEMENT OF CHANGES IN EQUITY (€000)

	RESTRICTED EQUITY					UNRESTRICTED		
				Revaluation reserve				
	Share capital	Share premium	Manda-tory reserve	Available-for-sale-financial assets	Foreign currency transla-tion reserve	Retained earnings	Net profit for the year	Total equity
Equity at beginning of 2012	**6,391**	**3,679**	**2,362**	-	**44**	**96,844**	-	**109,320**
Paid dividends	-	-	-	-	-	-39,000	-	**-39,000**
Other comprehensive income	-	-	-	328	-46	-	-	**282**
Profit for the year	-	-	-	-	-	-	20,675	**20,675**
Equity at end of 2012	**6,391**	**3,679**	**2,362**	**328**	**-2**	**57,844**	**20,675**	**91,277**
Equity at beginning of 2013	**6,391**	**3,679**	**2,362**	**328**	**-2**	**57,844**	**20,675**	**91,277**
Paid dividends	-	-	-	-	-	-7,000	-	**-7,000**
Other comprehensive income	-	-	-	-360	5	-	-	**-355**
Profit for the year	-	-	-	-	-	-	13,242	**13,242**
Equity at end of 2013	**6,391**	**3,679**	**2,362**	-32	3	**71,519**	**13,242**	**97,164**

Additional information on owner's equity has been disclosed in Note 18.

The notes to the financial statements set out on pages 14 to 67 form an integral part to the financial statements.

STATEMENT OF CASH FLOWS (€000)

CASH FLOW FROM OPERATING ACTIVITIES	Note	2013	2012
Premiums received	3, 8, 13	116,771	114,786
Premiums ceded	3, 13	-3,410	-3,612
Claims paid, incl. claims handling epe nses	5, 6, 8	-64,939	-58,473
Cash flow from reinsurance		1,721	624
Employee-related and service-related expenses		-26,922	-32,128
Investments in bonds and other interest-bearing securities		-144,156	-79,978
Proceeds from disposals of bonds and other interest-bearing securities		132,406	73,893
Investments in term deposits		-52,750	-87,870
Proceeds from term deposits		48,920	110,400
Interest received		1,829	2,621
CASH FLOW OPERATING ACTIVITIES, NET		**9,470**	**40,263**
TOTAL CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and eqipme nt, and intangible assets	11, 12	-1,813	-1,790
Proceeds from disposal of property, plant and eqipme nt, and intangible assets		41	82
CASH FLOW FROM INVESTING ACTIVITIES, NET		**-1,772**	**-1,708**
CASH FROM FROM FINANCING ACTIVITIES			
Paid dividends		-7,000	-39,000
CASH FLOW FROM FINANCING ACTIVITIES, NET		**-7,000**	**-39,000**
CHANGE IN CASH FLOW, NET		**698**	**-445**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7	**2,114**	**2,557**
Effects of exchange rate changes on cash and cash eqiv alents		-	**2**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**2,812**	**2,114**

The notes to the financial statements set out on pages 14 to 67 form an integral part to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING PRINCIPLES AND BASIS OF ESTIMATIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

1. The company and its activities

If P&C Insurance AS is an insurance company which has registered at address Lõõtsa 8a, Tallinn (Republic of Estonia) and consists of Estonian unit and branches in Latvia and Lithuania (hereinafter the Company).

The main activity of If P&C Insurance AS is the provision of non-life insurance services. The Company's primary operations are described in the Management report.

The financial statements of the Company for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the Management Board on 25 February 2014.

2. Basis of preparation

The financial statements 2013 of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Union. The financial statements have been prepared on a historical cost basis, except for certain financial investments which have been measured at fair value.

The financial statements values are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

The Annual Report which is prepared by the Management Board and reviewed by the Supervisory Board and includes the financial statements, is approved by the General Shareholder's Meeting in accordance with the Commercial Code of the Republic of Estonia. Shareholders have the right not to approve the Annual Report prepared by the Management Board and reviewed by the Supervisory Board, and demand preparation of a new Annual Report.

Though the company forms the group together with its subsidiary Support Services AS (former business name AS If Kinnisvarahaldus until 8 July 2013) and is the consolidating entity, in financial statements for 2013 the Company has elected in accordance with IAS 27 paragraph 10 not to present consolidated financial statements and presented only separate financial statements. The Company is a wholly owned subsidiary of If P&C Insurance Holding Ltd and the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards (IFRS). Consolidated financial statements of the parent are available at websites www.if.se and www.sampo.com under section *Materials-Annual report*. All comparative figures presented in the current financial statements for 2012 have been adjusted from consolidated accounts to only the company's ones.

The financial statements include the accounts of the insurance company in Estonia and the accounts of its branch offices in Latvia and Lithuania. Branches as individuals entities prepare their financial statements for the same period, and use the same accounting principles in all material aspects applied for the Company as a whole. All in-house balances and transactions, unrealised gains and losses resulting from those transactions between the Estonian unit, the branch in Latvia and the branch in Lithuania are eliminated in full.

3. Changes in accounting policy, estimates and disclosures

The financial report is composed based on consistency and comparability principles, which means that the Company continually applies same accounting principles and presentation. Changes in accounting policies and presentation take place only if these are required by new or revised IFRS standards and interpretations or if new accounting policy and / or presentation give more objective overview of financial position, financial results and cash flows of the Company.

3.1. Adoption of new and/or changed International Financial Reporting Standards (IFRS), and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The accounting policies and presentation adopted in preparation of the current financial statements are consistent with those of the previous financial year. In addition, the following new/amended standards have been adopted in the Company during the year:

a) Amendment to IAS 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income (OCI). This amendment changes the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. Since the Company has just two OCI item, the change to its presentation is minimal.

b) IFRS 13 *Fair Value Measurement*. The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. The implementation of this standard did not have a material impact on the amounts recognised in these financial statements.

3.2. New IFRS standards and interpretations issued but not yet effective

In the opinion of the management of the Company the new or revised IFRS standards and their interpretations (IFRIC) issued as of the date of authorization of these financial statements for issue, but which are not yet effective, and not applied early by the Company, do not have any significant effect on the value of the assets and liabilities of the Company as of 31 December 2013.

These amendments, new standards and interpretations will be applied where applicable starting from their effective date. All amendments and new standards have not yet been endorsed by the EU.

The Company has evaluated the impact of the implementation of those amendments:

a) Amendment to IAS 32 *Financial Instruments*: Presentation - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2014).

This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

b) Amendment to IAS 36 *Impairment of Assets* (effective for financial years beginning on or after 1 January 2014).

This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment will not have any impact on the financial position or performance of the Company, however may result in additional disclosures.

c) IFRS 9 *Financial Instruments* - Classification and Measurement. The new standard is effective for financial years beginning on or after 1 January 2015, once endorsed by the EU.

IFRS 9 will eventually replace IAS 39. The IASB has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities.

d) IFRS 12 *Disclosures of Interests in Other Entities.* The new standard is effective for financial years beginning on or after 1 January 2014.

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity.

Improvements to IFRSs (effective for financial years beginning on or after 1 January 2013).

In May 2012, the IASB issued omnibus of necessary, but non-urgent amendments to its five standards:
- IFRS 1 *First-time adoption of IFRS*;
- IAS 1 *Presentation of Financial Statements;*
- IAS 16 *Property, Plant and Equipment;*
- IAS 32 *Financial instruments: Presentation;*
- IAS 34 *Interim Financial Reporting.*

Effective for financial years beginning on or after 1 July 2014, once endorsed by the EU:
In December 2013 IASB issued omnibus of necessary, but non-urgent amendments to the following standards:
- IFRS 1 *First-time adoption of IFRS;*
- IFRS 2 *Share-based Payment;*
- IFRS 3 *Business Combinations;*
- IFRS 8 *Operating Segments;*
- IFRS 13 *Fair value Measurement;*
- IAS 16 *Property, Plant and Equipment;*
- IAS 24 *Related Party Disclosures;*
- IAS 38 *Intangible Assets;*
- IAS 40 *Investment property.*

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Company.

4. Material judgments, estimates and resolutions

Preparation of financial statements requires the passing of resolutions on the basis of previous judgments and estimates. These judgments and estimates have an effect on the assets and liabilities recorded at balance sheet date, and the income and expenses of the financial year. Although the judgments are based on the management's best knowledge as well as concrete facts, the actual results may differ from the estimates.

a) Evaluation of liabilities from insurance contracts

Judgments are made both for establishing technical provisions for the incurred and reported losses as of the balance sheet date, and for accounting for the provisions for not reported losses. The time period during which the final claims are incurred may be extensive. In all insurance categories, the provision for claims consist of incurred but not reported losses. Forecasts regarding provisions for future claims are based on the claims actually incurred in previous periods. Each balance sheet date, estimates on technical provisions for claims in previous periods are revaluated, with any changes reported in the of comprehensive income statement. The provisions for claims are not changed explicitly in accordance with fluctuations in the value of money over time.

As of the end of 2013, gross insurance technical provisions amounted to €119,425 thousand (2012: €115,765 thousand), of which the reinsurer's share amounted to €3,383 thousand (2012: €3,408 thousand). Insurance technical provisions have been described in section 5 of Note 1.

b) Evaluation of recourses and salvages

Recourses and salvages are evaluated on a quarterly basis. The recoverability of each recourse is evaluated separately in accordance with the management's best judgment. Only claims with significant recoverability or statistically justified are recorded in the statement of financial position. As of the end of 2013, the total balance of recourses amounted to €13,774 thousand of which €743 thousand was deemed to be with significant recoverability by the management (in 2012, €13,539 thousand and €1,016 thousand respectively). Salvages are evaluated on the basis of the sales price of similar assets on the market. As of the end of 2013, the management assessed the salvage value to amount to €299 thousand (2012: €302 thousand).

c) Financial assets measured at fair value

Calculation of the fair value of financial assets has been described in section f of Note 1 section 5. Financial assets measured at fair value amounted to €171,888 thousand as at the end of 2013 (€161,600 thousand in 2012). The fair value of financial assets is established on the basis of the Wall Street Systems report, where the price of financial assets has been previously established in accordance with the active market price listings of the Bloomberg system. The fair value of unlisted financial assets is determined on the basis of similar market transactions or, if no such transactions have been made, on the basis of the value determined by using the generally accepted valuation techniques. Certificates'of deposit fair value has been determined through annualized discount factors which are in the range 0.99829 – 0.99961 (2012: 0.99888-0.99984).

d) Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities does not significantly differ from their fair value, unless stated otherwise.

e) Deferred tax assets and liabilities

Uncertainties exist with respect to the amount and timing of future taxable income. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 16.

5. Main accounting principles

a) Accounting for the subsidiary in the company's financial statements

Investments in subsidiary are recognized in the Company's financial statements at cost. This means that the investment is initially recognized at acquisition cost, consisting of the fair value of the payable amount, adjusted thereafter by the impairment losses arising from the drop in the value of the investment.

Impairment tests will be conducted in order to determine whether or not the recoverable amount of the investment (the higher of the fair value less sales expenses, or value-in-use) has dropped below the carrying value, if there is any indication that the carrying amount may not be recoverable.

b) Transactions, receivables and liabilities in foreign currency and translation of the accounts of foreign branches

The financial statements are presented in euros, which is the functional and reporting currency of the Company. Items included in the financial statements of each of the Company's entities are measured using their functional currency which is the currency of the primary economic environment in which entity operates. Foreign currency transactions are translated into euro on the basis of the exchange rates of the European Central Bank used in the entire If Group. Monetary assets and liabilities denominated in foreign currency are translated into euro on the basis of the currency exchange rates of the European Central Bank officially valid on the balance sheet date. Foreign exchange gains and losses resulting from the revaluation are recorded in the income statement of the reporting period.

Income statement items in foreign currency are translated to euro using average exchange rate for the month during which they were reported. Branches' assets and liabilities in foreign currency are translated at the closing date exchange rates. The translation differences arising as a result of the use of different exchange rates for items in the balance sheet and income statement are reported directly against shareholders equity.

The following exchange rates have been applied in the financial statement:

	31.12.2013 EUR	31.12.2012 EUR
Latvian lat (LVL)	1.4229	1.4333
Lithuanian litas (LTL)	0.2896	0.2896

c) Revenue recognition

Revenue is recognized at the fair value of the received or receivable income. Revenue from sales of services is recorded upon rendering of the service.

Interest income is recorded on an accrual basis, based on the effective interest rate of the asset item. Dividend income is recognized when the respective right of claim arises.

Insurance premiums

The collected insurance premiums are recorded upon entry into force of the insurance policy and adjusted with the changes in prepaid premiums, calculated based on the pro rata method. Premiums written are premiums received and receivable under the insurance contracts or, in case of installment payments, those installment payments with the due date in the accounting period. If the due date of the first installment payment is later than the effective date of the contract, the recognition of insurance premiums will be based on the effective date of the contract. Insurance premiums and installment payments received for contracts whose effective date is later than the balance sheet date, are recognized as a prepayment. There are differences in the recognition of insurance premiums in Estonia comparing to Latvia and Lithuania. The majority of first installments of insurance premium in Estonia are recognized after the cash receipt from the client, but in Latvia and Lithuania first installment of insurance premium is recognized in gross written premium on accrual basis. This difference has no material impact on the financial results of the Company because the lag between signing the policy and receiving the first installment from the policyholder is in period 1-15 days and significant part of the amount is deferred as unearned premium provision (UPR).

