



If P&C Insurance AS

# Interim Report

## 2nd Quarter 2023

Translation from Estonian language

# Interim Report 2<sup>nd</sup> Quarter 2023

## Contacts and signatures

If P&C Insurance AS main field of activity is non-life insurance services.

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Beginning of reporting period:	1 January 2023
End of reporting period:	30 June 2023
Chairman of the Management Board:	Andris Morozovs
Auditor:	AS Deloitte Audit Eesti

If P&C Insurance AS management board has compiled 2nd quarter 2023 interim report which is presented on pages 7-19.

Member of the  
Management Board

Tiit Kolde / Signature /

31.08.2023

Member of the  
Management Board

Martin Mark / Signature /

31.08.2023

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## Explanatory note

If P&C Insurance AS (the Company, If) is a wholly owned subsidiary of the leading Nordic property and casualty Insurance group If P&C Insurance Holding Ltd (publ), which in turn is owned by the Finnish company Sampo plc. Sampo plc is listed on the Helsinki Stock Exchange and the Sampo Group is made up of the parent company Sampo plc and its subsidiaries If P&C, Mandatum Life, Hastings and Topdanmark.

If has been offering property and casualty insurance to private individuals and corporate customers in the Baltic markets since 1992. Across the Baltic countries, If has approximately 377,000 policyholders and is one of the leading P&C companies in Estonia. If's products include Property, Liability, Motor, Marine & Transport and Accident & Health insurance.

The Company is registered in Estonia and operates in Latvia and Lithuania through branches. The current corporate structure enables efficient operations with some shared business functions across all three Baltic countries. This interim report includes the financial indicators of the Estonian unit operated by If P&C Insurance AS and the Latvian and Lithuanian branches.

## Results from operations January-June 2023

Net profit for the period improved compared to preceding year and amounted to €12.7 million (€12.0 million in 6 months 2022), corresponding to a combined ratio of 89.2% (91.3% in 6M 2022).

### Insurance revenue, gross

Insurance revenue gross for the period grew appr. 20% reaching €106.0 million (€88.5 million in 6 months 2022). The premium development was attributable to successful acquisition of new customers and solid renewals of existing customers, both in the large customer segment as well as in Private and Commercial small- and medium customer segments. Following the high inflation in 2022 - 2023 premium rates were increased and contributed to high extent to the premium growth.

### Insurance Service expense

Insurance Service expense, claims incurred, including claims handling cost, amounted to €67.6 million (€57.0 million in 6 months 2022), corresponding to a claims ratio of 65.7% (66.8% in 6 months 2022). Although large claim outcome was worse than in 6 months 2022, improvement in frequency claims resulted in better claims ratio in 2023.

Continuous efficiency improvements and tight cost control, supported by digitalization and automation of customer integration processes, reduced the expense ratio to 23.5% (24.6% in 6 months 2022).

Total operating expenses, excluding claims handling expenses, increased to €24.3 million (€21.2 million in 6 months 2022), mainly driven by salary inflation and increase in commissions and fees related to business volumes.

### Investment result

The value of financial investments was €315.0 million at the end of Q2 2023 (€300.2 million at the end of 2022).

During the second quarter inflation showed signs of cooling off, however central banks still continued with rate hikes as the levels remained high compared to their 2% inflation targets. Primary market opened again in April with decent activity after the turmoil in the banking sector that kept primary markets closed for much of March. In May and June the activity got even higher with also numerous EUR IG corporate issuers coming into market, which gave us good opportunities to invest into.

Net investment return was €6.5 million (€1.5 million in 6 months 2022).

The dividend payout to If Holding in Q1 decreased the cash position in banks and caused the ability to purchase bonds into the portfolio with a slower pace. However, our investment focus remains unchanged, i.e., we seek to find new opportunities in the European investment grade bond markets and plan to re-invest maturing bonds selectively into medium term instruments.

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## Insurance Service finance income/expense

The insurance finance income/expense (-) net result is mostly affected by the change in discount rate.

## Number of employees

As at 30 June 2023, the number of full-time employees was 590 (31.12.2022 577).

## Key activities of If P&C Insurance AS and its branches

If offers a complete range of P&C insurance products for both private individuals and corporate customers. We provide services via digital channels and phone, but customers are also served with the help of strong network of brokers and partners. If is currently the fourth-largest P&C insurer in the Baltic region combined.

