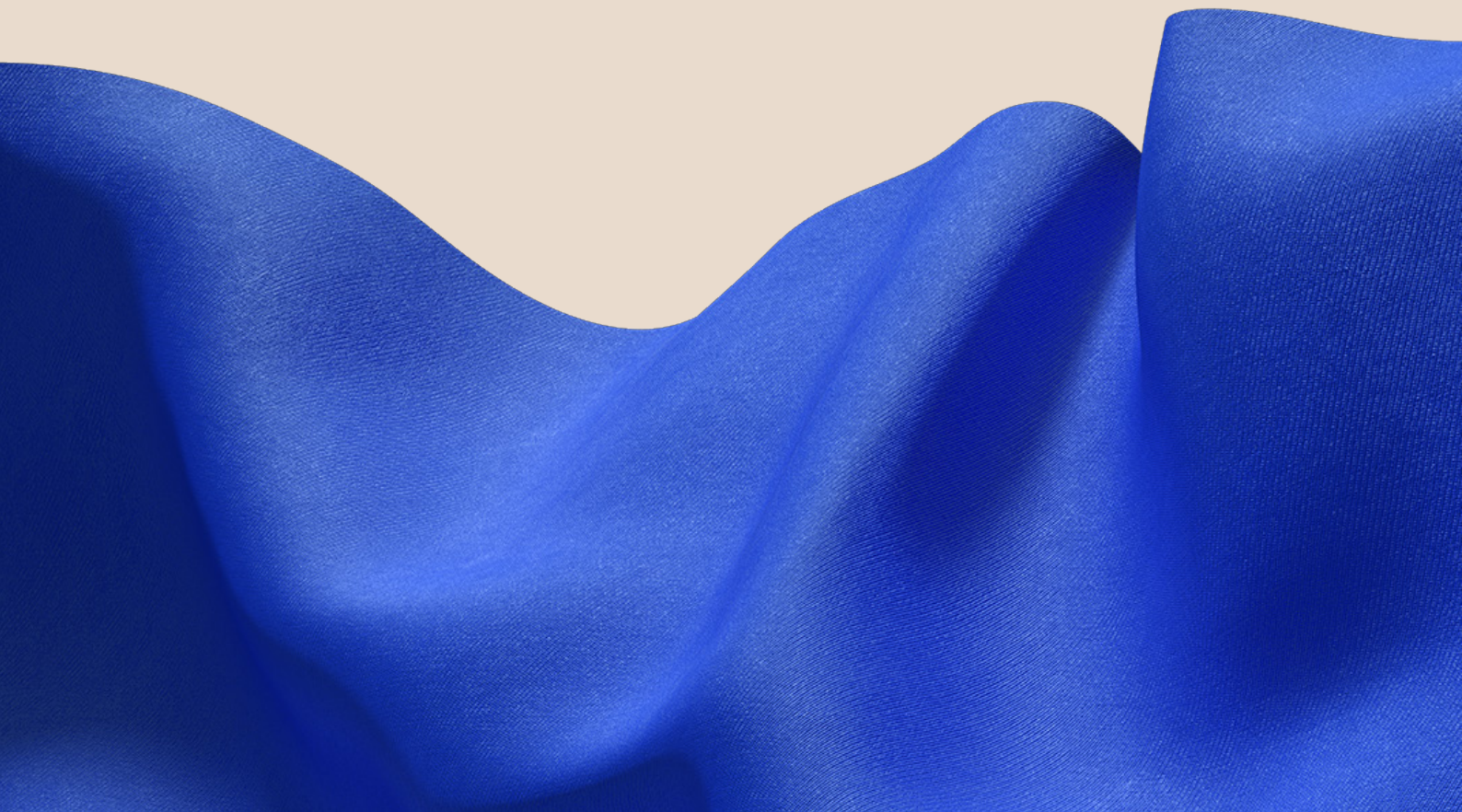




Interim report

January - June 2020

If P&C Insurance Holding Ltd (publ), 556241-7559



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Economical overview

If is a Nordic insurance group with operations also in the Baltic countries. The Group's headquarter is located in Solna, Sweden. The Parent Company of the If Group, If P&C Insurance Holding Ltd (publ), is a wholly owned subsidiary of Sampo plc, a Finnish listed company. The business operations are conducted via subsidiaries and their branches in the Nordic and Baltic countries.

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. Comparative figures for income statement items refer to the period January - June 2019 and comparative figures for balance sheet items refer to 31 December 2019.

Significant events during the reporting period

In January 2020, the Norwegian road assistance company Viking Redningstjeneste Topco AS was acquired. Viking serves its customers through an extensive nationwide network of stations in Norway, Sweden, Denmark and Finland. For more information, refer to Note 6.