Reinsurance commissions

Reinsurance commission fees consist of the commission fees received from reinsurers under the reinsurance contract.

d) Expenses

The company's expenses are divided according to their function as follows:

- Insurance contract acquisition costs – direct and indirect expenses arising from the acquisition of insurance contracts, incl. direct expenses, such as commission fees for mediators, expenses on preparation of insurance documents as well as indirect expenses, such as advertising expenses, administrative expenses related to the processing of applications and issue of policies.
- Claims handling expenses – consist of administrative expenses indirectly related to claims handling. Claims handling expenses include the respective expenses incurred by the insurer, incl. wages and salaries, social tax and administrative expenses related to claims handling.
- Administrative expenses include insurance-related expenses which do not constitute acquisition costs or claims handling expenses.

Claims handling expenses are included in claims paid in the statement of comprehensive income.

Insurance contract acquisition costs have been adjusted with the changes in the deferred acquisition costs, net of reinsurance.

e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consists of bank balances and overnight deposits made to the current accounts in insurance operations and funds transferred to asset management that have not been invested in investment assets.

The cash flow statement is prepared based on the direct method.

f) Financial assets

<u>Initial recognition and measurement</u>

The Company determines the classification of its financial assets at initial recognition.

Financial assets are classified in the following categories upon the initial recognition:

- financial assets measured at fair value through profit or loss (financial assets held for traiding or designated upon initial recognition at fair value through profit or loss);
- loans and receivables (deposits, loans, accounts receivable and other receivables);
- investments held-to- maturity (financial assets which are non-derivative instruments and have fixed or determinable payments and fixed terms of redemption, provided that the company is planning to and is capable of holding the assets to maturity);
- available–for-sale financial assets (all other financial assets that are designated as available for sale or not mentioned above into any other category).

Financial assets are recognized initially at fair value plus, in case of investments not at fair value through profit or loss, directly attributable transaction costs.

In previous period the Company recorded investments at fair value through profit or loss category. Financial assets at fair value through profit or loss were assets held for trading except of certificates of deposits which were designated upon initial recognition at fair value through profit or loss.

Starting from September 2012 the Company elected to classify newly purchased financial assets in available for sale category because investments held for trading recorded at fair value through profit and loss were not traded actively. The Company has classified deposits as loans and receivables.

The Company has not classified any financial assets as "investments held to maturity" in the reporting or comparative period. The Company had no derivative instruments.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Loans and receivables are recognized when cash is advanced.

<u>Subsequent measurement</u>

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are assets which held for trading except for certificates of deposit which are designated upon initial recognition at fair value through profit or loss. For investments designated as at fair value through profit or loss, the following criteria are met:

- the assets are part of a group of financial assets, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value on the balance sheet date. Gains and losses arising from changes in fair value, or realized on disposal, together with the related interest income, are recognized under "Return on investments" in the statement of comprehensive income.

The Company evaluates its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect not to classify newly purchased financial assets in the fair value through profit or loss category. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

The fair value of listed securities is based on the bid price of the security on the balance sheet date. If a market for a financial instrument is not active, or the instrument is not quoted, the fair value is established by using generally accepted valuation techniques.

Available-for-sale financial assets

Available-for-sale financial investments include debt securities and certificates of deposit which are purchased starting from September 2012. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve (equity). Where the insurer holds more than one investment in the same security that they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale investments is reported as interest income using the effective interest rate (EIR). When the asset is derecognised the cumulative gain or loss is recognised in other operating income, or determined to be impaired, or the cumulative loss is recognised in the income statement in finance costs and removed from the available-for-sale reserve.

Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in short term. Loans and receivables are initially recognized at cost which is the fair value of the consideration given, including transaction costs that are directly attributable to the acquisition of the asset. Loans and receivables are subsequently measured at their amortized cost by using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition, as well as expenses directly related to the transaction, over the year to maturity.

Interest income from loans, receivables and deposits is recorded under "Return on investments" in the statement of comprehensive income.

Receivables from customers, reinsurance receivables and other receivables are recognized at nominal value when incurred (on the transaction date), and, subsequent to initial recognition, at cost. Receivables are measured on an individual basis.

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

Or

- The Company retains the right to receive cash flows from the asset and has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

    and either:

    - The Company has transferred substantially all the risks and rewards of the asset

    Or

    - The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a passthrough arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than those at fair value through profit and loss, may be impaired. A financial asset is impaired and impairment losses are incurred, if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset, and if that event has an impact, that can be reliably estimated, on the estimated future cash flows of the financial asset.

There is objective evidence of impairment, if an issuer or debtor e.g. encounters significant financial difficulties that will lead to insolvency and to estimation that the customer will probably not be able to meet the obligations to the Company.

When there is objective evidence of impairment of a financial asset carried at amortized cost, the amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. The difference is recognized as an impairment loss in profit or loss. The impairment is assessed individually.

Impairment loss of financial assets related to operating activities is charged to expenses in the statement of comprehensive income (under "Administrative expenses") while the impairment loss of financial assets related to investing activities is recognized as a reduction of the "Return on investments" in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases, and the decease can objectively be related to an event occurring after the impairment was recognized (e.g. default status is removed), the previously recognized impairment loss shall be reversed through profit or loss.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Available-for-sale financial investments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the statement of comprehensive income.

g) Property, plant and equipment

Assets with a useful life of over one year are recorded as property, plant and equipment (PPE). PPE are initially recorded at acquisition cost, consisting of purchase price (incl. customs duties and other non-refundable taxes) and expenses directly related to the acquisition, incurred upon bringing the assets to their present condition and location.

Following initial recognition, an item of PPE is carried in the balance sheet at its cost, less accumulated depreciation and any accumulated impairment losses. If the recoverable amount of the non-current asset item drops below its carrying amount, the asset will be written down to its recoverable amount (the higher of the fair value, less sales expenses, or the value-in-use). Impairment tests will be conducted to determine whether the recoverable amount has dropped below the carrying amount, if there is any indication that the carrying amount may not be recoverable. Impairment losses are charged to expenses in the statement of comprehensive income, under "Insurance contract acquisition costs", "Claims handling expenses", and "Administrative expenses" in accordance with the functionality.

On each statement of financial position date, the group assesses whether there is any indication that the previous impairment is no longer justified. If there is any such indication, the group will assess the recoverable amount and, if necessary, reverse the previous write-down. The reversal of the write-down is recorded as a reduction of the expenses during the period when the reversal occurred.

Depreciation is calculated from the moment the asset can be used for the purposes established by the management, until the assets' classification into non-current assets held for sale or removal from use. If fully amortized assets are still being used, the acquisition cost and the accumulated depreciation of the assets will be recorded in the balance sheet until the assets have been removed from use.

The depreciable amount of the PPE item (i.e. the difference between the acquisition cost and final value) is charged to expenses over the useful life of the item. Land and works of art are not depreciated. Depreciation is calculated on a straight-line basis, in accordance with the useful life of the asset item, as follows:

- Buildings	50 years;
- Computer equipment	3 years;
- Transport vehicles	5 years;
- Machinery and equipment	5-6 years;
- Office furniture and equipment	5-6 years.

If the PPE item consists of distinguishable components with different useful lives, these components are separately recorded under assets, and the depreciation rates specified separately thereof in accordance with their useful lives.

h) Intangible assets

Intangible assets are initially recorded at acquisition cost, consisting of the purchase price and expenses directly related to the acquisition. Subsequent recognition depends on whether the asset has a finite or indefinite useful life. Intangible assets with a finite useful life are carried in the balance sheet at cost, less accumulated amortization and any accumulated impairment losses. These assets are amortized on a straight-line basis, on the basis of the useful life of the asset item:

- Patents, licenses and other contractual rights, computer software: 3-5 years.

Intangible assets include capitalized costs for the development of various insurance systems. Intangible assets with a finite useful life are written down to the recoverable amount (the higher of the fair value, less sales expenses, or the value-in-use), if the carrying amount is no longer recoverable. Impairment tests will be conducted to determine whether the recoverable amount has dropped below the carrying amount, if there is any indication that the carrying amount may not be recoverable. Impairment losses are charged to expenses in the income statement, under "Insurance contract acquisition costs", "Claims handling expenses", and "Administrative expenses" in accordance with the functionality.

On each balance sheet date, the Company assesses whether there is any indication that the previous impairment is no longer justified. If there is any such indication, the group will assess the recoverable amount and, if necessary, reverse the previous write-down. The reversal of the write-down is recorded as a reduction of the expenses during the period when the reversal occurred.

i) Financial liabilities

Financial liabilities are initially accounted for at their acquisition cost consisting of the fair value of the consideration given. Following initial recognition, financial liabilities are measured at their amortized cost by using the effective interest rate method. Transaction costs are taken into consideration upon calculating the effective interest rate, and charged to expenses over the term of the financial liability. Any expenses related to the financial liability (incl. interest expenses) are charged to the expenses of the period on accrual basis.

The financial liability will be derecognized when the liability is paid, cancelled or expired.

j) Insurance contracts

IFRS 4 requires classification of insurance contracts into insurance and investment contracts, depending on whether the contract involves transfer of a significant insurance risk. An insurance contract is a contract under which one party accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The company concludes short-term insurance contracts with its customers. The main risks covered with these contracts are property damage and property destruction, personal liability, or short-term health damage.

All contracts concluded by the Company are classified as insurance contracts in the scope of IFRS 4.

k) Deferred acquisition costs

Insurance contracts acquisition costs directly related to premiums that are carried over to the next period are recognized in the statement of financial position as deferred acquisition costs. Direct acquisition costs are deferred on the basis of the ratio of the provision for unearned premiums to premiums written. Deferred acquisition costs include only direct insurance contract acquisition costs, such as commission fees to mediators.

l) Provision for unearned premiums

The provision for unearned premiums is set up for future losses and operating expenses that may arise during the term of the insurance contract, depending on which share of the collected insurance premium has been received for the future insurance service. The provision for unearned premiums is calculated separately for each contract, based on the share of the unexpired term of the contract of the total term of the contract.

m) Provision for claims outstanding

The provision for claims outstanding is set up for claims incurred but not yet settled, including claims incurred but not yet reported (IBNR). In order to cover claims handling expenses of incurred unsettled claims, a provision for claims handling expenses is set up under the provision for claims outstanding.

The provision for claims outstanding is calculated using case-by-case valuation method for single reported claims as well as statistical methods (IBNR provision). The provision for claims outstanding is not discounted, except the motor third party liability annuities that are discounted to the net present value using standard actuarial methods, consumer price index and the discount rate which is in Estonia 2.50% and in Lithuania 1.88%. In Latvia annuities estimated with very low loss of income amounts are reserved under case provisions.

n) Reinsurance

The main forms of reinsurance contracts are excess-of-loss reinsurance contracts and proportional reinsurance contracts. The contracts are, as a rule, concluded for a term of one year. Reinsurance coverage is purchased in the course of standard insurance in order to minimize the potential net loss by hedging the risks. All reinsurance contracts transfer a significant portion of the insurance risk.

Reinsurance assets consist of reinsured insurance liabilities. The reinsurer's share of the provision for unearned premiums and the provision for claims outstanding has been recorded in accordance with the reinsurance contracts.

Any impairment of reinsurance assets are recorded in the statement of comprehensive income.

o) Accounting for lease

Lease transactions, where all material risks and rewards from ownership of an asset are transferred to the lessee, are treated as finance lease. All other lease transactions are treated as operating lease.

The Company as the lessee

Assets acquired on finance lease terms are recognized in the balance sheet as assets and liabilities at their fair value or the net present value of the minimum lease payments, whichever is lower. Lease payments are divided into financial expenses (interest expenses) and reduction of the net book value of the liability. Financial expenses are divided over the lease period so that the interest rate of the net book value of the liability would be the same at any given moment. Assets leased under finance lease terms are depreciated similarly to non-current assets, whereas the depreciation period is the estimated useful life of the asset item, or the lease period, whichever is shorter.

Operating lease payments are recorded during the rental period as expenses based on the straight-line method.

The Company as the lessor

The Company had no assets leased out under finance lease in the reporting period or in the comparative period.

Assets leased out on operating lease terms are recognized in the balance sheet pursuant to standard procedure, similarly with other PPE. Leased-out assets are depreciated based on the depreciation principles applied by the Company for assets of similar type. Operating lease payments are recorded during the rental period as income based on the straight-line method.

p) Corporate income tax

Pursuant to the Income Tax Act, Estonian companies are not subjected to pay income tax on the profit since 1 January 2000. Rather, they are subjected to income tax on the paid dividends. The established tax rate is 21/79 of the net dividend paid.

Corporate income tax on the payment of dividends is recorded under income tax expense in the statement of comprehensive income at the moment of announcing the dividends, irrespective of the period for which the dividends were announced or when the dividends are actually paid. The maximum possible income tax liability related to dividend payment is disclosed in Note 18.

Because of different corporate income tax laws in Latvia and Lithuania the Company tax expenses is calculated in accordance with IAS 12 Income taxes. This entails that current as well as deferred tax is calculated and reported. Current taxes are calculated for every unit in accordance with the tax rules in each country. Branch offices are taxed on their results in the country concerned. In Estonia the company is liable for taxation only on the income not taxed in branches and only when dividends will be paid out. For Latvian branch tax rate is 15% (2012: 15%) and for Lithuanian branch 15% (2012: 15%).

