



If P&C Insurance AS

Interim Report

2nd Quarter 2024

Translation from Estonian language

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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 2024
End of reporting period:	30 June 2024
Chairman of the Management Board:	Andris Morozovs
Auditor:	AS Deloitte Audit Eesti

If P&C Insurance AS management board has compiled 2nd quarter 2024 interim report which is presented on pages 7-13.

Member of the
Management Board

Heinar Olak / Signature /

30.08.2024

Member of the
Management Board

Tiit Kolde / Signature /

30.08.2024

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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 388,000 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 2024

Net profit for the period increased by ca. 5% compared to preceding year and amounted to €13,4 million (€12,7 million in 6 months 2023). Profit from Insurance Service result was €14,5 million (€11,2 million in 6 months 2023), corresponding to a combined ratio of 87.7% (89.2% in 6 months 2023).

Insurance revenue, gross

Insurance revenue gross for the period grew by ca. 14% reaching €120,4 million (€106,0 million in 6 months 2023).

The premium development was attributable to successful acquisition of new customers and solid renewals of existing customers, both in Private and Commercial small- and medium customer segments.

Insurance Service expense

Insurance Service expense, claims incurred, including claims handling cost, amounted to €77,7 million (€67,6 million in 6 months 2023), corresponding to a loss ratio of 64.4% (65.7% in 6 months 2023). The change was primarily attributable to high large claims.

Continuous efficiency improvements and tight cost control, supported by digitalization and automation of customer integration processes, reduced the expense ratio to 23.3% (23,5% in 6 months 2023).

Total operating expenses, excluding claims handling expenses, increased to €27,4 million (€24,3 million in 6 months 2023), mainly driven by salary inflation and increase in commissions and fees related to business volumes.

Investment result

The value of financial investments was €304,8 million at the end of Q2 2024 (€339,0 million at the end of 2023).

The European Central Bank cut interest rates by 25 basis points in early June. The scope for further cuts will be data-dependent and may be limited by sticky inflation. Towards the end of the quarter, we saw some increased volatility in the financial markets in the wake of EU parliamentary elections and President Macron's shock decision to call a snap election in France. In Q2, we purchased investment-grade bonds into the portfolio for €3 million in total. We sold bonds for €5.5 million, all in tender offers by issuers. Redemptions during the quarter were exceptionally high, €32.5million, and we will continue re-investments in Q3.

Allocations from insurance operations were €12.5million, and we paid €8.4million dividend to If Holding.

Total investment return was €5,3 million (€6,5 million in 6 months 2023) corresponding to 3.3% (4.2% in 6 months 2023).

Our investment focus remains unchanged. We will continue to focus on European fixed-rate investment-grade bonds, and plan to re-invest maturing bonds and allocations received from insurance operations selectively into medium term instruments.

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Insurance 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 2024, the number of full-time employees was 611 (31.12.2023 602).

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

If provides a wide range of P&C insurance products specifically designed to cater to both individual and corporate clients. Our services are easily accessible through digital platforms and by phone, backed by a strong network of brokers and partners. With a dedication to excellence, we consistently aim to deliver outstanding service to our valued customers.

This summer, we launched a major Pet Insurance campaign across the Baltic countries.

Additionally, in the second quarter, If carried out the MOD campaign titled "In If Small Things Matter" across all Baltic countries. Whether it's a small scratch, an empty electric vehicle battery, or even the colour of a replacement car, If MOD offers solutions for things that truly matter.

To enhance public awareness of our ability to effectively serve our corporate clients, we launched a broad branding and comprehensive MOD campaign across all Baltic countries in the second quarter of this year. We were also present at major agriculture fairs in both Estonia and Latvia.

In our efforts to reduce the environmental impact, If Insurance in the Baltic countries is reducing the number of shared vehicles used by employees by one-third. Whenever possible, we are choosing electric vehicles as replacements, and we are also utilizing car-sharing platforms and taxis. During the second quarter, we replaced a portion of the previously used gasoline-powered cars with Renault Megane E-Tech electric vehicles.

In the second quarter, it became clear that If Insurance's new headquarters in Estonia will be located in the country's first wooden high-rise building, set to be completed in 2026. This unique wooden high-rise will mark a new milestone in sustainable construction and the promotion of wood as a valuable building material. As no such tall wooden building has been constructed in Estonia before, the project was designed in collaboration with researchers from TalTech and ETH Zurich universities. The building was designed by architects Margit Aule and Kristo Põlluaas from the LUMIA architecture firm.

For the past three years, If Insurance and the Estonian Hunters' Society have been studying the impact of light-reflecting barriers on reducing wildlife-related traffic accidents on Estonian roads. The study, published in the second quarter of this year, highlighted that reflectors could play a crucial role in saving thousands of animals, minimizing human injuries and emotional distress, and cutting down on vehicle repair expenses.

During the second quarter of 2024, we welcomed members of our first If Summer Internship Program. In their journey towards a successful career 11 junior talents joined different units of If.

In the Baltics, we are broadening our support for healthy lifestyles and activities. We played a key role as the main sponsor of the Vilnius Marathon and participated in various other marathons and running events across all three Baltic countries with our employees. Additionally, we organized engaging walking challenge with our employees in all countries.