If remains focused on developing easy-to-use products and services supported by smart digital solutions that simplify the process for the customer throughout the entire customer journey, from a purchase to a possible claim. During the second quarter If Mobile app was presented in Lithuania, which offers the easiest way to enjoy being an If customer. Updated If Mobile Baltics app was also presented in Latvia and Estonia during first quarter.

If has maintained its visibility in the second quarter, focusing mainly on communication about different products. It's worth mentioning that in all Baltic countries, If started a B2B campaign called 'Every business has its own Achilles' heel.' The campaign message portrays If as a caring expert who understands business risks and can provide proper insurance coverage.

Caring for the emotional health of employees and promoting a sustainable environment encourages If to seek new and effective solutions. In June, in Lithuania and Latvia, we offered employees a new, sustainable alternative for commuting to work: shareable bicycles. Employees will have access to safe, new bicycles for work-related trips throughout the year.

In May, If employees celebrated Diversity & Inclusion Week in the Baltics, a week filled with various activities centered around the main message, 'Human, like you.' The aim of the week was not to focus on differences but to highlight mutual similarities. After all, even people who may appear completely different at first glance can share many similarities.

## Outlook

The macroeconomic outlook and outlook for the P&C Insurance market in the Baltic countries is uncertain for 2023. Ongoing war in Europe, with following high inflation and expected economic recession is causing uncertainty. Underlying policy and customer count development is expected to be moderate in short term, additional uncertainty is related to the salary and other cost inflation in 2023.

Over the time, market volumes are expected to regain a growth pace that is somewhat faster than the economic growth due to increase in consumption, investments, and trade volumes, and also due to increasing awareness of the importance of being insured.



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## Key figures

Thousand EUR	2023 Jan-Jun	2022 Jan-Jun	2022 Jan-Dec
<b>Earnings-related information</b>			
Insurance revenue, gross	105,988	88,464	188,769
Reinsurance premium expense	2,663	2,020	4,153
Insurance service expense, claims incurred	67,573	57,006	123,059
Insurance service expense, operating expenses	24,255	21,225	45,006
Reinsurer's share of claims incurred	295	714	-1,103
<b>Insurance service result</b>	<b>11,202</b>	<b>7,499</b>	<b>17,654</b>
Investment result	6,530	1,506	3,371
Insurance finance income or expense (-), net	-1,713	7,129	4,921
<b>Net financial result</b>	<b>4,817</b>	<b>8,635</b>	<b>8,292</b>
<b>Net profit for the period</b>	<b>12,705</b>	<b>11,985</b>	<b>21,158</b>
<b>Information regarding financial position</b>			
Investment assets	314,671	282,933	300,170
Insurance liabilities	201,132	177,847	189,105
Own funds	137,479	145,643	147,873
<b>Key data</b>			
Claims ratio <sup>1</sup>	65.7%	66.8%	66.1%
Expense ratio <sup>2</sup>	23.5%	24.6%	24.4%
Combined ratio <sup>3</sup>	89.2%	91.3%	90.4%
Total investment return <sup>4</sup>	4.2%	-14.5% <sup>5</sup>	-8.8% <sup>5</sup>

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## Formulas

<sup>1</sup> Claims ratio	$\frac{\text{Claims incurred (incl. Claims handling costs), net of reinsurance}}{\text{Insurance revenue, net of reinsurance}}$
<sup>2</sup> Expense ratio	$\frac{\text{Insurance service expense, operating expenses}}{\text{Insurance revenue, net of reinsurance}}$
<sup>3</sup> Combined ratio	Claims ratio + Expense ratio
<sup>4</sup> Return on investments (yearly basis)	$\frac{\text{Investment result}}{\text{Weighted average volume of financial investments in the period}}$
<sup>5</sup> Return on investments (yearly basis)	$\frac{\text{Investment result (+) changes in fair value recognised in other comprehensive income}}{\text{Weighted average volume of financial investments in the period}}$