Deferred tax attributable to temporary differences between the amounts reported and the equivalent actual taxation is reported in the company's accounts. For income reported in the income statement for the period but which is not taxed until a later period, a deferred tax cost is charged, which results in a corresponding liability item, deferred tax liabilities. Similarly, costs that will not result in tax deductions until a later period give rise to a deferred tax revenue and a corresponding deferred tax asset. Deferred tax asset are recognized for unused tax losses in the Lithuanian branch. Deferred tax assets and liabilities are not reported net because they pertain to different tax authorities.
Current and deferred tax disclosure is made in Note 16.

q) Mandatory reserve

The company has set up a mandatory reserve in accordance with the Commercial Code of the Republic of Estonia. Reserve capital can be used for covering the loss or for increasing the share capital of the company. The mandatory reserve cannot be paid out as dividends.

r) Events after the balance sheet date

Material circumstances that have an effect on the valuation of assets and liabilities and became evident between the balance sheet date (31 December 2013) and the date of approving the financial statements, but are related to transactions that took place in the reporting period or earlier periods, are recorded in the financial statements.

NOTE 2. RISKS AND RISK MANAGEMENT

a) Overview of Company's risk management

The fundamental principle of insurance is the transfer of risk from insured clients to the insurer. If P&C Insurance AS (hereinafter the Company) collects insurance premiums from a large group of policyholders and thereby commits to compensate them if insured events occur. Premiums are collected in advance and invested in financial instruments The operating result depends on both the underwriting result and the return on investment assets.

Risk management approach

The sole shareholder of the Company is If P&C Insurance Holding Ltd. The overall risk management and internal control principles as well as division of responsibilities of the insurance subsidiaries are defined on the If Group level. The insurance subsidiaries organise their operations according to these principles while taking into account the specific characteristics of the respective business area. Within entire If Group sound risk management is seen as a decisive competitive advantage.

The main objectives with the Company's risk management are to ensure that sufficient return is obtained for the risks taken and that all risks are taken into account in pricing decisions and other business decisions. This requires all risks to be properly identified and monitored. Therefore core competences in the business operations are pricing of risks and proper management of the arising risk exposures.

The aim of risk management is to ensure that the Company has sufficient capital in relation to the risk profile and to limit fluctuations in the financial result.

Risk taking is restricted through a system of limits decided by If Group's Board of Directors and implemented to all companies within If Group. Risk management activities are performed in the Company as part of the normal course of day-to-day business. The process for risk management within the Company is set in the Baltic Risk Management Guideline.

Risk governance and reporting structure

The Management Board of the Company bears overall responsibility for the risk management process and constitutes the ultimate decision-making body. The Management Board ensures that the management and follow-up of risks are satisfactory, monitors risk reports and approves risk management plans.

Although insurance operations in Latvia and Lithuania are conducted via branch offices, the operational structure is established throughout the legal structure - there are no independent branch organisations. It is important that internal control and risk management are kept together both in the legal and operational structure. Defining and documenting who is responsible for various risks is an important element to achieve this.

Risk management system (hereinafter System) is established to secure the following activities:

- Securing that all defined risk types are thoroughly assessed and followed-up;
- Risk reporting to the Management Board and to the respective risk committees in If Group if required.

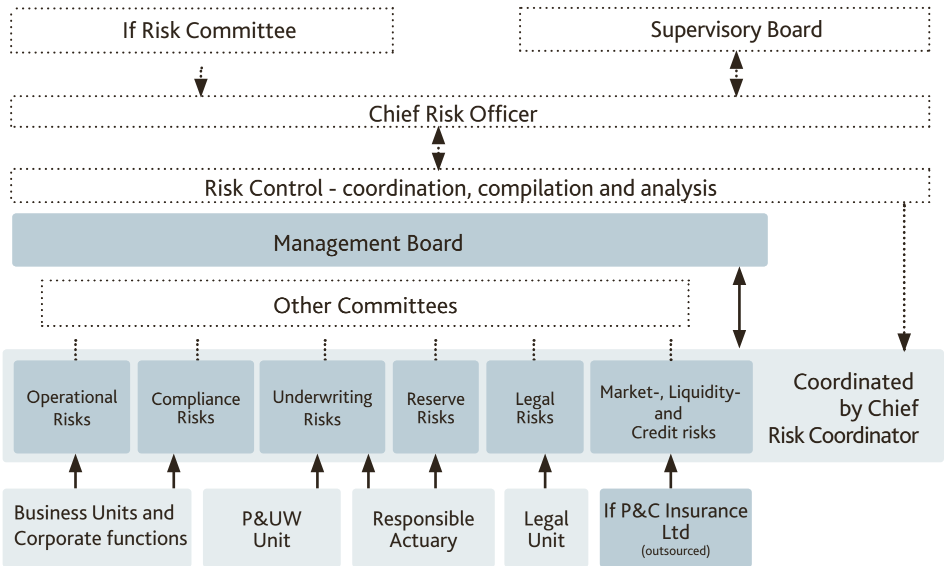
Key to fulfilling these objectives and securing the activities is to:

- Identify, and in accordance with internal and external requirements, quantify and aggregate all risks in company;
- Reporting all incidents and near misses via the Intranet incident reporting tool and formalise and set-up reporting routines to meet regulatory requirements as well as If Group internal risk reporting requirements.

The table 1 below illustrates the various information and reporting lines in the System. The System includes processes and activities performed by persons or groups ranging from the Business Units and corporate functions, coordinators or the Chief Risk Coordinator reporting to the Management Board and to the If Risk Control unit or the If Compliance unit, which in turn report directly or indirectly to the Supervisory Board of If P&C Insurance AS.

In the Tabel 1 highlighted structure of risk management reporting belongs to the Company and the structure marked with dotted lines belongs to the If Group.

Table 1. Risk management reporting process

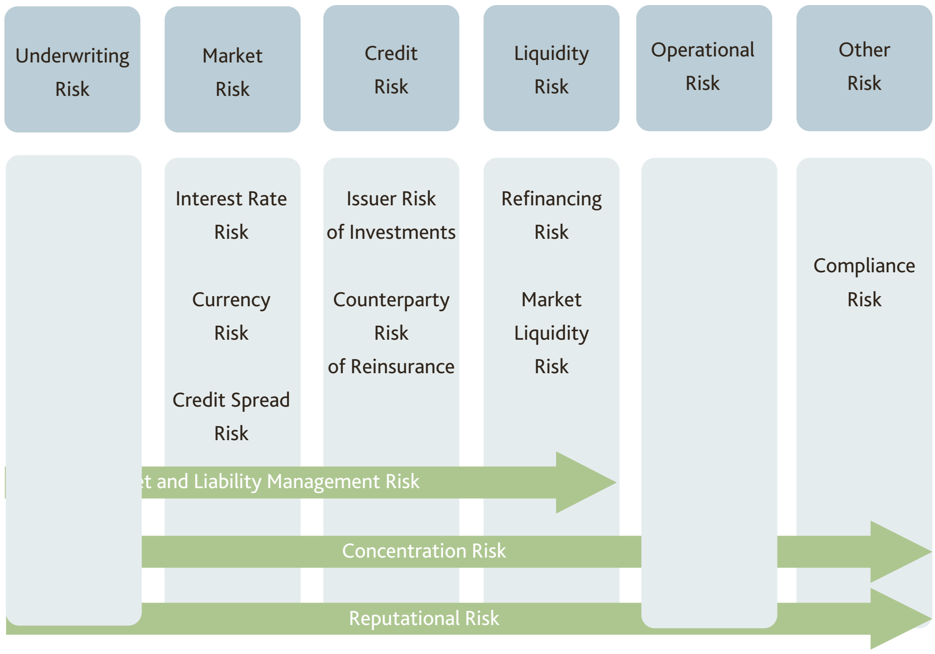


The Business Units and corporate functions are the risk owners and have the day-to-day responsibility to manage risks within limits and restrictions set by respective policies and guidelines. They shall ensure that they have the resources and tools in place to control and follow-up on the risks as well as to report, as required, to the Chief Risk Coordinator for forwarding to the Management Board and to committees, the If Risk Control unit and the If Compliance unit.

The Chief Risk Coordinator works across all business units within the Company evaluating and supporting the units in their work to identify, assess, mitigate and monitor all risks.

Table 2 shows the Company's risk categorization and each risk is described below.

Table 2. Categorization of risk



b) Capital management

Risk management focuses on both capital efficiency and sound risk management by keeping its capital resources at an appropriate level in relation to the risk taken over the business planning horizon. This means ensuring that available capital exceeds the internal and regulatory capital requirements.

Capital management is based on the Company's risk appetite statement, which is further detailed by risk preferences and the risk tolerance. These are implemented through policies approved by the Supervisory Board of the Company and Board of Directors of If Group. The company's risk profile, required capital and available capital are measured, analysed and reported according to the risk management reporting structure in the Company on a quarterly basis, or more often when deemed necessary.

Capital position

The capital position is the relationship between available capital and required capital. To fulfill requirements from supervisory authorities regulatory measures are used to describe the capital position.

Regulatory measures

Insurance is a regulated business and there are formal national rules for minimum capital and capital structure. The capital base is the amount of capital that is available to cover unexpected losses in the insurance and investments operations. The solvency position is a measure to assess an insurance company's ability to fulfil its liabilities to the policyholders.

Solvency is reported regularly to the supervisory authorities and the company has the principle that capitalization should meet the minimum statutory capital requirements at each moment. Every insurance undertaking must have an adequate available solvency margin to ensure that the insurance undertaking is capable of meeting the obligations arising from insurance contracts at all times, which shall be at least equal to the requirements and conforming to the structure provided by the Insurance Activities Act. The minimum solvency margin of an insurance undertaking shall be equal to at least € 3.7 million. The required and available solvency margin of an insurance undertaking engaged in non-life insurance shall be calculated pursuant to the Insurance Activities Act. The Company fulfilled all minimum requirements regarding the amount of assets included in available solvency margin of insurance undertakings during 2013 (it did so during 2012 as well).

Table 3. Capital position, €000

	31.12.2013	31.12.2012
Owner's equity	97,164	91,277
Intangible assets	4,649	4,758
Available solvency margin	92,515	86,519
Required solvency margin	21,008	21,008
SURPLUS OF SOLVENCY MARGIN	**71,507**	**65,511**

c) Underwriting risk

Underwriting risk is the risk of loss or of adverse changes in the value of insurance liabilities, due to uncertainty of pricing and provisioning assumptions.

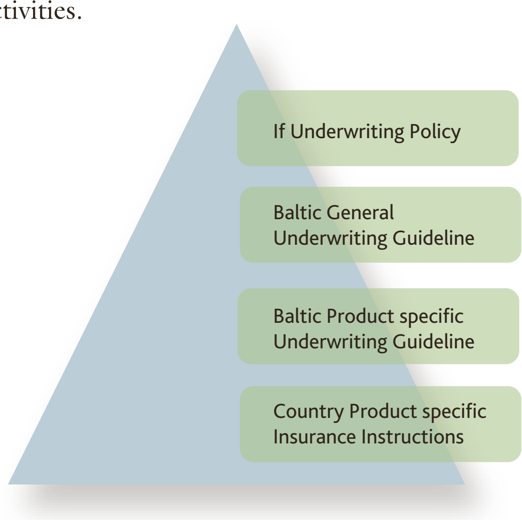
Premium risk and catastrophe risk

Premium risk is the risk of loss or of adverse changes in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events which have not occurred at the balance date.

Catastrophe risk is the risk of loss or of adverse changes in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

Risk management and Control

The If Underwriting Policy (UW Policy) of If Group is the principal document for underwriting and sets general principles, restrictions and directions for the organization of underwriting activities.



The UW Policy is supplemented with guidelines outlining in greater detail how to conduct underwriting within each business area. These guidelines cover such areas as tariff and rating models for pricing, guidelines in respect of standard conditions and manuscript wordings, as well as authorities and limits, such as sums insured and risks that are not acceptable to undertake.

The Baltic General Underwriting Guideline (BUWGL) is established in the Company. The purpose of this guideline is to elaborate on principles for underwriting activities established by the UW Policy and to set standards that will ensure achievement of long-term target profitability and set goals. The BUWGL is followed in conjunction with any applicable laws and regulations in each country. Next level guidelines or insurance instructions - Baltic product specific Underwriting Guideline (based on BUWGL Baltic common underwriting principles for certain product line) followed by Country product specific Insurance Instructions (principles governing product in each country) - are continuation of previous level rules, specifying and detailing all related matters.

The Company manages the underwriting risk on a day-to-day basis. A crucial factor affecting the profitability and risk of P&C insurance operations is the ability to accurately estimate future claims and administrative costs and thereby correctly price insurance contracts. The pricing of private segment risks and smaller corporate segment risks are set through tariffs and detailed risk selection rules. The underwriting of bigger and more complex corporate segment risks is based to a greater extent on general principles and individual underwriting than strict tariffs. In general, pricing is based on statistical analyses of historical claims data and assessments of the future development of claims frequency and claims inflation.

The insurance portfolio is well diversified, given the fact that the Company has a large customers base and its business is underwritten in different geographical areas and across several lines of business.

Despite this diversified portfolio, risk concentrations and consequently severe claims may arise through, for example, exposures to natural catastrophes such as storms and floods. Also single large claims can potentially have a significant impact on the result. The economic impact of natural disasters and single large claims is mitigated using reinsurance.

If Group's Reinsurance Policy stipulates guidelines for the purchase of reinsurance and applicable for the Company. The need and optimal choice of reinsurance is analyzed based on statistical models for single large claims, whereas If Group cooperates with external advisors for the evaluation of the exposure to natural catastrophes and the probability of occurrence of catastrophe losses. The analysis relies on catastrophe models in which catastrophes are simulated based on historical meteorological data, supplemented by statistical models. Different reinsurance structures are evaluated by looking at the expected cost versus the benefit of the reinsurance, the impact on volatility in result and lowered capital requirement (economic, regulatory and rating capital requirement).

A Nordic-wide reinsurance program has been in place in If Group and applicable for the Company since 2003. In 2013, retention levels for the Company were €3.5 million per risk and €3.5 million per event.