When the Covid-19 pandemic reached the Nordic countries mid-March priority was given to continuity and continued service and support to If's customers in the best way in the changed working conditions. During the second quarter the operations normalized to the changed working conditions in all markets with the vast majority of all If's employees working from home offices. Following official guidelines, a stepwise return to office has begun in some countries. During the period If has been able to offer a normal service level and customer satisfaction has remained on a high level.

Claims cost for the first 6 months is negatively impacted from travel insurance policies primarily following imposed government travel restrictions due to Covid-19. At the end of the reporting period, the total number of reported claims amounted to just over 50,000, corresponding to a gross claims cost of approximately MSEK 400 mostly in BA Private and Norway. The net claims cost is expected to be significantly reduced by a reinsurance cover with a net retention for this event of MSEK 100.

The lock down activities in the Nordic countries had a positive effect to claims cost especially in the beginning of the second quarter. The largest factor being reduced traffic on the roads that resulted in an extraordinary and temporary decrease in motor claims. Towards the end of the period, as governments started to reopen societies, claims frequency also returned to a more normal level. At the same time repair costs might increase due to a lack of material, delays in transportation of material or shortage of personnel following implemented government travel restrictions.

During the period there was clearly a negative effect on premium volume as a consequence of the Covid-19 situation. This was a result of many variables including fewer new cars sold, decommissioning of vehicles and lower insurable sums and goods.

Earnings and financial position

Results

Profit before tax for the period amounted to MSEK 4,083 (4,612). The technical result for insurance operations increased to MSEK 4,239 (3,515). The combined ratio improved during the period to 82.1% (84.7). At full market value, the investment return was negative and amounted to MSEK -1,741 (4,002).

Premiums

Gross premiums written amounted to MSEK 30,347 (29,151). Adjusted for currency effects, the increase was 5.2%.

Claims

Insurance claims for own account amounted to MSEK 15,701 (15,604) during the period. The risk ratio was 61.4% (63.0).

Expenses

Operating costs in insurance operations amounted to MSEK 3,568 (3,694) during the first half of the year. The cost ratio was 20.8% (21.7).

Investment Result

At full market value, result from asset management was MSEK -1,741 (4,002) corresponding to a total return of -1.4% (3.5).

The first half of 2020 was characterized by volatility in the financial markets that we have not seen since the financial crisis twelve years ago. The year started positively with new highs in many stock markets around the world. When the news came, that Covid-19 had begun to spread in Europe, they fell steeply. At most, the Swedish equity markets were down more than 30 percent and most of other leading equity indices around the world showed similar declines. The uncertainty surrounding the world economy also led to a significant increase in the credit risk premium, which caused many bonds to fall in price regardless of credit quality.

The financial markets have since the outbreak of the pandemic crisis in March experienced a turbulent period and in the first quarter this resulted in negative returns across all asset classes. In the second quarter financial markets recovered. However, the first half year is still negatively affected from Covid-19.

The share allocated to equities in the active portfolio (including derivatives) has decreased during the period and by the period end amounted to 10.4% (10.4). The duration for the fixed income assets was unchanged 1.3 (1.3).

Claims reserves

On June 30, gross claims reserves amounted to MSEK 67,939 (69,239). Adjusted for currency effects, gross claims reserves decreased by MSEK 295 compared with the end of 2019. The change during the period was primarily attributable to a reserve reduction in motor third-party liability (MTPL) insurance and a reserve increase in property insurance.

Solvency and cash flow

Insurance is a regulated business with EU common rules for calculating capital requirements and available capital. All If's insurance subsidiaries have regulatory solvency capital requirements under Solvency II and have fulfilled those during the reporting period. As a subsidiary of Sampo plc, If P&C Insurance Holding Ltd (publ) is a member of the Sampo insurance group and is not subject to any requirement to report the If group solvency position.

Cash flow from operating activities, including net investments in financial investment assets, decreased to MSEK 1,831 (4,697).

Parent Company earnings

The operations of the Parent Company If P&C Insurance Holding Ltd (publ) consist primarily of ownership and management of shares in subsidiaries. Parts of the cash surplus are also managed in a dedicated investment portfolio.

Profit for the period increased to MSEK 7,081 (6,372), primarily through increased dividends from subsidiaries.