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## Income Statement Q2

<b>Thousand EUR</b>	<b>2023 Q2</b>	<b>2022 Q2</b>
Insurance revenue, gross	54,742	45,743
Reinsurance premium expense	-1,243	-1,011
Insurance service expense	-46,350	-40,029
<i>Claims incurred</i>	-33,920	-29,193
<i>Operating expenses</i>	-12,430	-10,836
Reinsurer's share of claims incurred	-74	-418
<b>Insurance service result</b>	<b>7,074</b>	<b>4,285</b>
Other income	22	28
<b>Result from other services</b>	<b>22</b>	<b>28</b>
<b>Investment result</b>	<b>2,379</b>	<b>851</b>
<i>Direct investment income</i>	2,370	580
<i>Changes in value</i>	-530	90
<i>Management costs</i>	539	181
<b>Insurance finance income or expense, net</b>	<b>-193</b>	<b>4,415</b>
<i>Insurance contracts</i>	-199	4,528
<i>Reinsurance contracts held</i>	6	-113
<b>Net financial result</b>	<b>2,187</b>	<b>5,267</b>
<b>Result before income taxes</b>	<b>9,283</b>	<b>9,579</b>
Taxes	-352	-658
<b>Net profit for the period</b>	<b>8,931</b>	<b>8,921</b>

## Other comprehensive income

<b>Thousand EUR</b>	<b>2023 Q2</b>	<b>2022 Q2</b>
<b>Net profit for the period</b>	<b>8,931</b>	<b>8,921</b>
Other comprehensive income		
Items that will be reclassified subsequently to profit and loss when specific conditions are met		
Value changes on financial assets available for sale	-	-13,361
<b>Total comprehensive income</b>	<b>-</b>	<b>-13,361</b>
<b>Total comprehensive income for the period</b>	<b>8,931</b>	<b>-4,439</b>



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## Income Statement January - June

<b>Thousand EUR</b>	<b>2023 Jan-Jun</b>	<b>2022 Jan-Jun</b>
Insurance revenue, gross	105,988	88,464
Reinsurance premium expense	-2,663	-2,020
Insurance service expense	-91,828	-78,231
<i>Claims incurred</i>	-67,573	-57,006
<i>Operating expenses</i>	-24,255	-21,225
Reinsurer's share of claims incurred	-295	-714
<b>Insurance service result</b>	<b>11,202</b>	<b>7,499</b>
Other income	44	44
<b>Result from other services</b>	<b>44</b>	<b>44</b>
<b>Investment result</b>	<b>6,530</b>	<b>1,506</b>
<i>Direct investment income</i>	4,548	1,657
<i>Changes in value</i>	2,148	134
<i>Management costs</i>	-167	-285
<b>Insurance finance income or expense, net</b>	<b>-1,713</b>	<b>7,129</b>
<i>Insurance contracts</i>	-1,773	7,326
<i>Reinsurance contracts held</i>	60	-197
<b>Net financial result</b>	<b>4,817</b>	<b>8,635</b>
<b>Result before income taxes</b>	<b>16,063</b>	<b>16,178</b>
Taxes	-3,358	-4,193
<b>Net profit for the period</b>	<b>12,705</b>	<b>11,985</b>

## Other comprehensive income

<b>Thousand EUR</b>	<b>2023 Jan-Jun</b>	<b>2022 Jan-Jun</b>
<b>Net profit for the period</b>	<b>12,705</b>	<b>11,985</b>
Other comprehensive income		
Items that will be reclassified subsequently to profit and loss when specific conditions are met		
Value changes on financial assets available for sale	-	-21,779
<b>Total comprehensive income</b>	<b>-</b>	<b>-21,779</b>
<b>Total comprehensive income for the period</b>	<b>12,705</b>	<b>-9,794</b>

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## Statement of financial position

Thousand EUR	Note	2023 30 Jun	2022 31 Dec
<b>ASSETS</b>			
Cash and bank balances		30,077	41,680
<b>Investment assets</b>		<b>314,671</b>	<b>300,170</b>
<i>Other financial investment assets</i>	2	312,076	297,897
<i>Accrued interest</i>		2,596	2,273
<b>Debtors</b>		<b>3,609</b>	<b>3,946</b>
<b>Prepayments and accrued income</b>		<b>1,063</b>	<b>1,018</b>
<b>Reinsurance assets</b>		<b>5,055</b>	<b>5,002</b>
<i>Asset for remaining coverage</i>		-677	-931
<i>Asset for incurred claims</i>		5,732	5,933
Investments in subsidiary		88	88
<b>Other assets</b>		<b>4,294</b>	<b>4,440</b>
Tangible assets		4,294	4,440
<b>Deferred tax assets</b>		<b>-</b>	<b>140</b>
<b>Total assets</b>		<b>358,857</b>	<b>356,483</b>
<b>LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>			
<b>Creditors</b>		<b>12,543</b>	<b>11,982</b>
<i>Other creditors</i>		9,184	8,171
<i>Lease liabilities</i>		3,360	3,811
<b>Deferred tax liability</b>		<b>76</b>	<b>189</b>
<b>Accruals and deferred income</b>		<b>7,628</b>	<b>7,334</b>
<b>Insurance liabilities</b>		<b>201,132</b>	<b>189,105</b>
<i>Liability for remaining coverage and acquisition cashflow asset</i>		47,161	41,315
<i>Liability for incurred claims</i>		153,971	147,790
<b>Shareholders' equity</b>		<b>137,478</b>	<b>147,873</b>
Share capital		6,391	6,391
Premium reserve		3,679	3,679
Statutory reserve		2,362	2,362
Fair value reserve		-	-24,011
Profit brought forward		112,341	138,294
Net profit for the period		12,705	21,158
<b>Total liabilities, provisions and shareholders' equity</b>		<b>358,857</b>	<b>356,483</b>