Risk profile

There is a risk, given the inherent uncertainty of property and casualty insurance, that losses due to claims may be unexpectedly high. Examples include large fires, natural catastrophes such as severe storms, or unforeseen increases in the frequency or the average size of small and medium-sized claims.

A sensitivity analysis of the aggregated underwriting risk is presented in Table 4.

Table 4. Sensitivity analysis of premium risk, €000, 31 December 2013

Parameter	Current level, 2013	Change	Effect on pretax profit 2013	Effect on pretax profit 2012
Combined ratio	89.1%	± 2% points	± 2,258	± 2,219
Premium volume	112,877	± 2%	± 246	± 284
Claims level	68,248	± 2%	± 1,365	± 1,302

d) Reserve risk

Reserve risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing and amount of claim settlements for events which have occurred at or prior to the balance date.

Reserve risk includes revision risk, which is defined as the risk of loss, or of adverse change in the value of insurance and reinsurance liabilities, resulting from fluctuations in the level, trend, or volatility of revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.

Technical provisions always include a certain degree of uncertainty since the provisions are based on estimates of the size and the frequency of future claim payments.

The uncertainty of technical provisions is normally greater for new portfolios for which complete run-off statistics are not yet available, and for portfolios including claims that take a long time to settle. Motor Third Party Liability (MTPL), Liability and CMR insurance are products of the Company with the latter characteristics.

Riskm anagement and Control

The Management Board of the Company decides on the guidelines governing the calculation of technical provisions (Baltic Reserving Guidelines). The Company's Responsible Actuary is responsible for developing and presenting guidelines on how the technical provisions are to be calculated and for assessing whether the level of the total provisions is sufficient. The more detailed document describing methodologies of calculation of technical provisions is Technical reserves, which is maintained by Responsible Actuary and updates presented to the Management Board as well as to the Estonian FSA. In order to ensure transparent sharing of information from reserving area within the company the Reserve Steering Committee has been established. The Responsible Actuary is responsible to provide relevant details on planned reserve methods' or assumptions' changes to the members of the Reserves Steering Committee as well as be able to explain the basis of existing methods or assumptions. This is done on purpose to secure a comprehensive view and additional control over reserve risk, as part of the risk management system. The Reserve Steering Committee has regular meetings throughout the year.

The Company's reserving actuaries analyze the uncertainty of technical provisions. The actuaries continuously monitor the level of provisions to ensure that they comply with established guidelines. The actuaries also develop methods and systems to support these processes.
The actuarial estimates are based on historical claims data and exposures that are available at the closing date. Factors that are monitored include claims development trends, the level of unpaid claims, legislative amendments, case law, economic conditions and product cover specific changes. When setting provisions, the Chain Ladder and Bornhuetter-Fergusson methods are generally used, combined with projections of risk ratio in areas where claims development data is not sufficient.
The anticipated inflation trend is implicitly taken into account when calculating all provisions and is of the utmost importance for claims settled over a long period of time, such as MTPL and Liability.
Inflation risk in the technical provisions is an important consideration taken into account in the investment strategy.

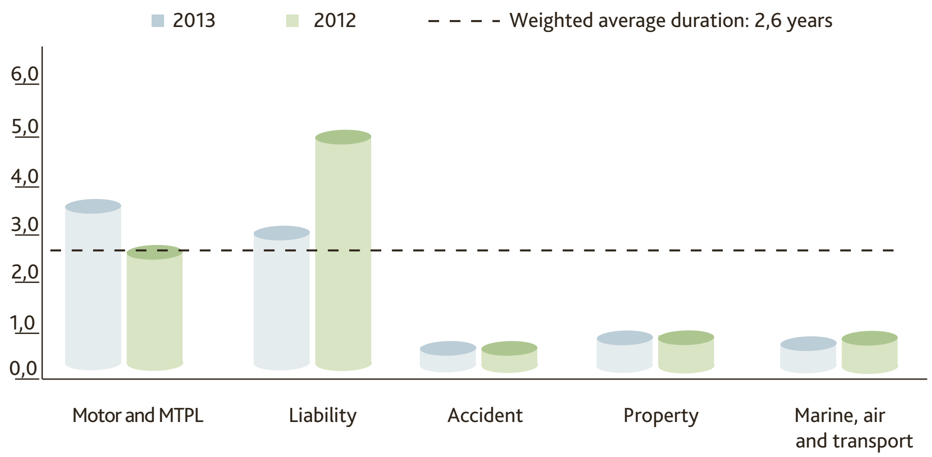
Risk profile

Table 5. Technical provisions per product, 31 December 2013

Type of insurance	Gross liabilities related to insurance contracts 2013	Gross liabilities related to insurance contracts 2012	Reinsurers' share of liabilities 2013	Reinsurers' share of liabilities 2012	Net liabilities 2013	Net liabilities 2012
Compulsory Motor TPL	44,863	44,592	588	528	44,275	44,064
Motor Own Damage	18,298	18,417	-	-	18,298	18,417
Private Property	8,960	9,719	69	419	8,891	9,300
Corporate Property	15,156	12,239	561	531	14,595	11,708
Liability	20,904	20,970	1,673	1,452	19,231	19,518
Personal Accident	1,879	1,805	-	2	1,879	1,803
Health	3,011	2,339	-	-	3,011	2,339
Other	6,354	5,684	492	475	5,862	5,208
TOTAL	**119,425**	**115,765**	**3,383**	**3,408**	**116,042**	**112,357**

The durations of technical provisions for various products are shown in Figure 1.

Figure 1. Duration of technical provisions, 31 December 2013



For several lines of business, technical provisions are sensitive to changes in inflation. The sensitivity of the inflation assumptions differs between countries due to different national rules. A sensitivity analysis of the reserve risk on 31 December is presented in Table 6.

FINANCIAL STATEMENTS

Table 6. Sensitivity test, reserve risk, 31 December 2013

Portfolio	Risk	Change in risk parameter	Country	Effect on liabilities/pretax profit 2013 €000	2012 €000
Nominal reserves	Inflation increase	Increase by 1%-point	Estonia	1,094	1,841
			Latvia	179	162
			Lithuania	465	499
			TOTAL	**1,738**	**2,502**
Discounted reserves (annuities)	Decrease in discount rate	Decrease by 1%-point	Estonia	751	203
			Latvia	-	-
			Lithuania	1	2
			TOTAL	**752**	**205**
Annuities	Decrease in mortality	Mortality rates decrease by 20%	Estonia	73	21
			Latvia	-	-
			Lithuania	-	-
			TOTAL	**73**	**21**

e) Management of financial risk

Components of financial risk include market risk, interest rate risk, credit risk and liquidity risk. In order to minimize the possible risks, financial assets are spread across different financial instruments. The management of aforementioned risks is based on the principles approved by the parent company. The investment policy is reviewed and approved on an annual basis for every coming year in accordance with the economic situation. The main objective of this is to earn sufficient income, hedge risks and fulfil the possible obligations arising from insurance contracts. The policy include general principles, specific risk restrictions and a decision making structure. The said policy establishes assets allocation, market and credit risk limits for the investments and the regional distribution thereof. Assets allocation is defined by a reference portfolio and deviations from reference weights. Interest risk is limited by duration restrictions; equity risk is managed by limiting the total level of equity exposure and the exposure to each individual entity; and operational currency risk is managed by limiting the exposure in a single currency. Under aforementioned policy the credit risk is limited by allowing a maximum exposure per rating class and per issuer/counterparty. To measure and limit the credit risk, credit ratings from Standard Poor's and Moody's are used. The requirements deriving from the Insurance Activities Act are taken into account.

f) Financial assets and liabilities

The recognition of financial assets and liabilities depends on their classification. The classification of assets and liabilities categorized in accordance with IAS 39 is shown in Table 7.

Table 7. Financial assets and financial liabilities, 31 December

	31.12.2013	31.12.2012
Financial assets measured at fair value through profit and loss:		
Classified as held for trading		
Bonds and other interest-bearing securities	82,440	130,414
Designated at fair value through profit and loss		
Certificates of deposit	-	15,856
Available-for-sale financial assets		
Bonds and other interest-bearing securities	89,448	15,330
TOTAL financial assets at fair value	**171,888**	**161,600**
Financial assets measured at amortised cost:		
Loans and receivables		
Term deposits	26,917	23,110
Other assets		
Receivables related to direct insurance activities	10,529	10,600
Receivables from reinsurance	376	1,633
Other receivables	158	3,453
Cash and cash equivalents	2,812	2,114
Accrued income	989	881
Financial assets total	**213,669**	**203,391**
Financial liabilities valued at amortised cost:		
Liabilities related to direct insurance activities	3,579	3,509
Liabilities related to reinsurance	1,041	1,018
Other liabilities	210	176
Accrued expenses	3,957	3,570
Financial liabilities total	**8,787**	**8,273**

The majority of financial assets are recognized at fair value. The valuation is based on either published quoted prices or valuation methods based on observable market inputs, where available. For a limited portion of assets, the value is determined using other techniques. Please find additional information about used techniques in the Note 1, section 4 (c). Financial instruments measured at fair value have been classified into three hierarchy levels. The valuation method of the financial instruments are monitored quarterly in order to determine if there should be any transfers between the levels. The valuation of financial assets and liabilities is shown in Table 8.

Table 8. Determination of hierarchy of fair value

Financial assets at fair value through profit or loss

31.12.2013	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value through profit or loss				
Debt securities	-	82,440	-	**82,440**
Available-for-sale financial asstets				
Debt securities	38,718	50,730	-	**89,448**
Loans and receivables				
Term deposits	-	26,917	-	**26,917**
GRAND TOTAL	**38,718**	**160,087**	-	**198,805**

31.12.2012	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value through profit or loss				
Debt securities	-	130,371	43	130,414
Certificates of deposit	-	15,856	-	15,856
TOTAL	-	**146,227**	**43**	**146,270**
Available- for-sale financial asstets				
Debt securities	-	15,330	-	**15,330**
Loans and receivables				
Term deposits	-	23,110	-	**23,110**
GRAND TOTAL	-	**184,667**	**43**	**184,710**

The financial instruments measured at fair value have been classified into three hierarchy levels in the notes, depending on e.g. if the market for the instrument is active, or the inputs used in the valuation technique are observable.

Level 1- Financial assets valued using on quoted (unadjusted) prices in active markets for identical assets. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
In accordance with If Group's policy and guidelines, assets in this category include most government guaranteed bonds.

Level 2 – Financial assets valued using quoted prices or also other than quoted prices observable for the asset, either directly or indirectly by using valuation techniques. For model-valued instruments with observable input data, market interest rates and underlying prices are updated every month or more frequently, depending on the situation in the particular market. Based on If Group's policy and guidelines, this category includes most interest-bearing assets, such as corporate bonds, certificates of deposit and term deposits.

Level 3 – Financial assets traded in an illiquid market, with non-observable prices or indications of trading levels without any actual trades. Model valuations based on inputs that are unobservable and significant to the overall fair value measurement. This category comprises unquoted instruments and distressed assets encountering financial difficulties.

Table 9. Reconciliation of movements in Level 3 financial instruments measured at fair value

Financial assets at fair value through profit or loss	At 1 January 2013	Total losses in income statement	Sales	Transfers from level 1 and level 2	At 31 December 2013
Debt securities	43	-9	-34	-	-
TOTAL	**43**	**-9**	**-34**	**-**	**-**

Financial assets at fair value through profit or loss	At 1 January 2012	Total losses in income statement	Sales	Transfers from level 1 and level 2	At 31 December 2012
Debt securities	43	-	-	-	43
TOTAL	**43**	**-**	**-**	**-**	**43**

FINANCIAL STATEMENTS

g) Market risks

Market risk is the risk of loss, or of an adverse change in financial situation, resulting directly or indirectly from fluctuations in market prices of assets.

Risk management and Control

Investment strategy of the Company is to achieve the highest possible returns at an acceptable level of risk. The composition of the Company's investments assets must at all times comply with the regulations of the supervisory authorities, and ensure an adequate solvency ratio.The structure of the investment assets should comply with the supervisory authorities' regulations and they should cover the Company's technical provisions.
Investment Policy defines the asset allocation with reference weights and threshold values, limits per insurer, as well as mandates and authorities. When making asset allocation decisions and setting return and liquidity targets, the structure of the company's technical provisions and risk-bearing capacities, regulatory requirements, rating targets and risk tolerance are taken into account.

Market risk management is based on matching the investment assets with the insurance liabilities, as well as on maintaining a good diversification among asset classes and within each asset class.

Risk profile

The Company's investments operations generated a return of 0.7 % in 2013. The investment assets amounted as at the end of the reporting period to €198,805 thousand (2012: €184,710 thousand).

The major market risks comprise interest rate risk, credit risk and credit spread risk. The exposure towards market risk can be described through the allocation of investment assets and the sensitivity of values to changes in key risk factors.

Table 10. Allocation of investment assets

	31.12.2013	%	31.12.2012	%
Bonds and other interest-bearing securities	171,888	86%	161,600	87%
Loans and receivables (term deposits)	26,917	14%	23,110	13%
Total	**198,805**	**100%**	**184,710**	**100%**

The company measures and monitors interest risk using the interest sensitive assets and liabilities difference method, while also applying different interest risk scenarios for the evaluation of possible losses arising from changes in the interest rates. Interest risk is defined as potential loss arising from a parallel shift in the interest curve by 1%.

Sensitivity analysis

The below table brings out some of the key assumptions indicating the effect of potential changes, other factors remaining constant. The analysis is based on the investment portfolio as of 31.12.2013 with comparative as of 31.12.2012 and is calculated before taxes.