Signatures

We hereby certify that this half-year interim report for January-June 2020 provides a true and fair overview of the Group and the Parent Company's operations, financial position and results, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, August 4, 2020

Torbjörn Magnusson
Chairman of the Board

Knut Arne Alsaker
Board member

Patrick Lapveteläinen
Board member

Ricard Wennerklint
Board member

Morten Thorsrud
President and CEO

Review report

To the Board of Directors of If P&C Insurance Holding Ltd (publ)
Corp. id. 556241-7559

Introduction

We have reviewed the interim financial information (interim report) of If P&C Insurance Holding Ltd (publ) as of 30 June 2020 and the six-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Insurance Companies for the Group and in accordance with the Annual Accounts Act for the Parent Company. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act for Insurance Companies, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 4 August 2020

KPMG AB

Mårten Asplund
Authorized Public Accountant
Auditor in charge

Consolidated income statement

MSEK	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
TECHNICAL ACCOUNT INSURANCE OPERATIONS			
Premiums earned, net of reinsurance			
Premiums written, gross	30,347	29,151	49,484
Premiums ceded	-1,864	-1,616	-2,112
Change in provision for unearned premiums and unexpired risks	-5,744	-5,377	-991
Reinsurers' share of change in provision for unearned premiums and unexpired risks	725	627	70
	23,464	22,786	46,451
Allocated investment return transferred from the non-technical account	93	80	167
Other technical income	547	173	332
Claims incurred, net of reinsurance			
Claims paid			
Gross	-17,490	-17,473	-35,423
Reinsurers' share	447	471	1,052
Change in provision for claims outstanding			
Gross	417	1,499	2,708
Reinsurers' share	925	-100	-93
	-15,701	-15,604	-31,756
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross	-3,650	-3,763	-7,619
Commissions and profit participations in ceded reinsurance	82	69	146
	-3,568	-3,694	-7,472
Other operating expenses	-595	-225	-472
	-4,163	-3,919	-7,945
Technical result from property and casualty insurance	4,239	3,515	7,250
NON-TECHNICAL ACCOUNT			
Investment result			
Direct investment income	895	1,016	1,934
Changes in value	-624	534	1,046
Management costs	-122	-143	-272
	148	1,407	2,707
Allocated investment return transferred to the technical account	-215	-235	-470
Interest expense on net pension liability	-8	-6	-11
Interest expenses, financing	-80	-72	-149
Income from associates	-2	2	6
Result before income taxes	4,083	4,612	9,333
Taxes	-890	-1,006	-2,032
Net profit for the period	3,193	3,606	7,301
<i>Of which attributable to owners of the parent</i>	<i>3,193</i>	<i>3,606</i>	<i>7,301</i>

Consolidated statement of comprehensive income

MSEK	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Net profit for the period	3,193	3,606	7,301
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Remeasurements of the net pension liability	-171	-293	-606
Taxes related to items which will not be reclassified	39	63	131
	-132	-230	-475
<i>Items that will be reclassified subsequently to profit and loss when specific conditions are met</i>			
Effects of changes in exchange rates, foreign operations	-344	475	222
Effects of changes in exchange rates, foreign associates	0	0	0
Remeasurements of financial assets available for sale	-2,478	2,982	3,910
Value changes recognised in income statement on financial assets available for sale	588	-386	-877
Taxes related to items which will be reclassified when specific conditions are met	439	-619	-692
	-1,794	2,451	2,562
Total comprehensive income	1,267	5,827	9,388
<i>Of which attributable to owners of the parent</i>	<i>1,267</i>	<i>5,827</i>	<i>9,388</i>

Consolidated balance sheet

Assets				
MSEK	Note	2020 Jun 30	2019 Jun 30	2019 Dec 31
Intangible assets				
Goodwill		1,828	715	992
Other intangible assets		586	303	387
		2,414	1,018	1,380
Investment assets				
Land and buildings		35	35	35
Shares in associated companies		146	144	147
Loans to associated interests		2	-	-
Other financial investments	4	110,768	114,925	112,204
Deposits with ceding undertakings		7	8	7
		110,958	115,111	112,394
Reinsurers' share of technical provisions				
Provision for unearned premiums and unexpired risks		1,228	1,083	523
Provision for claims outstanding		2,484	1,669	1,671
		3,712	2,752	2,194
Deferred tax assets				
		250	152	203
Debtors				
Debtors arising out of direct insurance operations		16,292	16,575	14,437
Debtors arising out of reinsurance operations		910	859	705
Other debtors		1,090	1,395	842
		18,291	18,829	15,983
Other assets				
Tangible assets		1,865	1,705	1,600
Cash and bank balances		4,191	7,775	3,303
Collaterals and settlement claims		333	256	228
		6,389	9,736	5,131
Prepayments and accrued income				
Accrued interest and rental income		393	400	456
Deferred acquisition costs		1,225	1,286	1,293
Other prepayments and accrued income		488	539	418
		2,106	2,225	2,167
Total assets		144,120	149,824	139,452