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## Changes in equity

Thousand EUR	Restricted equity				Unrestricted equity		
	Share capital	Premium Reserve	Statutory Reserves	Fair Value Reserve	Profit Brought Forward	Net Profit for the Year	Total Equity
<b>Equity at beginning of 2023</b>	<b>6,391</b>	<b>3,679</b>	<b>2,362</b>	<b>-24 011</b>	<b>159,452</b>	-	<b>147,873</b>
Effect of changes in accounting policies (IFRS 9)	-	-	-	24 011	-24,011	-	-
<b>Adjusted equity at beginning of 2023</b>	<b>6,391</b>	<b>3,679</b>	<b>2,362</b>	-	<b>135,441</b>	-	<b>147,873</b>
Dividends paid	-	-	-	-	-23,100	-	-23,100
Net profit for the year	-	-	-	-	-	12,705	12,705
Total comprehensive income	-	-	-	-	-	-	-
<b>Equity at end of June 2023</b>	<b>6,391</b>	<b>3,679</b>	<b>2,362</b>	-	<b>112,341</b>	<b>12,705</b>	<b>137,479</b>
<b>Equity at beginning of 2022</b>	<b>6,391</b>	<b>3,679</b>	<b>2,362</b>	<b>4,710</b>	<b>160,511</b>	-	<b>177,653</b>
Effect of changes in accounting policies (IFRS 17)	-	-	-	-	-4,116	-	-4,116
<b>Adjusted equity at beginning of 2022</b>	<b>6,391</b>	<b>3,679</b>	<b>2,362</b>	<b>4,710</b>	<b>156,395</b>	-	<b>173,537</b>
Dividend paid	-	-	-	-	-18,100	-	-18,100
Net profit for the year	-	-	-	-	-	11,985	11,985
Total comprehensive income	-	-	-	-21,779	-	-	-21,779
<b>Equity at end of June 2022</b>	<b>6,391</b>	<b>3,679</b>	<b>2,362</b>	<b>-17,069</b>	<b>138,295</b>	<b>11,985</b>	<b>145,643</b>
<b>Equity at beginning of 2022</b>	<b>6,391</b>	<b>3,679</b>	<b>2,362</b>	<b>4,710</b>	<b>160,511</b>	-	<b>177,653</b>
Effect of changes in accounting policies (IFRS 17)	-	-	-	-	-4,116	-	-4,116
<b>Adjusted equity at beginning of 2022</b>	<b>6,391</b>	<b>3,679</b>	<b>2,362</b>	<b>4,710</b>	<b>156,395</b>	-	<b>173,537</b>
Dividend paid	-	-	-	-	-18,100	-	-18,100
Net profit for the year	-	-	-	-	-	21,157	21,157
Total comprehensive income	-	-	-	-28,721	-	-	-28,721
<b>Equity at end of 2022</b>	<b>6,391</b>	<b>3,679</b>	<b>2,362</b>	<b>-24,011</b>	<b>138,295</b>	<b>21,157</b>	<b>147,873</b>