Table 11. Sensitivity analysis of the fair value of financial assets

Company's investment portfolio on 31 December 2013

€000	1% Parallel shift in the interest curve	
Market risk sensitivity analysis	Up	Down
Effect on financial results	-3,908	4,066

Company's investment portfolio on 31 December 2012

€000	1% Parallel shift in the interest curve	
Market risk sensitivity analysis	Up	Down
Effect on financial results	-2,835	2,967

There is no exposure to equity price risk because there are no equity instruments in the portfolio and, according to the Investment Policy, it is not allowed to invest in equity instruments.
The Company is exposed to operational currency risk. Currency risk means a potential loss arising from changes in the exchange rates. The majority of the insurance liabilities of the Company are in the euro, Latvian lats and Lithuanian litas.

The company has managed this risk by keeping financial investments only in euros, which is approved by investment policy of the Company. At the end of 2013, 100% of investments are in euros (the same as at the end of 2012). As the rate of the Latvian and Lithuanian currencies is pegged to euro, the currency risk is estimated to be very low.

h) Interest rate risk

Interest rate risk refers to the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

When market interest rates rise, the value of bonds and other interest-bearing securities falls and this has a direct impact on the company's equity and earnings. On the other hand, higher interest rates mean increased interest income, which improves profitability in the long run.

Risk management and Control

According to the Company's Investment Policy, the nature of the insurance commitments, with respect to interest rate risk and inflation risk is taken into account in the composition of investment assets. The interest rate is managed by sensitivity limits for instruments sensitive to interest rate changes.

Since the technical provisions are predominantly stated in nominal terms in the balance sheet, the Company is mainly exposed to changes in future inflation. However, the economic value of these provisions, meaning the present value of future claims payments, is exposed to changes in interest rates. Furthermore, the provisions for annuities in Estonia and Lithuania are discounted and potential changes in the discount rates will affect the level of technical provisions in the company's balance sheet.

The discount rates vary between countries mainly due to legislative differences, but are at least indirectly impacted by the prevailing interest rate environment. The duration of provisions and thus sensitivity to changes in interest rates are analyzed in greater detail in Table 6 and Figure 1 in the section concerning reserve risk.

Risk profile

The duration of bonds and other interest-bearing investments was 1.9 years at year end 2013 (1.5 years in 2012). The duration of those investments is shown in Table 12.

Table 12. Duration and breakdown of bonds and other interest-bearing investments per instrument type, 31 December

	2013			2012		
€000	**Carrying amount**	**%**	**Duration years**	**Carrying amount**	**%**	**Duration years**
Scandinavian companies bonds	54,567	27.4%	1.7	66,164	35.8%	1.9
EU governments bonds	38,718	19.5%	2.2	-	-	-
EU companies (excl.Scandinavian) bonds	65,868	33.1%	2.8	76,583	41.5%	1.8
Short-term fixed income	39,652	19.9%	0.3	41,963	22.7%	0.4
Total	**198,805**	**100%**	**1.9**	**184,710**	**100%**	**1.5**

i) Credit risk including credit spread risk

Credit risk is the risk of loss or of adverse change in financial situation resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance undertakings are exposed in the form of counterparty default risk, issuer risk or market risk concentrations. Credit risks arise both from investment, insurance and reinsurance operations.

Credit spread risk is defined as the risk of loss due to changes in the credit spreads of bonds and other interest-bearing instruments issued by banks or corporates and bonds and other interest-bearing instruments issued by governments.

The realization of credit risk may result in a situation where the contractual partner is unable to fulfil its contractual obligations due to insolvency.

Credit Risk and Spread Risk in Investments Operations

Credit risk in an investment operation includes the risk that a government or corporate issuer will not fulfil its obligations or otherwise obstruct the remittance of funds by debtors, particularly in the context of bonds and other interest-bearing securities.

Risk management and control

Credit risk in the investment operation is controlled by specific limits stipulated in the Company's Investment Policy. In this document, limits are given for maximum exposures towards single issuer and per rating class. Before investing in a new instrument, the credit standing of the issuer is assessed thoroughly as is the valuation and liquidity of the instrument. Credit ratings, mainly from Standard &Poor's, Moody's and Fitch, are used to judge the creditworthiness of issuers and counterparties. In addition, the portfolio development and the counterparties credit standing are followed up continuously.

The development of the portfolios with respect to credit risk shall be monitored at the Company level, as well as at the If Group level, and be reported to the Investment Control Committee on a regular basis. Credit exposures are reported by ratings, instruments and the industry sectors of issuers and counterparties. Since credit risk is taken mainly as a part of investment operations where most of the investments are in tradable instruments, credit risk is by nature primarily spread risk and it is managed and monitored as part of market risk.

Risk profile

The Table 13 below shows the maximum exposure to credit risk for the components of the balance sheet.

Table 13. Assets exposure to credit risk

	31.12.2013	31.12.2012
Cash and cash equivalents	2,812	2,114
Financial investments	198,805	184,710
Receivables related to insurance activities	11,063	15,686
Reinsurance assets	3,383	3,408
Total credit risk exposure	**216,063**	**205,918**

The most significant credit risk exposures in the Company arise from investments in bonds and other interest-bearing investments. The exposures by sectors, asset classes and rating category is shown in Table 14.

Table 14. Exposures by sectors, asset classes and rating, 31 December 2013

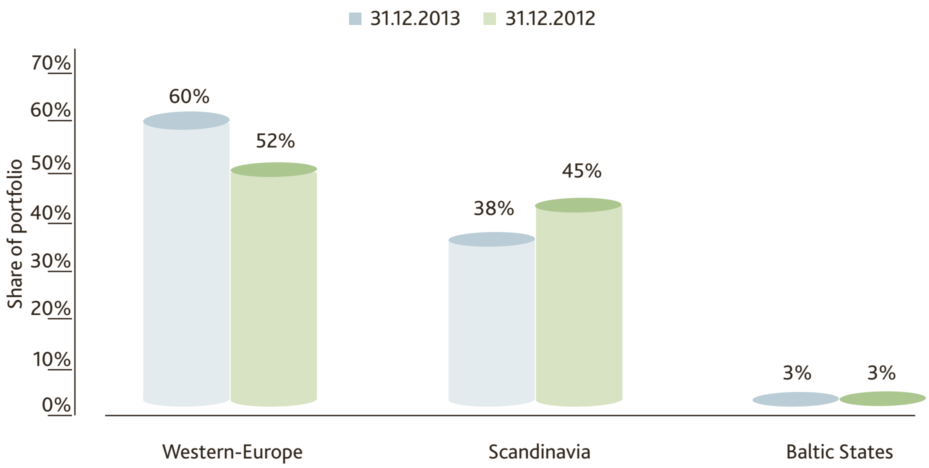
€000	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	Non-rated	Fixed income total
Basic Industry	-	-	-	-	1,132	2,008	**3,140**
Capital Goods	-	-	-	4,548	-	-	**4,548**
Consumer Products	-	-	4,580	2,433	-	-	**7,013**
Covered Bonds	12,715	8,006	-	-	-	-	**20,721**
Energy	-	-	-	4,390	-	-	**4,390**
Financial Institutions	-	39,022	52,664	5,667	-	-	**97,353**
Governments	9,959	28,759	-	-	-	-	**38,718**
Health Care	-	-	-	-	-	4,985	**4,985**
Services	-	-	-	4,759	-	-	**4,759**
Telecommunications	-	-	-	2,493	-	-	**2,493**
Utilities	-	-	-	10,685	-	-	**10,685**
Total	**22,674**	**75,787**	**57,244**	**34,975**	**1,132**	**6,993**	**198,805**

Exposures by sectors, asset classes and rating, 31 December 2012

€000	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	Non-rated	Fixed income total
Basic Industry	-	-	-	-	1,086	-	**1,086**
Capital Goods	-	-	-	4,689	-	-	**4,689**
Consumer Products	-	-	4,638	2,549	-	-	**7,187**
Covered Bonds	12,919	13,216	-	-	-	-	**26,135**
Energy	-	-	-	4,385	-	-	**4,385**
Financial Institutions	-	31,882	84,149	4,746	-	43	**120,820**
Services	-	-	-	4,761	-	-	**4,761**
Telecommunications	-	-	-	4,970	-	-	**4,970**
Utilities	-	-	-	10,677	-	-	**10,677**
Total	**12,919**	**45,098**	**88,787**	**36,777**	**1,086**	**43**	**184,710**

The distribution of fixed income related to credit risks according to geographic region is presented in detail in the Figure 2 below.

Figure 2. Division of bonds and other interest-bearing securities by geographical areas



The credit risk in the Company´s investment portfolio is mainly associated with banks in the Nordic region.

Credit Risk in Insurance Operations

In addition to the credit risk associated with investment assets, credit risk arises from insurance operations through ceded reinsurance. Credit risk related to reinsurers arises through reinsurance receivables and through the reinsurers' portion of outstanding claims.

Risk Management and Control

Reinsurance contracts of the Company are concluded mainly with If P&C Insurance Ltd. (Sweden), which is rated by Standard & Poor's as A. Every individual reinsurance contract is concluded on the basis of an analysis of the reinsurer's solvency and credibility and according to the list of allowed counterparties approved by Supervisory Board of the Company.

The company's credit risk is related to the solvency of the insured persons and payers of recourses, insurance intermediaries, but exposure towards policyholders is very limited, because non-payment of premiums generally results in the cancellation of insurance policies.

The company has an operational credit policy and is actively dealing with hedging credit risk. The terms and conditions for the validity of insurance cover are set forth in the general insurance terms and conditions. Contracts concluded with insurance intermediaries specify payment terms and compliance with these is systematically checked.

k) Liquidity risk

Liquidity risk is the risk that an insurance undertaking is unable to realize investments and other assets in order to settle its financial obligations when they fall due. The realization of this risk may result in a situation where financial assets may have to be realized at a price considerably below the market price.

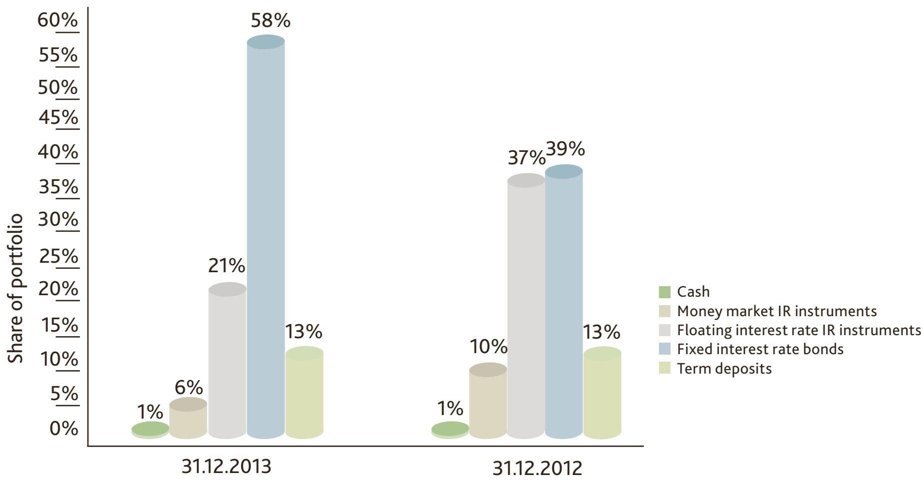
Risk management and control

In P&C insurance, the premiums are collected in advance.

Liquidity management includes inter-coordinated decisions in regards to the structure of the term of assets and obligations. The main objective in liquidity management is to ensure the company's ability to fulfil all its obligations arising from insurance contracts and insurance activities in a timely manner. The Company's excess–of–loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments. It is also aimed at ensuring the fulfilment of the requirements established under the Insurance Activities Act of Estonia and adequately responding to significant changes in the business environment. In order to maintain an adequate level of liquidity, the Company keeps some of its assets in liquid instruments such as overnight deposits, short-term deposits, certificates of deposit and bonds and other interest-bearing instruments. Liquidity risk is reduced by having investments that are readily marketable in liquid markets. The available liquidity of financial assets is analyzed and reported in risk report on quarterly basis.

A more detailed classification of financial assets is presented in Figure 3 below.

Figure 3. Financial investments



Risk profile

The maturities of cash flows for technical provisions, financial assets and liabilities are presented in Table 15. In the table, financial assets and liabilities are divided into contracts with an exact contractual maturity profile. In addition, the table shows expected cash flows for net technical provisions, which are inherently associated with a degree of uncertainty.

Table 15. Maturities of cash flows for financial assets, liabilities and net technical provisions, 31 December 2013

	Carrying amount			**Cash flows**						
	Carrying amount	**Without maturity**	**With contractual maturity**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019-2028**	**2029-**
Financial assets	**213,669**	**3,801**	**209,868**	92,906	17,061	46,047	26,693	5,047	29,193	503
Financial liabilities	**8,787**	-	**8,787**	8,787	-	-	-	-	-	-
Net technical provisions	**116,042**	-	**116,042**	62,958	14,956	9,846	6,901	4,924	13,562	2,895

l) Concentration Risk

Concentration risk is all risk concentrations towards a single counterparty, industry sector or geographic region with a material loss potential that is not captured by any other risk type.

Risk management and control

In the Company's Underwriting Policy, Investment Policy and Reinsurance Security Policy limits are set for maximum exposures towards single issuers and per rating class.

Concentration risks for the Company are mainly market and credit risks related to the individual counterparties' investment in the portfolio.

Quantification of Concentration Risk

Concentrations are illustrated in table Credit exposures by sectors, asset classes and rating, 31 December 2013 which are shown in Credit Risk section.