Outlook

The economic forecast and future trajectory of the P&C Insurance market in the Baltic countries are fraught with uncertainty for 2024. Factors including geopolitical tensions, elevated risks and expenses related to international trade, high interest rates, and various other economic variables are contributing to this uncertainty. Given the volatile economic environment, there is a need for frequent reassessment and adjustment of pricing strategies to maintain a delicate balance between risk management and customer value. Furthermore, it is anticipated that salary inflation will persist at elevated levels due to a growing scarcity of skilled labor, driven by population decline, an aging society, and increased cross-border employment by employers from higher-cost EU nations.

Market volumes are anticipated to slightly outpace overall economic growth, due to still to be factored in price correction activities, followed from previous high inflation periods, and overall anticipated insurance demand growth driven by increasing levels of consumption, and overall awareness about insurance services.

Concurrently, there is a noticeable trend towards environmentally friendly and socially responsible products, gradually gaining

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momentum in consumer preferences. The focus on sustainable consumption is resonating with a wider audience, shaping their decisions. If is well-positioned to adapt to these evolving market dynamics.

In the Baltic region, If's business is anticipated to sustain premium growth in 2024, in line with the overall market dynamics. If is fully equipped to ensure business continuity and maintain a high standard of customer service.

Key figures

Thousand EUR	2024 Jan-Jun	2023 Jan-Jun	2023 Jan - Dec
Earnings and expenses related information			
Insurance revenue, gross	120,407	105,988	223,024
Reinsurance premium expense	-2,808	-2,663	-5,264
Insurance service expense, claims incurred	-77,732	-67,573	-139,185
Insurance service expense, operating expenses	-27,412	-24,255	-51,524
Reinsurer's share of claims incurred	2,017	-295	1,015
Insurance service result	14,472	11,202	28,066
Investment result	5,275	6,530	23,226
Insurance finance income or expense (-), net	-1,131	-1,713	-4,783
Net financial result	4,144	4,817	18,443
Net profit for the period	13,387	12,705	39,119
Information regarding financial position			
Investment assets	304,828	314,671	338,984
Insurance liabilities	219,284	201,132	208,936
Own funds	132,579	137,479	147,892
Key data			
Loss ratio ¹	64,4%	65,7%	63,5%
Expense ratio ²	23,3%	23,5%	23,7%
Combined ratio ³	87,7%	89,2%	87,2%
Total investment return ⁴	3,3%	4,2%	7,3%

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Formulas

¹ Loss ratio	$\frac{\text{Claims incurred (incl. Claims handling costs), net of reinsurance}}{\text{Insurance revenue, net of reinsurance}}$
² Expense ratio	$\frac{\text{Insurance service expense, operating expenses}}{\text{Insurance revenue, net of reinsurance}}$
³ Combined ratio	Claims ratio + Expense ratio
⁴ Return on investments (yearly basis)	$\frac{\text{Investment result}}{\text{Weighted average volume of financial investments in the period}}$

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Statement of profit and loss Q2

Thousand EUR	2024 Q2	2023 Q2
Insurance revenue, gross	60,932	54,742
Reinsurance premium expense	-1,311	-1,243
Insurance service expense	-51,367	-46,350
<i>Claims incurred</i>	-37,009	-33,920
<i>Operating expenses</i>	-14,359	-12,430
Reinsurer's share of claims incurred	1,357	-74
Insurance service result	9,612	7,074
Other income	24	22
Result from other services	24	22
Investment result	2,272	2,379
<i>Direct investment income</i>	2,253	2,370
<i>Changes in value</i>	111	-530
<i>Management costs</i>	-92	539
Insurance finance income or expense, net	-224	-193
<i>Insurance contracts</i>	-266	-199
<i>Reinsurance contracts held</i>	42	6
Net financial result	2,049	2,187
Result before income taxes	11,684	9,283
Taxes	-2,500	-352
Net profit for the period	9,185	8,931

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Statement of profit and loss January - June

Thousand EUR	2024 Jan-Jun	2023 Jan-Jun
Insurance revenue, gross	120,407	105,988
Reinsurance premium expense	-2,808	-2,663
Insurance service expense	-105,144	-91,828
<i>Claims incurred</i>	-77,732	-67,573
<i>Operating expenses</i>	-27,412	-24,255
Reinsurer's share of claims incurred	2,017	-295
Insurance service result	14,472	11,202
Other income	49	44
Result from other services	49	44
Investment result	5,275	6,530
<i>Direct investment income</i>	4,660	4,548
<i>Changes in value</i>	801	2,148
<i>Management costs</i>	-186	-166
Insurance finance income or expense, net	-1,131	-1,713
<i>Insurance contracts</i>	-1,208	-1,773
<i>Reinsurance contracts held</i>	77	60
Net financial result	4,144	4,817
Result before income taxes	18,665	16,063
Taxes	-5,278	-3,358
Net profit for the period	13,387	12,705

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Statement of financial position