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## Cash flow statement

Thousand EUR	2023 Jan-Jun	2022 Jan-Jun
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Cash flow from insurance operations</b>		
Premium flows, direct insurance	112,808	94,753
Premiums ceded	-3,087	-2,611
Claim payments, direct insurance	-63,068	-54,008
Reinsurance flows	58	415
Cost of operations	-24,064	-21,528
<b>Total</b>	<b>22,647</b>	<b>17,021</b>
<b>Cash flow from asset management</b>		
Interest received	2,871	1,968
Interest paid	-26	-142
Investments in bonds and other interest bearing securities	-37,235	-72,197
Proceeds from disposals of bonds and other interest bearing securities	25,630	43,542
<b>Total</b>	<b>-8,760</b>	<b>-26,829</b>
Dividends received	1,050	-
Paid income tax	-3,692	-3,446
<b>CASH FLOW FROM OPERATING ACTIVITIES TOTAL</b>	<b>-2,642</b>	<b>-3,446</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	-23,100	-18,100
Repayments of lease liabilities	-493	-498
<b>CASH FLOW FROM FINANCING ACTIVITIES TOTAL</b>	<b>-23,593</b>	<b>-18,598</b>
<b>Cash flow for the period</b>	<b>-12,348</b>	<b>-31,852</b>
<b>Cash and bank balances</b>		
Opening cash and bank balances for the period	42,425	78,327
Cash flow for the period	12,348	31,852
<b>Closing cash and bank balances for the period</b>	<b>30,077</b>	<b>46,475</b>

## Notes to the interim financial statements

### Note 1. Accounting policies

#### 1. Basis of preparation

This interim report has been prepared in conformity with the IAS 34 “Interim Financial Reporting” requirements for condensed interim financial statements.

The If P&C Insurance AS annual report for the financial year ended 31 December 2022 was prepared in conformity with the IFRS and the interpretations issued by IFRIC, which have been approved by the EU. The applied standards and interpretations are described in Company’s accounting policies for the financial year 2022. The financial statements are available on Company’s website at [www.if.ee](http://www.if.ee).

The accounting policies for the Company that have been applied in this Interim report are the same as those applied in the 2022 Annual Report, except for the changes described below in sections 2-4.

Though the company forms the group together with its subsidiary Support Services AS and is the consolidating entity, the Company has elected in accordance with IFRS 10 paragraph 4 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 (publ) 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](http://www.if.se) and [www.sampo.com](http://www.sampo.com) under section Figures-Annual report.

The totals in tables and statements in the interim report may not always reconcile due to rounding. The aim is for each line item to correspond to the source and therefore rounding differences may arise in totals.

#### 2. Changes in accounting policies

The accounting standards IFRS 17 Insurance contracts and IFRS 9 Financial instruments are applied since January 1, 2023 and presented in this interim report.

IFRS 17 Insurance Contracts has replaced IFRS 4 Insurance Contracts where IFRS 17 contains a complete framework for the measurement and presentation of insurance contracts. The Company has determined that the premium allocation approach can be applied to all insurance business, as well as a full retrospective approach to the transition of the new standard with restated financial statements for the comparative year 2022. The implementation of IFRS 17 has had a major impact on the presentation with new line items in the income statement and for the statement of financial position both assets and liabilities have decreased due to reclassification of premium receivables and deferred acquisition costs from assets to insurance liabilities. Insurance finance income or expenses, as defined by the standard, is presented fully in the income statement, and thus, the allowed other comprehensive income (OCI) option is not applied.

IFRS 9 Financial Instruments has superseded IAS 39 Financial Instruments: Recognition and Measurement, where IFRS 9 changes the principles of classification and measurement of financial assets and introduces a new impairment model based on expected, rather than incurred, credit losses. The implementation of IFRS 9 has not had a material impact on the Company’s statement of financial position, as the financial investments were already previously measured at fair value. At transition to IFRS 9 the debt instruments have been classified at fair value through profit or loss (mandatorily) based on the business model assessment. Consequently, unlike previous accounting, the changes in fair value under IFRS 9 are recognized in the income statement. The comparative figures for 2022 are not restated.

Refer to Note 18 in the 2022 Annual report for further details regarding the changes in accounting policies and significant estimations and judgements introduced by IFRS 17 and IFRS 9. The accounting policies applied from 1 January 2023 are described in section 3 and 4 below, and more information regarding the impact on transition is provided in Note 3.

## 3. Accounting policies: IFRS 17 Insurance contracts

### **Insurance liabilities and reinsurance assets**

Insurance liabilities for issued insurance contracts consist of Liability for remaining coverage and acquisition cash flow asset, and also Liability for incurred claims. Correspondingly, Reinsurance assets for reinsurance contracts held consist of Asset for remaining coverage and Asset for incurred claims.

### **Measurement model**

The premium allocation approach (PAA) is applied for all insurance business in the Company, as the coverage period for the main part of the insurance and reinsurance contracts is one year or less, and longer-term contracts have been assessed to fulfil the eligibility criteria.