Table 16. Concentration of market and credit risks in the 5 biggest individual counterparties and asset classes, 31 December.

2013	Term deposits	Certificates of Deposit	Floating rate notes (FRN) and bonds	Total
Danske Bank A/S and branches	26,917	-	4,675	**31,592**
Netherlands government	-	-	28,759	**28,759**
Nordea Finland Plc and branches	-	2,398	13,008	**15,406**
Svenska Handelsbanken AB	-	10,337	3,263	**13,600**
Raiffeisen-Boerenleenbank B A/ Netherlands	-	-	10,018	**10,018**
TOTAL	**26,917**	**12,735**	**59,723**	**99,375**

2012	Term deposits	Certificates of Deposit	Floating rate notes (FRN) and bonds	Total
Danske Bank A/S and branches	23,110	4,897	4,746	**32,753**
SEB AB Group	-	-	16,188	**16,188**
Nordea Finland Plc and branches	-	7,359	3,036	**10,395**
Svenska Handelsbanken AB	-	-	10,043	**10,043**
Raiffeisen-Boerenleenbank B A/ Netherlands	-	6,597	3,344	**9,941**
TOTAL	**23,110**	**18,853**	**37,357**	**79,320**

m) Other risk

Operational risk

Operational risk is the risk of loss arising from inadequate or failed processes or systems, from personnel, or from external events(expected and unexpected).

The definition includes legal risk that can be described as the risk of loss due to unpredictable or unknown legal development or uncertain interpretations of regulations.

Risk management and control

The responsibility to identify, evaluate, control and mitigate operational risks lies within the line organization. The Company identifies operational risks through different processes:

- Self-assessments identifying operational risks are performed quarterly. Identified risks are assessed from a severity perspective, encompassing probability and impact. The control status for each risk is assessed where a traffic light system is used: Green – good control of risk, Yellow – attention required, Red – attention required immediately. The most severe risks with control status yellow or red are reported also to the Operational Risk Committee of the If Group.

- Incidents are reported via a web-based system. The reported incidents are received by the line organization in order to perform analyses.

The continuity of operational risk management is secured through the Operational Risk coordinators activities on Business Units level and the Chief Risk Coordinator activities on Company level. The Business Units ensure that they have the resources and tools in place to report, as required, to the Company's Chief Risk Coordinator. The Chief Risk Coordinator works across all business units, evaluating and supporting the units in their work to identify, assess, mitigate and monitor all risks. The Company's Chief Risk Coordinator quarterly provides the Management Board and If Group Operational Risk Committee (ORC) with a risk report.

In order to manage operational risks the Company has approved a number of different steering documents; Operational Risk Policy, Contingency Plans, Security Policy, Outsourcing Policy, Complaints Handling Policy, Claims Handling Policy, and other steering documents related to different parts of the organization. These documents are being reviewed and up dated at least yearly. In addition to this the Company has detailed processes and guidelines in order to manage possible external and internal frauds. Internal training on ethical rules and guidelines is a focus area.

In the Company, legal risk, which is included in the definition of operational risk, is defined as changes in law or regulation, a truly unpredictable legal development, and defective documentation/transactions.

The Legal Unit is responsible for identifying legal risks within the Company. In addition, the Legal Unit is responsible for being updated on legislation, case law and products in relation to the insurance business. The Company's Chief Risk Coordinator quarterly provides the Management Board and the ORC with a risk report.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation an undertaking may suffer as a result of not complying with laws, regulations and administrative provisions as applicable to its activities. A compliance risk could be a consequence of a legal or operational risk.

Risk management and control

The line organization owns and manages their compliance risks in the daily activities and reports to the Chief Risk Coordinator. A compliance risk is often the consequence of a legal or operational risk. A compliance risk could therefore be the risk of not abiding by new or amended external rules, so called practical risk. It could also be the risk of not organizing the Company's business in accordance with good practice in the insurance industry, structural risk.

Practical compliance risks in the business are identified within the ORA process, which is a self-assessment process, the same process as used for operational risks. Identified risks are assessed from a severity perspective, encompassing probability and impact. The control status for each risk is assessed where a traffic light system is used: Green – good control of risk, Yellow – attention required, Red – attention required immediately.

The Company's Chief Risk Coordinator quarterly provides the Management Board and the Chief Compliance Officer of If Group with a risk report.

The most severe compliance risks with control status yellow or red are reported quarterly by the Chief Risk Coordinator to the IRC.

Reputational Risk

A reputational risk is often a consequence of a materialized operational or compliance risk and is defined as potential damage to the company through deterioration of its reputation amongst customer and other stakeholders.

A good reputation is vital for an insurance company, which means that trust is an important factor in the Company's relationship with its customers, investors, employees and other stakeholders. The Company's reputation is determined by how stakeholders perceive our performance in each and every aspect of the Company's performance.

Since operational and other risks may evolve into reputational risks if not handled correctly, the Communication department continuously work to ensure that all employees are aware of the importance of maintaining a good reputation and understand how to deal with potential reputational risks. One important part of this preventive work is to ensure that information about incidents in the organization that may lead to an increased reputational risk are forwarded to the Communication Department without delay, a so-called early warning notification.

n) Preparation for Solvency II

The Solvency II Framework Directive, which introduces a new risk-based solvency regime, was adopted in 2009.

The economic risk-based solvency regime aims to deepen the integration of the insurance and reinsurance market, enhance the protection of policyholders and beneficiaries, improve international competitiveness of EU insurers and reinsurers and promote better regulation. As compared to the current regulation, the regulatory capital requirements under Solvency II will more closely reflect the specific risk profile of each company. There are uncertainties regarding the timeline for implementation.

A separate program was introduced within If Group in 2007 to have If well prepared when the Solvency II regulations enter into force.

The program has encompassed a thorough review of If's corporate governance and internal control structure, the risk management system and data capturing. The program was finalized in 2012 and responsibilities transferred to the line organization.

The development of a tool for external Solvency II reporting is ongoing.

While awaiting the postponed implementation of the Solvency II regulation in the EU, common guidelines have been issued to the local supervisory authorities. The guidelines concern supervision of how the insurance companies prepare for Solvency II regarding the governance system, the forward looking risk assessment and supervisory reporting.

NOTE 3. PREMIUMS EARNED, NET OF REINSURANCE

	2013	2012
Premiums written, gross	116,906	115,165
Incl. 100% of the reinsured portion	*1,794*	*1,549*
Change in the provision for unearned premiums	-517	-912
Premiums earned, gross of reinsurance	**116,389**	**114,253**
Reinsurance premiums	-3,434	-3,167
Change in the provision for unearned premiums	-79	-132
Premiums earned, ceded	**-3,513**	**-3,299**
TOTAL	**112,876**	**110,954**

NOTE 4. RETURN ON INVESTMENTS

Interest income/ expense	**2013**	**2012**
Financial assets at fair value through profit and loss		
Classified as held for trading		
From bonds and other interest-bearing securities	1,231	2,749
Designated at fair value through profit and loss		
From certificates of deposit	26	265
Available-for-sale financial assets		
From bonds and other interest-bearing securities	466	70
Loans and receivables		
From deposits	90	265
From cash and cash equivalents	2	4
TOTAL	**1,815**	**3,353**

Profit from disposals		
Financial assets at fair value through profit and loss		
Classified as held for trading		
From bonds and other interest-bearing securities	2	335
Designated at fair value through profit and loss		
From certificates of deposit	-	14
Available-for-sale financial assets		
From bonds and other interest-bearing securities	1	-
TOTAL	**3**	**349**

Loss from disposals		
Financial assets at fair value through profit and loss		
Classified as held for trading		
From bonds and other interest-bearing securities	-6	-
TOTAL	-6	-

Profit/ loss from change in fair value	2013	2012
Financial assets at fair value through profit and loss		
Classified as held for trading		
From bonds and other interest-bearing securities	-96	3,930
Designated at fair value through profit and loss		
From certificates of deposit	-22	-24
TOTAL	**-118**	**3,906**
Investment expenses	**-374**	**-438**
TOTAL RETURN ON INVESTMENTS	**1,320**	**7,170**

Reconciliation of fair value reserve of available-for-sale financial assets		
Ope ning balance, available-for-sale financial assets	328	-
Changes in fair value during the year, recognie d in comprehensive income	-360	328
CLOSING BALANCE, AVAILABLE-FOR-SALE FINANCIAL ASSETS	**-32**	**328**

NOTE 5. CLAIMS INCURRED, NET OF REINSURANCE

Gross	2013	2012
Claims paid during the year related to that year	-50,007	-46,736
Claims paid related to previous years	-16,908	-15,441
Amounts recovered from salvage and recourses	5,418	6,828
Change in the provision for claims outstanding	-3,324	-6,354
Claims handling costs	-3,718	-3,508
TOTAL	**-68,539**	**-65,211**

Reinsurer's share		
Claims paid during the year related to that year	74	159
Claims paid related to previous years	146	259
Change in the provision for claims outstanding	71	-330
TOTAL	**291**	**88**

Net		
Claims paid during the year related to that year	-44,515	-39,749
Claims paid related to previous years	-16,762	-15,182
Claims handling costs	-3,718	-3,508
Change in the provision for claims outstanding	-3,253	-6,684
TOTAL	**-68,248**	**-65,123**

NOTE 6. OPERATING EXPENSES

	2013	2012
Personnel expenses	-17,838	-16,746
Commissions to intermediaries	-9,030	-8,965
Data processing	-2,757	-2,545
Expenses on premises	-2,414	-2,824
Office expenses (incl. communication expenses)	-1,032	-1,205
Other operating expenses	-3,195	-3,085
TOTAL	**-36,266**	**-35,370**

Division of costs on the basis of functions		
Insurance contract acquisition costs	-20,882	-20,704
Administrative expenses	-11,666	-11,158
Claims handling expenses	-3,718	-3,508
TOTAL	**-36,266**	**-35,370**

NOTE 7. CASH AND CASH EQUIVALENTS

Cash total by currencies, €000	**31.12.2013**	**31.12.2012**
EUR	2,043	1,069
LVL	284	666
LTL	443	379
USD	38	-
GBP	4	-
TOTAL	**2,812**	**2,114**

NOTE 8. RECEIVABLES RELATED TO INSURANCE ACTIVITIES AND SPECIFICATION OF BAD DEBTS

	31.12.2013	31.12.2012
Receivables related to direct insurance activities, incl.	**10,529**	**10,600**
- policyholders	7,009	7,256
- intermediaries	2,426	1,976
- recourses with significant recoverability	743	1,016
- salvages	299	302
- other	52	50
Receivables from reinsurance	376	1 633
- incl. from related parties (Note 20)	*204*	*1 510*
Other receivables	158	3 453
- incl. from related parties (Note 20)	*134*	*3 378*
TOTAL	**11,063**	**15,686**

Term of the receivables	**31.12.2013**	**31.12.2012**
Neither past-due nor impaired:		
- not due yet *	9,807	13,029
Past-due but not impaired:		
- due for 0-3 months	931	1,049
- due for 3-6 months	45	153
- due for 6-12 months	125	76
- due for over 1 year	155	1,379
TOTAL	**11,063**	**15,686**

*Receivables are due within 1 year

Specification of change in bad debt provision

	Individualy impaired	**Collectively impaired**	**Total**
At 1 January 2012	**- 959**	**-429**	**-1,388**
Realized losses during the year	371	-	371
Unused amounts reversed during the year	245	-	245
Additions	-130	-	-130
Change in general provisions	-	37	37
At 31 December 2012	**-473**	**-392**	**- 865**
Realized losses during the year	393	-	393
Unused amounts reversed during the year	499	-	499
Additions	-703	-	-703
Change in general provisions	-	209	209
At 31 December 2013	**-284**	**-183**	**-467**

NOTE 9. ACCRUED INCOME AND PREPAID EXPENSES

	31.12.2013	31.12.2012
Net deferred acquisition costs	2,906	3,099
Prepaid expenses	866	647
Corporate income tax	-	111
TOTAL	**3,772**	**3,857**

All afore mentioned accrued income and prepaid expe nses are expe cted to be recovered within 1 year.