Thousand EUR	Note	2024 30 Jun	2023 31 Dec
ASSETS			
Cash and bank balances		53,950	29,610
Investment assets		304,828	338,984
<i>Other financial investment assets</i>	2	301,522	335,496
<i>Accrued interest</i>		3,306	3,488
Debtors		5,047	2,875
Prepayments and accrued income		896	933
Reinsurance assets		7,069	5,695
<i>Asset for remaining coverage</i>		-1,273	-1,336
<i>Asset for incurred claims</i>		8,342	7,031
Other assets		4,139	4,043
Tangible assets		4,139	4,043
Total assets		375,929	382,140
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY			
Creditors		15,732	17,109
<i>Other creditors</i>		12,435	13,779
<i>Lease liabilities</i>		3,297	3,330
Deferred tax liability		37	21
Accruals and deferred income		8,297	8,182
Insurance liabilities		219,284	208,936
<i>Liability for remaining coverage and acquisition cashflow asset</i>		50,689	46,108
<i>Liability for incurred claims</i>		168,595	162,828
Shareholders' equity		132,579	147,892
Share capital		6,391	6,391
Premium reserve		3,679	3,679
Statutory reserve		2,362	2,362
Profit brought forward		106,760	96,341
Net profit for the period		13,387	39,119
Total liabilities, provisions and shareholders' equity		375,929	382,140

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Changes in shareholders' equity

Thousand EUR	Restricted equity				Unrestricted equity		Total Equity
	Share capital	Premium Reserve	Statutory Reserves	Fair Value Reserve	Profit Brought Forward	Net Profit for the Year	
Equity at beginning of 2024	6,391	3,679	2,362	-	135,460	-	147,892
Dividends paid	-	-	-	-	-28,700	-	-28,700
Net profit for the year	-	-	-	-	-	13,387	13,387
Equity at end of Jun 2024	6,391	3,679	2,362	-	106,760	13,387	132,579
Equity at beginning of 2023	6,391	3,679	2,362	-24,011	159,452	-	147,873
Effect of changes in accounting policies (IFRS 9)	-	-	-	24,011	-24,011	-	-
Adjusted equity at beginning of 2023	6,391	3,679	2,362	-	135,441	-	147,873
Dividend paid	-	-	-	-	-23,100	-	-23,100
Net profit for the period	-	-	-	-	-	12,705	12,705
Equity at end of Jun 2023	6,391	3,679	2,362	-	112,341	12,705	137,478
Equity at beginning of 2023	6,391	3,679	2,362	-24,011	159,452	-	147,873
Effect of changes in accounting policies (IFRS 9)	-	-	-	24,011	-24,011	-	-
Adjusted equity at beginning of 2023	6,391	3,679	2,362	-	135,441	-	147,873
Dividend paid	-	-	-	-	-39,100	-	-39,100
Net profit for the year	-	-	-	-	-	39,119	39,119
Total comprehensive income	-	-	-	-	-	-	-
Equity at end of 2023	6,391	3,679	2,362	-	96,341	39,119	147,892

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Statement of Cash flows

Thousand EUR	2024 Jan-Jun	2023 Jan-Jun
CASH FLOW FROM OPERATING ACTIVITIES		
Cash flow from insurance operations		
Premium flows, direct insurance	124,286	112,808
Premiums ceded	-3,025	-3,087
Claim payments, direct insurance	-73,146	-63,068
Reinsurance flows	53	58
Cost of operations	-26,889	-24,064
Total	21,279	22,647
Cash flow from asset management		
Interest received	4,551	2,871
Interest paid	-33	-26
Investments in bonds and other interest bearing securities	-28,350	-37,235
Proceeds from disposals of bonds and other interest bearing securities	63,487	25,630
Total	39,655	-8,760
Dividend received	-	1,050
Paid income tax	-7,390	-3,692
CASH FLOW FROM OPERATING ACTIVITIES TOTAL	-7,390	-2,642
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-28,700	-23,100
Repayments of lease liabilities	-504	-493
CASH FLOW FROM FINANCING ACTIVITIES TOTAL	-29,204	-23,593
Cash flow for the period	24,340	-12,348
Cash and bank balances		
Opening cash and bank balances for the period	29,610	42,425
Cash flow for the period	24,340	-12,348
Closing cash and bank balances for the period	53,950	30,077

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 2023 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 2023. The financial statements are available on Company’s website at 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 2023 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.

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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.

Thousand EUR	Acquisition value 2024 June 30	Fair value 2024 June 30	Carrying amount 2024 June 30	Acquisition value 2023 Dec 31	Fair value 2023 Dec 31	Carrying amount 2023 Dec 31
Financial assets at fair value through profit or loss						
Bonds and other interest-bearing securities	286,728	304,828	304,828	302,682	338,984	338,984
Total financial assets at fair value through profit or loss	286,728	304,828	304,828	302,682	338,984	338,984

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	2024 June 30			2023 Dec 31		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Financial assets at fair value through profit or loss						
Bonds and other interest-bearing securities	286,465	18,363	304,828	314,739	24,246	338,984
Total financial assets, at fair value	286,465	18,363	304,828	314,739	24,246	338,984