### **Level of aggregation**

Portfolios of insurance contracts comprise contracts subject to similar risks and managed together. The Company has determined the portfolios based on a combination of business area, country and product. The portfolios are then divided into two groups, onerous contracts or all remaining contracts (profitable contracts). Since the premium allocation approach is applied, the groups of contracts are assumed to not be onerous unless facts and circumstances indicate otherwise, where internal management information from the plan process has been used to identify any onerous groups of contracts.

The carrying amount of the portfolios of insurance and reinsurance contracts determines if they are presented as assets or liabilities in the statement of financial position.

### **Liability for remaining coverage and acquisition cash flow assets**

On initial recognition of an insurance contract, the carrying amount of the liability for remaining coverage (LRC) is measured at premiums received less insurance acquisition cash flows. Subsequent of initial recognition, the carrying amount is decreased by the amount recognized as insurance revenue for insurance contract services provided in the period. For most products this is based on the passage of time i.e. calculated on a pro rata temporis basis. Consequently, any premium receipts pertaining to insurance services to be provided after the closing date remains in this liability. The carrying amount is also increased for any premiums received in subsequent periods less additional insurance acquisition cash flows paid.

The insurance acquisition cash flows reducing the carrying amount of LRC relates to commission expenses as well as personnel expenses for internal sales units. The acquisition cash flows are deferred over the coverage period of the contracts, generally one year. The option to recognize these cash flows as an expense when they are incurred has not been applied.

For groups of onerous contracts, a loss component is part of the liability for remaining coverage, where the loss component is calculated as the difference in the liability measured with the general measurement model compared to the premium allocation approach.

The carrying amount of LRC is not discounted as the time between providing services and the related premium due date generally is not more than a year.

### **Liability for incurred claims**

The liability for incurred claims (LIC) is intended to cover the future payments of all claims incurred, including claims not yet reported to the company (IBNR) and all claims handling expenses. The estimated future cash flows (best estimate) in direct property and casualty insurance and reinsurance are calculated with the aid of statistical methods or through individual assessments of individual claims.

In addition to the best estimate, the liability for incurred claims includes an explicit risk adjustment, which reflects the uncertainty about the amount and timing of cash flows arising from non-financial risk. Both the best estimate and risk adjustment are discounted to present value using standard actuarial methods, and applying market-based yield curves, which are constructed based on a risk-free rate and an illiquidity premium.



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## **Reinsurance assets**

The corresponding policies as for measuring the insurance contracts issued are applied when measuring the reinsurance contracts held. The asset for incurred claims also takes into consideration the effect of the risk of non-performance by the issuer of the reinsurance contract.

## **Income statement**

### **Insurance revenue**

Insurance revenue reflects the compensation that the Company receives from the policyholder in return for the transfer of risk (insurance contract services) on an earned basis. The insurance revenue recognized in the reporting period is based on premium receipts and expected premium receipts allocated over the underlying term of the insurance contract, i.e. based on passage of time. The liability for remaining coverage is reduced with a corresponding amount as the insurance revenue.

### **Reinsurance premium expenses**

Reinsurance premium expenses relating to reinsurance contracts held is recognized similarly to insurance revenue and reflect the premium payments by the Company that are attributable to the reporting period for the reinsurance contract services received. Any commissions received - reduce the reinsurance premium expenses.

### **Insurance service expenses**

The insurance service expenses comprise of both claims incurred and operating expenses.

Claims incurred for the reporting period include claims payments during the period and changes in the liability for incurred claims. The change in liability for incurred claim includes the changes in undiscounted best estimate, discounted risk adjustment and the changes in discounting effect due to changes in underlying best estimate or changes in payment patterns. The claims incurred also include claims handling expenses and changes in the loss component.

Operating expenses reported in the insurance service result relate to administrative expenses arising from the handling of insurance contracts.

Additionally, the operating expenses include the change in acquisition cash flows, where the liability for remaining coverage changes with a corresponding amount.

### **Reinsurers' share of claims incurred**

The reinsurers' share of claims incurred is reported consistently with Insurance service expenses, claims incurred and also includes changes in risk of non-performance.

### **Insurance finance income or expenses**

Insurance finance income or expenses comprise of changes in the liability/ asset for incurred claims relating to the change in discounting effect due to changes in interest rates and interest expense/ income (unwinding). The effect of changes in financial risk relating to indexation of annuities is also presented within Insurance finance income or expenses. The option to present changes in discounting effect in OCI is not applied.