Term of the accrued income and prepaid expenses:	31.12.2013	31.12.2012
Neither past-due nor impaired:		
- not due yet	3,772	3,857

Deferred acquisition costs		**2013**	
	Share of acquisition costs (gross)	**Reinsurer's share of acquisition costs (gross)**	**Share of acquisition costs (net)**
Balance as of January 1	**3,158**	**-59**	**3,099**
Acqis ition costs deferred during the year	8,788	-238	8,550
Reversal of previously deferred acqis ition costs	-8,973	236	-8,737
Exchange-rate difference	-7	-	-7
Balance as of December 31	**2,967**	**-61**	**2,906**

Deferred acquisition costs		**2012**	
	Share of acquisition costs (gross)	**Reinsurer's share of acquisition costs (gross)**	**Share of acquisition costs (net)**
Balance as of January 1	**3,022**	**-74**	**2,948**
Acqis ition costs deferred during the year	9,327	-215	9,122
Reversal of previously deferred acqis ition costs	-9,194	230	-8,964
Exchange-rate difference	3	-	3
Balance as of December 31	**3,158**	**-59**	**3,099**

NOTE 10. FINANCIAL INVESTMENTS

	31.12.2013	31.12.2012
Financial assets measured at fair value through profit and loss		
Classified as held for trading		
Bonds and other interest-bearing securities	**82,440**	**130,414**
- listed	82,440	130,371
- unlisted	-	43
incl. with a floating interest rate	33,054	69,759
incl. with a fixed interest rate (2.25%-6.0%)	49,386	60,654
Designated at fair value through profit and loss		
Certificates of deposit	-	15,856
- unlisted with fixed interest rate (0.13%-0.18%)	-	15,856
TOTAL	**82,440**	**146,270**
Available-for-sale financial assets		
From bonds and other interest-bearing securities	**89,448**	**15,330**
- listed	76,713	12,334
- unlisted	12,735	2,997
incl. with a floating interest rate	9,999	-
incl. with a fixed interest rate (0.0%-2.75%)	79,449	15,330
TOTAL	**89,448**	**15,330**
Loans and receivables		
Term deposits	26,917	23,110
TOTAL	**26,917**	**23,110**
FINANCIAL INVESTMENTS TOTAL	**198,805**	**184,710**

Financial assets measured at fair value through profit and loss	**2013**	**2012**
Balance at January 1	**146,270**	**150,185**
Classified as held for trading		
Bonds and other interest-bearing securities		
Purchase	-	41,914
Sale	-46,794	-45,018
Change in fair value through profit and loss	-1,015	3,840
Change in accrued interest	-187	987
Designated at fair value through profit and loss		
Certificates of deposit		
Purchase	-	23,132
Sale	-15,743	-28,527
Change in fair value through profit and loss	-91	67
Change in accrued interest	-	-310
Balance at December 31	**82,440**	**146,270**

Available-for-sale financial assets	2013	2012
Balance at January 1	**15,330**	-
Bonds and other interest-bearing securities		
Purchase	114,156	14,932
Sale	- 69,874	-
Change in fair value recorded in other comprehensive income	-360	328
Change in accrued interest	196	70
Balance at December 31	**89,448**	**15,330**

Loans and receivables	2013	2012
Balance at January 1	**23,110**	**45,654**
Term deposits		
Purchase	52,750	87,870
Sale	-	-
Maturity	- 48,920	-110,400
Change in accrued interest	-23	-14
Balance at December 31	**26,917**	**23,110**

Term deposits earn an annual interest 0.29%-0.32% as of 31.12.2012: 0.43% 0.85%

Division of bonds and other interest-bearing **securities by maturity terms**

	31.12.2013	31.12.2012
up to 1 year	52,801	66,029
1-2 years	14,999	40,310
2-5 years	75,271	36,669
5-10 years	28,817	18,592
TOTAL	**171,888**	**161,600**

Deposits by maturity terms	31.12.2013	31.12.2012
Up to 6 months	26,917	23,110
TOTAL	**26,917**	**23,110**

	31.12.2013		31.12.2012	
	Fair value	Acquisition cost	Fair value	Acquisition cost
Financial assets measured at fair value through profit or loss				
Classified as held for trading				
Bonds and other interest-bearing securities	82,440	79,286	130,414	126,080
Designated at fair value through profit or loss				
Certificates of deposit	-	-	15,856	15,743
Available-for-sale financial assets				
Bonds and other interest-bearing securities	89,448	89,213	15,330	14,931
TOTAL	**171,888**	**168,499**	**161,600**	**156,754**
Loans and receivables				
Term deposits	26,917	26,900	23,110	23,070
FINANCIAL INVESTMENTS TOTAL	**198,805**	**195,399**	**184,710**	**179,824**

Bonds with a fixed interest rate, by interest rates

Interest rate	31.12.2013	31.12.2012
Interest rate: 0-1.9 %	60,462	23,941
Interest rate: 2.0-2.9%	39,033	37,690
Interest rate: 3.0-3.9%	15,654	16,314
Interest rate: 4.0-4.9%	10,121	10,260
Interest rate: 5.0-6.0%	3,565	3,635
TOTAL	**128,835**	**91,840**

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NOTE 11. INTANGIBLE ASSETS

	Computer software
Net book value 31.12.2011	**3,884**
Acquisition (incl. prepayment)	1,613
Disposals	-133
Acquisition cost 31.12.2012	9,689
-incl. fully depreciated	3,747
Depreciation charge for the year	-635
Depreciation of disposals	26
Accumulated depreciation 31.12.2012	-4,950
Translation differences	19
Net book value 31.12.2012	**4,758**
Acquisition (incl. prepayment)	1,423
Disposals	-814
Acquisition cost 31.12.2012	10,298
-incl. fully depreciated	4,152
Depreciation charge for the year	-1,001
Depreciation of disposals	296
Accumulated depreciation 31.12.2013	-5,655
Translation differences	6
Net book value 31.12.2013	**4,649**

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Other PPE	TOTAL
Net book value 31.12.2011	**2**	**86**	**913**	**1,001**
Acquisition	-	-	239	**239**
Write-off	-	-	-460	**-460**
Disposal	-	-	-436	**-436**
Acqis ition cost 31.12.2012	2	142	3,236	**3,380**
-incl. fully depreciated	-	-	2,078	**2,078**
Depreciation charge for the year	-	-3	-429	**-432**
Depreciation charge of sales and disposals	-	-	859	**859**
Accumulated depreciation 31.12.2012	-	-62	-2,751	-2,813
Translation differences	-	-	4	4
Net book value 31.12.2012	**2**	**80**	**489**	**571**
Acquisition	-	-	468	**468**
Write-off	-	-	-308	**-308**
Disposal	-	-	-159	**-159**
Acqis ition cost 31.12.2013	2	142	3,236	**3,380**
-incl. fully depreciated	-	-	2,294	**2,294**
Depreciation charge for the year	-	-3	-339	**-342**
Depreciation charge of sales and disposals	-	-	452	**452**
Accumulated depreciation 31.12.2013	-	-65	-2,638	**-2,703**
Translation differences	-	-	4	**4**
Net book value 31.12.2013	**2**	77	**602**	**681**

FINANCIAL STATEMENTS

NOTE 13. LIABILITIES RELATED TO INSURANCE ACTIVITIES

	31.12.2013	31.12.2012
Liabilities related to direct insurance activities, incl.	**3,579**	**3,509**
-policyholders	2,313	2,033
-intermediaries	1,128	1,300
-others	138	176
Liabilities related to reinsurance	1,041	1,018
- incl. from related parties (Note 20)	*1,023*	*653*
Other liabilities	210	176
- incl. from related parties (Note 20)	*138*	*125*
TOTAL	**4,830**	**4,703**

All above mentioned liabilities are current liabilities.

NOTE 14. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2013	31.12.2012
Taxes payable	357	328
Employee-related liabilities	464	469
Vacation and social tax reserve	803	851
Performance pay reserve (incl. wage-based taxes)	1,780	1,357
Other accrued expenses	553	565
TOTAL	**3,957**	**3,570**
Terms of liabilities		
Up to 12 months	**3,957**	**3,570**
Taxes payable are divided into the following categories:		
Value added tax	28	24
Personal income tax	254	245
Social tax	19	22
Unemployment insurance	15	19
Funded pension	17	15
Corporate income tax	24	-
Other taxes	-	3
TOTAL	**357**	**328**

NOTE 15. LIABILITIES RELATED TO INSURANCE CONTRACTS AND REINSURANCE ASSETS

Gross	31.12.2013	31.12.2012
Provision for incurred and reported claims and claims handling expenses	50,449	45,574
Provision for incurred but not reported claims	29,701	31,347
Provision for unearned premiums	39,275	38,844
TOTAL	**119,425**	**115,765**

Reinsurer's share		
Provision for incurred and reported claims and claims handling expenses	2,432	2,195
Provision for incurred but not reported claims	264	442
Provision for unearned premiums	687	771
TOTAL	**3,383**	**3,408**

Net		
Provision for incurred and reported claims and claims handling expenses	48,017	43,379
Provision for incurred but not reported claims	29,437	30,905
Provision for unearned premiums	38,588	38,073
TOTAL	**116,042**	**112,357**

		2013	
The provision for claims reported by policy holders and claims incurred but not yet reported (IBNR)	Liabilities arising from insurance contracts	Reinsurer's share of liabilities	Net
Balance as of January 1	**76,921**	**-2,637**	**74,284**
Change in the provision for claims incurred but not yet settled, related to current year	16,984	-516	16,468
Change in the provision for claims incurred but not yet settled, related to previous years	-11,933	266	-11,667
Change in the provision for claims incurred but not reported, related to current year	7,261	-38	7,223
Change in the provision for claims incurred but not reported, related to previous years	-8,869	216	-8,653
Change in the provision for claims handling expenses	-120	-	-120
Translation difference	- 94	13	- 81
Balance as of December 31	**80,150**	**-2,696**	**77,454**

The provision for claims reported by policy holders and claims incurred but not yet reported (IBNR)	Liabilities arising from insurance contracts	Reinsurer's share of liabilities	Net
	2012		
Balance as of January 1	**70,537**	**-2,949**	**67,588**
Change in the provision for claims incurred but not yet settled, related to current year	17,653	-107	17,546
Change in the provision for claims incurred but not yet settled, related to previous years	-11,810	491	-11,319
Change in the provision for claims incurred but not reported, related to current year	7,271	-59	7,212
Change in the provision for claims incurred but not reported, related to previous years	-8,207	5	-8,202
Change in the provision for claims handling expenses	1,448	-	1,448
Translation difference	29	-18	11
Balance as of December 31	**76,921**	**-2,637**	**74,284**

Provision for unearned premiums	**2013**		
	Liabilities arising from insurance contracts	Reinsurer's share of liabilities	Net
Balance as of January 1	**38,844**	**-771**	**38,073**
Premiums written in the year	116,906	-3,434	113,472
Premiums earned during the year	-116,389	3,513	-112,876
Translation difference	- 86	5	- 81
Balance as of December 31	**39,275**	**-687**	**38,588**

Provision for unearned premiums	**2012**		
	Liabilities arising from insurance contracts	Reinsurer's share of liabilities	Net
Balance as of January 1	**37,900**	**-897**	**37,003**
Premiums written in the year	115,166	-3,167	111,999
Premiums earned during the year	-114,253	3,299	-110,954
Translation difference	31	-6	25
Balance as of December 31	**38,844**	**-771**	**38,073**

The development of claims: 2006-2013

The overview of claims 2006-2013 has been provided in the below tables. The claims have been presented separately for each year. For accident years older than 2006 only claim developments since 2006 are shown, because in the financial systems of the Company there is information available to report claims development triangles backwards in time only since year 2006 (*).

The tables provides an overview of the accumulated estimates of claims development (claims paid, incl. recourses and salvages, provision for incurred and reported loss, and IBNR provision) on the gross and net basis. The information on the claims paid is presented in the last table of claims development disclosure. The tables do not include information on actual claims handling expenses and the provision for claims handling expenses.

The company believes the estimates on claims outstanding as of the end of 2013 to be adequate. Due to the imprecision of the reservation process, the possibility of changes cannot, however, be ruled out.

Development of claims gross, €000

	...-2006	2007	2008	2009	2010	2011	2012	2013
At 31 December								
Accident year*	80,389	85,252	94,668	78,364	71,683	66,946	68,357	72,737
1 year later	74,421	79,899	87,122	74,913	71,690	69,644	67,616	-
2 years later	73,485	78,154	86,555	72,158	70,102	69,248	-	-
3 years later	76,426	77,191	82,891	69,665	69,012	-	-	-
4 years later	70,827	75,720	80,397	68,301	-	-	-	-
5 years later	60,765	73,433	78,852	-	-	-	-	-
6 years later	58,825	72,848	-	-	-	-	-	-
7 years later	56,750	-	-	-	-	-	-	-
Provision for outstanding claims (incl. IBNR) as of 31.12.2013	9,591	3,182	4,217	4,657	7,307	9,317	13,666	24,230

Development of claims net, €000

	...-2006	2007	2008	2009	2010	2011	2012	2013
At 31 December								
Accident year*	62,111	82,518	89,978	77,294	71,365	66,527	68,032	72,110
1 year later	56,090	76,774	83,860	74,021	71,390	69,179	67,323	-
2 years later	55,837	75,010	83,139	71,252	69,847	68,781	-	-
3 years later	55,341	74,646	79,915	69,118	68,764	-	-	-
4 years later	49,208	73,284	77,313	67,793	-	-	-	-
5 years later	45,505	70,867	76,134	-	-	-	-	-
6 years later	43,684	70,300	-	-	-	-	-	-
7 years later	41,484	-	-	-	-	-	-	-
Provision for outstanding claims (incl. IBNR) as of 31.12.2013	8,631	2,831	3,829	4,607	7,237	9,091	13,568	23,677

Claims paid, recourses and salvages (accumulated) gross, €000

	...-2006	2007	2008	2009	2010	2011	2012	2013
At 31 December								
Accident year*	59,588	52,815	57,927	48,947	46,732	47,296	43,432	46,648
1 year later	78,373	67,627	72,218	60,598	60,916	57,908	54,967	-
2 years later	81,454	68,750	73,306	62,964	60,951	59,997	-	-
3 years later	86,592	69,272	74,722	63,806	61,871	-	-	-
4 years later	88,035	69,541	74,944	63,872	-	-	-	-
5 years later	88,366	69,666	74,973	-	-	-	-	-
6 years later	88,446	69,675	-	-	-	-	-	-
7 years later	88,648	-	-	-	-	-	-	-

Claims paid, recourses and salvages (ac cumulated) net, €000

	...-2006	2007	2008	2009	2010	2011	2012	2013
At 31 December								
Accident year*	52,095	52,455	57,528	48,744	46,548	47,285	43,273	46,574
1 year later	66,050	65,358	69,974	59,992	60,727	57,657	54,771	-
2 years later	67,242	66,332	70,985	62,359	60,773	59,743	-	-
3 years later	67,700	66,651	72,399	63,190	61,692	-	-	-
4 years later	67,930	66,878	72,616	63,255	-	-	-	-
5 years later	67,564	67,002	72,636	-	-	-	-	-
6 years later	67,631	67,005	-	-	-	-	-	-
7 years later	67,675	-	-	-	-	-	-	-