## **4. Accounting policies: IFRS 9 Financial instruments**

### **Financial investments**

A financial asset is recognized in the statement of financial position when the Company becomes party to the contractual terms of the financial instrument. A financial asset is derecognized from the statement of financial position when the rights in the contract are realized, expire or as a result of a transfer of the assets whereby the Company no longer retains significant risks and benefits from the assets as well as it loses control over them. Furthermore, a contract is derecognized if a significant modification has been made to the contract terms of a financial asset. There are no financial liabilities in the Company's portfolio.

The purchase and sale of money market and capital market instruments on the spot market is reported in the statement of financial position on the transaction date. Between the transaction date and payment date the counterparty's liability/ receivable is reported at the gross amount under the item Other creditors (liability) / Accrued income and prepaid expenses (receivable).

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There are no Equity instruments in the financial investments portfolio of the company except for the participation in subsidiary.

Debt instruments (Bonds and other interest-bearing securities ) are classified as measured at either fair value through profit or loss (mandatorily) or amortized cost, based on the business model for managing the assets and the asset's contractual terms. The business model reflects how the Company manages portfolios of financial assets to achieve business objectives and to generate cash flows. The factors considered in determining the portfolio's business model include how the financial assets' performance is evaluated and reported to management, how risks are assessed and managed, past experience of how the cash flows have been collected and how compensation is linked to performance.

Debt instruments are classified as measured at fair value through profit or loss (mandatorily) when the business model reflects the assets being managed and evaluated on a fair value basis or being held for trading, alternatively if the contractual cash flows do not consist of solely payments of principal and interest, i.e. not consistent with a basic lending arrangement.

Financial investment assets mainly consist Bonds and other interest-bearing securities.

Bonds and other interest-bearing securities

Bonds and other interest-bearing securities are classified as measured at fair value through profit or loss (mandatorily) as the portfolio is managed and evaluated on a fair value basis. The instruments are initially recognized and subsequently measured at fair value. Transaction costs that are directly attributable to the issue or acquisition of the assets are expensed in profit or loss.

The return on bonds and interest-bearing securities is divided into interest income and changes in value. The change in value is calculated as the difference between the fair value (market value) of the instruments and their amortized cost.

## **Investment result**

The investment result is divided into direct investment income, changes in value and deductions for management costs. Direct investment income primarily includes interest income from investments reported using the effective interest rate method, where the premiums / discounts resulting from acquisitions are distributed across the remaining useful life of the asset and dividends on shareholding in the subsidiary. Changes in value mainly comprises unrealized and realized value changes on investment assets, but also changes in the loss allowance. The Company's currency result is included in Changes in value.

The administrative expenses relating to asset management are reported within the Investment result.

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## Note 2 Financial investments IFRS 9

The recognition of financial assets depends on their classification. The classification of assets categorized in accordance with IFRS 9 is shown below. Comparative figures are not reclassified and are classified in accordance with IAS 39.

Thousand EUR	Acquisition	Fair value	Carrying	Acquisition	Fair value	Carrying
	value		amount	value		amount
	2023	2023	2023	2022	2022	2022
	June 30	June 30	June 30	Dec 31	Dec 31	Dec 31
Financial assets at fair value through profit or loss						
Bonds and other interest-bearing securities	332,349	314,671	314,671			
<b>Total financial assets at fair value through profit or loss</b>	<b>332,349</b>	<b>314,671</b>	<b>314,671</b>			
Financial assets available for sale						
Bonds and other interest-bearing securities				321,255	300,170	300,170
<b>Total financial assets available for sale</b>				<b>321,255</b>	<b>300,170</b>	<b>300,170</b>

The fair value is only shown for disclosure purposes. Financial instruments with fair value information are classified in three different hierarchy levels depending on their liquidity and valuation methods.

Financial investment assets in fair value hierarchy

Thousand EUR	2023				2022			
	June 30				Dec 31			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value through profit or loss								
Bonds and other interest-bearing securities	292,638	22,033	-	314,671				
<b>Total financial assets, at fair value</b>	<b>292,638</b>	<b>22,033</b>	<b>-</b>	<b>314,671</b>				
Financial assets, available for sale								
Bonds and other interest-bearing securities					282,747	17,423	-	300,170
<b>Total financial assets, at fair value</b>					<b>282,747</b>	<b>17,423</b>	<b>-</b>	<b>300,170</b>

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## Note 3 Transition effects of changed accounting policies applied from 2023

IFRS 17 Insurance contracts and IFRS 9 Financial instruments are new standards effective from 1 January 2023. IFRS 17 Insurance Contracts has replaced IFRS 4 Insurance Contracts, where IFRS 17 contains a complete framework for the measurement and presentation of insurance contracts. IFRS 9 Financial Instruments has superseded IAS 39 Financial Instruments: Recognition and Measurement, where IFRS 9 has changed the principles of classification and measurement of financial assets and introduces a new impairment model based on expected, rather than incurred, credit losses. Refer also to Note 18 in the 2022 Annual report for further details regarding the changes in accounting policies introduced.