NOTE 16. CORPORATE INCOME TAX

(a) Income tax expense

	2013	2012
Current tax	542	472
Deferred tax	-	346
Total income tax expense	**542**	**818**
Specification of current taxes		
Latvia	141	448
Lithuania	401	370
Total	**542**	**818**

(b) Reconciliation of tax charge

	2013	2012
Profit subject to taxation	**3,402**	**7,960**
Tax at 15%	**510**	**554**
Permanent differences	36	- 66
Temporary differences	- 8	16
Recognition of previously unrecognized tax asset	3	-
Prior year tax adjustment	19	-
Donation	-3	-15
Differences arising from unrealized gains and losses	-17	329
Translation difference	1	-
Total tax charge for the year	**542**	**818**

(c) Deferred tax liability

	31.12.2013	31.12.2012
Deferred tax liability		
Accelerated capital allowances	70	96
Provision for amounts recoverable by subrogation	24	25
Total deferred tax liability	**94**	**121**
Deferred tax asset		
Vacation reserve and other accruals	-160	-127
Doubtful debts	- 69	-129
Asset valuation allowance for doubtful receivables	12	23
Loss carried forward	-	- 11
Total deferred tax asset	**-217**	**-244**
Net deferred tax asset	**-123**	**-123**

Specification of deferred taxes	2013	2012
Deferred tax liability		
Latvia	70	96
Lithuania	24	25
Total	**94**	**121**
Deferred tax asset		
Latvia	-143	-106
Lithuania	- 74	-138
Total	**-217**	**-244**
Net deferred tax asset		
Latvia	-73	-10
Lithuania	- 50	-113
Total	**-123**	**-123**

(d) Current corporate income tax liability/receivable (-)

	31.12.2013	31.12.2012
At 1 January	**-111**	**-122**
Calculated	542	472
Paid	- 407	- 460
Translation difference	-	-1
At 31 December	**24**	**-111**

NOTE 17. INVESTMENT INTO SUBSIDIARY

Support Services AS (former business name AS If Kinnisvarahaldus)
Field of activity: real estate management and sales back office services to If Finland
Legal address: Lõõtsa 8a, Tallinn 11415

	31.12.2013	31.12.2012
Acquisition cost of shares	88	88
Number of shares	25,000	25,000
Participation	100%	100%
Total owner's equity	**2,634**	**1,864**
Share capital	25	25
Share premium	63	63
Mandatory reserve	401	401
Retained earnings	1,375	1,331
Profit for the period	770	44
Investment in the parent company's statement of financial position	**88**	**88**

As of 1 January 2013 the number of issued shares was 25,000 shares with nominal value 1 EUR.

NOTE 18. OWNER'S EQUITY

Share capital

As of 1 January 2013 the number of issued shares was of 6,391,165 with nominal value 1 EUR.

Share premium

Share premium is the difference between the nominal value and the issue price of shares. Share premium may be used for covering accumulated loss, if loss cannot be covered from retained earnings, mandatory reserve or other reserves stipulated in the Articles of Association, as well as for increasing the share capital via a bonus issue.

As of 31.12.2013, share premium amounted to €3,679 thousand (31.12.2012: €3,679 thousand).

Mandatory reserve

The mandatory reserve is set up, in accordance with the Commercial Code, of annual net profit allocations and other transfers to mandatory reserve in accordance with the Commercial Code or the Articles of Association. The mandatory reserve requirements are stipulated in the Articles of Association. The mandatory reserve must amount to no less than 1/10 of the share capital. Every year, at least 1/20 of the net profit must be transferred to the mandatory reserve. Once the reserve meets the requirements of the Articles of Association, the reserve will no longer be increased at the expense of net profit. With the resolution of the General Shareholders' Meeting, the mandatory reserve can be used for covering the loss, if loss cannot be covered from the available shareholder's equity (at the expense of retained earnings and the reserve stipulated in the Articles of Association). Mandatory reserve can also be used for increasing the share capital of the company. The mandatory reserve cannot be paid out as dividends to shareholders.

As of 31.12.2013, mandatory reserve amounted to €2,362 thousand (31.12.2012: €2,362 thousand).

Retained earnings

On 25 March 2013, the sole shareholder resolved the dividend to be paid out in amount of €7,000 thousand and earnings after dividend's payment in amount of €71,519 thousand to be carried forward.

Dividends paid and proposed, €000	**2013**	**2012**
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2013: €1.095 (2012: € 6.10)	7,000	39,000
Total dividends paid in the year	**7,000**	**39,000**

The company's potential income tax liability

As of 31.12.2013 the company's retained earnings amounted to €84,761 thousand (31.12.2012 €78,519 thousand) and the net book value of intangible assets to €4,649 thousand (31.12.2012: €4,758 thousand).

The maximum possible income tax liability related to the payment of the company's retained earnings as dividends is €16,823 thousand (2012: €15,490 thousand). The company could thus pay €67,938 thousand (2012: €63,029 thousand) in net dividends. The potential income tax liability calculation has not been taken into account that the profits allocated to the permanent establishments in Latvia and Lithuania are exempt from Estonian income tax.

The maximum possible income tax liability has been calculated based on the assumption that the net dividends to be paid, and the related total income tax expenses to be recorded in the statement of comprehensive income 2013 would not exceed the distributable profit as of 31.12.2013.

The possible income tax liability has been calculated in accordance with the Insurance Activities Act which allows to pay the shareholders a part of the profit, by deducting (among other things) the net book value of intangible assets. The profit available for distribution may be further limited by the solvency margin requirements.

NOTE 19. OPERATING LEASE

The company leases office space and passenger cars under operating lease terms. Total rental expenses carried in the Company's income statement amount to €1,956 thousand (2012: €2,194 thousand).

As of 31.12.2013, the company had the following deferred liabilities arising from operating lease contracts:

- up to 1 years	€1,589 thousand	(as of 31.12.2012 €1,199 thousand)
- 1 to 5 years	€3,433 thousand	(as of 31.12.2012 €2,274 thousand)

NOTE 20. RELATED PARTY TRANSACTIONS

1. Information about related companies

Subsidiary

Subsidiary of the Company Support Services AS is located in Tallinn, Estonia and has been mainly operating in real estate management till the end of June 2013 and the other line of its business is providing of sales back-office services to If Finland.

Parent company and other group companies

If P&C Insurance Holding Ltd is located in Stockholm, Sweden and it is the parent company of If Group. It is a holding company and owns and administrates the shares of If Group companies. The holding company owns the Swedish companies, If P&C Insurance Ltd and life insurance If Livförsäkring AB, the Finnish company If P&C Insurance Company Ltd. and the Estonian company If P&C Insurance AS, as well as the Russian company CJSC If Insurance. If's operations in Denmark, Norway and partly in Finland are conducted via branches. In addition to the Nordic branches, If P&C Insurance Ltd has established branches in Germany, France, the Netherlands and United Kingdom.

The holding company owns also If IT Services A/S which is located in Copenhagen, Denmark, and its line of business is to purchase IT operation services to the If Group's companies in the Nordic and Baltic area.

If P&C Insurance Holding Ltd. (Sweden) is wholly owned subsidiary of Sampo plc., a Finnish listed company.

Relations with Sampo

Sampo Plc is located in Helsinki, Finland. The Company's field of activity is to own and administer shares, other stocks and real property, and to trade in securities and carry on other investment activities. The entity is the parent company of Sampo Group and it is involved in management and investment activities of e.g. Sampo Life Sub-Group and If Sub-Group. Sampo plc. manages the Company's investments assets. Compensation for these services is based on a fixed commission calculated in accordance with market value of the managed investments assets.

The Company concluded agreements with such Sampo subsidiaries operating in life insurance such as Mandatum Life Insurance Baltic SE, located in Estonia, Mandatum Life Insurance Baltic SE, Latvian Branch and Mandatum Life Insurance Baltic SE, Lithuanian Branch regarding the marketing and sales of the products in own distribution channels. The compensation takes the form of commission.

Relations with Nordea

Nordea is associated company to Sampo and therefore is Nordea a related company to If. If P&C Insurance Holding Ltd. has entered into an agreement with Nordea regarding distribution of P&C insurance products through Nordea's banking offices in Sweden, Finland and the Baltics. The agreement entered into force in 2013. The Company concluded local agreement in all Baltic countries and cooperation has been started.

Nordea is a banking partner of the Company and agreements have been concluded covering the management of bank accounts and related services.

In assets management, investments are made by the Company into in floating rate notes and certificates of deposit issued by companies in the Nordea Group.

Other related parties

The Company's shareholders, staff, Management Board and Supervisory Board members, their close relatives and other individuals over whom the above persons have significant influence, are considered related parties.

2. Transactions with members of the Management Board and members of the Supervisory Board

Insurance contracts with total premiums of €9 thousand were concluded with the Management Board members in the financial period (2012: €8 thousand). The Management Board members received a total of €1,189 thousand in remuneration in 2013, including social tax (2012: €947 thousand). No termination benefits were paid to members of the Management Board during 2013 (2012: 0). According to the conditions of the contract concluded with the members of the Management Board, termination benefit up to 12 months shall be paid if the contract is terminated. No remuneration was paid to members of the Supervisory Board in 2013 and 2012.

Remuneration of the Chairman and other members of the Management Board consists of a fixed remuneration, a variable compensation, participations in long-term incentive programs. Proportion of the variable compensation is not exceeding 30% of the fixed remuneration. Variable compensation is based on the performance of the Company and If Group (measured by combined ratio, volume of gross written premiums, net profit targets) and achieving of personal work goals. For the reporting year the majority of set financial targets has been achieved.

3. Transactions with other group or related companies

3.1. The company has concluded reinsurance contracts with If P&C Insurance Ltd (Sweden) and If P&C Insurance Company Ltd (Finland).

	Calculated reinsurance premiums		Indemnifications and commissions received	
€000	**2013**	**2012**	**2013**	**2012**
If P&C Insurance Ltd (Sweden)	2 006	1 992	108	87
If P&C Insurance Company Ltd (Finland)	145	123	11	9

FINANCIAL STATEMENTS

Receivables and payables related to the above transactions as of 31.12.2013 and 31.12.2012:

	31.12.2013	31.12.2012
Receivables		
If P&C Insurance Ltd (Sweden)	204	1,505
If P&C Insurance Company Ltd (Finland)	-	5
Payables		
If P&C Insurance Ltd (Sweden)	1,023	653
If P&C Insurance Company Ltd (Finland)	-	5

3.2. The company rendered services to and purchased services from the following group and related companies:

	Services purchased		Services rendered	
€000	2013	2012	2013	2012
Mandatum Life Insurance Baltic SE	-	-	29	25
Nordea Group companies	159	157	593	656
If P&C Insurance Ltd (Sweden)	-	-	70	-
If P&C Insurance Company Ltd (Finland)	-	-	-	79
Sampo plc.	375	355	-	-
If IT Services	-	-	142	-
Support Services AS	338	680	66	-

Receivables and payables related to the above transactions as of 31.12.2013 and 31.12.2012:

€000	31.12.2013	31.12.2012
Receivables		
Mandatum Life Insurance Baltic SE	3	3
Nordea Group companies	42	31
If P&C Insurance Ltd (Sweden)	41	35
If IT Services AS	48	16
Support Services AS	-	3,293
Payables		
Nordea Group companies	14	16
Sampo Plc.	99	93
Support Services AS	11	-

3.3. The company has acquired financial assets and has earned investment income from the following related companies:

Financial assets, €000	31.12.2013	31.12.2012
Nordea Group companies	15,406	10,395

Investment income/expense, €000	2013	2012
Nordea Group companies	19	207

NOTE 21. EVENTS AFTER THE BALANCE SHEET DATE

Starting from the 1 January 2014 joined Latvia euro zone and Latvian lat (LVL) has been replaced by euro (EUR). From this date the Latvian branch accounting has been converted into euro by official exchange rate 0.702804 LVL/EUR.

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS If P&C Insurance

We have audited the accompanying financial statements of AS If P&C Insurance, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (Estonia). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AS If P&C Insurance as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Tallinn, 25 February 2014

Ivar Kiigemägi
Authorised Auditor's number 527
Ernst & Young Baltic AS
Audit Company's Registration number 58

Tiina Sõmer
Authorised Auditor's number 441

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PROPOSAL FOR THE DISTRIBUTION OF THE PROFIT

Profit available for distribution in accordance with the statement of financial position amount to:

Profit carried forward	€ 71,519 thousand
Net profit for the financial year 2013	€ 13,242 thousand

Total profit available for distribution as of 31.12.2013: € 84,761 thousand

The Management Board proposes:

to distribute as dividends to the sole shareholder	€ 3,000 thousand
to carry forward	€ 81,761 thousand

Andris Morozovs,
Chairman of the Management Board

Dace Ivaska,
Member of the Management Board

Sanita Livdane,
Member of the Management Board

Žaneta Stankeviciene,
Member of the Management Board

Heinar Olak,
Member of the Management Board

Artur Praun,
Member of the Management Board

Jukka Tapani Laitinen,
Member of the Management Board

Ville Valtteri Haapalinna,
Member of the Management Board

Tiit Kolde,
Member of the Management Board

SIGNATURES TO THE ANNUAL REPORT 2013

The Management Board of If P&C Insurance AS has prepared the management report and financial statements for 2013.

Signatures:

Heinar Olak Member of the Management Board		25.02.2014
Artur Praun Member of the Management Board		25.02.2014