For IFRS 17 a full retrospective approach to the transition of the new standard has been applied with restated financial statements for the comparative year 2022. The transition effect per 1 January 2022 was presented in Note 18 of the 2022 Annual report. The changes in restated comparative period are presented below, for the balance sheet per 31 December 2022 and for the income statement the corresponding period as this interim report.

IFRS 17 Balance sheet transition table per 31 December 2022:

### Thousand EUR

BALANCE SHEET (per IFRS 4)	IFRS 4 31.12.2022	Reclassi- fication	Remea- surement	IFRS17 31.12.2022	BALANCE SHEET (per IFRS 17)
Cash and cash equivalents	41,680			41,680	Cash and cash equivalents
Financial investments	300,170			300,170	Financial investments
Receivables related to insurance activities	46,260	-42,314		3,946	Debtors
Accrued income and prepaid expenses	5,669	-6,236	1,585	1,018	Accrued income and prepaid expenses
Reinsurance assets	7,320	-2,147	-172	5,002	Reinsurance assets
Investment in subsidiary	88			88	Investment in subsidiary
Property, plant and equipment	4,440			4,440	Property, plant and equipment
Deferred tax asset			140	140	Deferred tax asset
<b>TOTAL ASSETS</b>	<b>405,627</b>	<b>-50,697</b>	<b>1,553</b>	<b>356,483</b>	
Liabilities related to insurance activities	8,112	60		8,171	Creditors
Lease liabilities	3,811			3,811	Lease liabilities
Accrued expenses and deferred income	9,578	-2,245		7,334	Accrued expenses and deferred income
Deferred tax liability	116		73	189	Deferred tax liability
Liabilities arising from insurance contracts	237,254	-48,512	363	189,105	Insurance liabilities
Shareholders' equity					Shareholders' equity
Share capital	6,391			6,391	Share capital
Share premium	3,679			3,679	Share premium
Mandatory capital reserve	2,362			2,2362	Mandatory capital reserve
Other restricted reserves	-24,011			-24,011	Other restricted reserves
Retained earnings	158,335		1,117	159,452	Retained earnings
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>405,627</b>	<b>-50,697</b>	<b>1,553</b>	<b>356,483</b>	<b>TOTAL LIABILITIES AND EQUITY</b>

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IFRS 17 Income Statement transition table 6 months 2022:

Thousand EUR

INCOME STATEMENT (per IFRS 4)	IFRS4 30.06.2022	Change	IFRS17 30.06.2022	INCOME STATEMENT (per IFRS 17)
<b>PREMIUMS EARNED, NET OF REINSURANCE</b>				
Premiums earned, gross	88,463		88,463	Insurance revenue
Premiums ceded	-2,148	129	-2,019	Reinsurance premium expense
<b>Total</b>	<b>86,315</b>		<b>86,444</b>	<b>Total</b>
<b>CLAIMS INCURRED, NET OF REINSURANCE</b>				
Claims incurred, gross	-57,288	283	-57,006	Insurance service expense, claims incurred
Reinsurers' share of claims incurred	-589	-125	-714	Reinsurers' share of claims incurred
<b>Total</b>	<b>-57,877</b>		<b>-57,720</b>	<b>Total</b>
<b>EXPENSES</b>				
Operating expenses in insurance operations, gross	-21,237	13	-21,224	Insurance service expense, operating expenses
	<b>7,201</b>	<b>299</b>	<b>7,499</b>	<b>Insurance service result</b>
<b>OTHER INCOME</b>				
Investment result	1,506		1,506	Investment result
Reinsurance commissions and other income	182	-138	44	Other income
<b>Total</b>	<b>1,688</b>		<b>1,550</b>	<b>Total</b>
		7,129	7,129	Insurance finance income, net
Result before income taxes	8,889		16,178	Result before income taxes
Taxes	-3,625	-568	-4,193	Taxes
<b>Net profit for the period</b>	<b>5,264</b>	<b>6,423</b>	<b>11,985</b>	<b>Net profit for the period</b>