Shareholders' equity, provisions and liabilities

MSEK	Note	2020 Jun 30	2019 Jun 30	2019 Dec 31
Shareholders' equity				
Share capital		2,726	2,726	2,726
Statutory reserve		400	400	400
Fair value reserve		3,285	4,446	4,771
Profit brought forward		21,360	22,459	14,500
Net profit for the period		3,193	3,606	7,301
		30,965	33,637	29,697
Subordinated debt				
		4,142	4,143	4,134
Technical provisions (gross)				
Provisions for unearned premiums and unexpired risks		27,453	27,105	22,465
Provision for claims outstanding		67,939	70,994	69,239
		95,392	98,099	91,704
Provisions for other risks and charges				
Deferred tax liability		2,282	2,823	2,931
Other provisions		1,346	931	1,242
		3,629	3,754	4,173
Deposits received from reinsurers				
		-	-	-
Creditors				
Creditors arising out of direct insurance operations		912	1,403	1,808
Creditors arising out of reinsurance operations		814	684	255
Derivatives	4	342	66	259
Other creditors		6,335	6,222	5,495
		8,402	8,374	7,818
Accruals and deferred income				
Reinsurers' share of deferred acquisition costs		80	70	42
Other accruals and deferred income		1,511	1,748	1,884
		1,591	1,818	1,926
Total shareholders' equity, provisions and liabilities				
		144,120	149,824	139,452

Changes in shareholders' equity

MSEK	Restricted equity		Unrestricted equity			Total equity
	Share capital	Statutory reserves	Fair value reserve	Profit brought forward	Net profit for the period	
Equity at beginning of 2020	2,726	400	4,771	21,801	-	29,697
Total comprehensive income	-	-	-1,486	-440	3,193	1,267
Equity at end of June 2020	2,726	400	3,285	21,360	3,193	30,965
<hr/>						
Equity at beginning of 2019	2,726	400	2,402	22,281	-	27,809
Total comprehensive income	-	-	2,043	178	3,606	5,827
Equity at end of June 2019	2,726	400	4,446	22,459	3,606	33,637
<hr/>						
Equity at beginning of 2019	2,726	400	2,402	22,281	-	27,809
Total comprehensive income	-	-	2,369	-282	7,301	9,388
Dividend	-	-	-	-7,500	-	-7,500
Equity at end of 2019	2,726	400	4,771	14,500	7,301	29,697

There are a total of 136,350,000 shares with a quota value of SEK 19.99 each, including 103,525,000 Series A shares carrying one vote and 32,825,000 Series B shares carrying one tenth of a vote.

Consolidated cash flow statement

MSEK	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from insurance operations			
Premium flows, direct insurance	27,824	26,238	48,777
Claim payments, direct insurance	-18,156	-17,495	-35,441
Reinsurance flows	-1,079	-1,164	-1,390
Cost of operations	-4,235	-3,708	-7,118
	4,354	3,870	4,829
Cash flow from asset management			
Interest received	1,051	1,063	2,023
Interest paid	-108	-233	-348
Dividends received	106	333	432
Cash flow from properties	-1	116	116
Net investments in financial investment assets	-2,886	826	3,070
	-1,838	2,105	5,292
Interest payment, financing	-45	-29	-141
Realized foreign exchange transactions	450	7	-95
Paid income tax	-1,090	-1,256	-1,826
	1,831	4,697	8,059
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend, associates	0	2	3
Acquisition of subsidiaries, net of cash acquired	-304	-	-300
	-304	2	-297
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid	-	-	-7,500
Repayment of lease liabilities	-105	-139	-216
Issuance of loans	285	-	-
Repayment of loans	-794	-	-
	-614	-139	-7,716
Cash flow for the period	912	4,560	46
Cash and bank balances			
Opening cash and bank balances for the period	3,303	3,012	3,012
Effect of exchange rate changes	-24	203	245
Cash flow for the period	912	4,560	46
Closing cash and bank balances for the period	4,191	7,775	3,303

Key figures

MSEK	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec	2018 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec
Earnings-related information						
Premiums earned, net of reinsurance	23,464	22,786	46,451	44,019	41,376	40,575
Allocated investment return transferred from the non-technical account	93	80	167	130	180	-25
Other technical income	547	173	332	304	260	251
Claims paid, net of reinsurance	-15,701	-15,604	-31,756	-30,307	-28,516	-27,503
<i>of which, claims-adjustment costs</i>	-1,303	-1,259	-2,635	-2,437	-2,327	-2,227
Operating expenses for insurance operations, net of reinsurance	-3,568	-3,694	-7,472	-7,200	-6,796	-6,754
Other operating expenses	-595	-225	-472	-345	-334	-316
Technical result from property and casualty insurance	4,239	3,515	7,250	6,601	6,171	6,228
Net profit for the period	3,193	3,606	7,301	6,784	6,148	10,703
Investment result						
Investment result	148	1,407	2,707	2,648	2,389	1,893
Remeasuring of financial assets available for sale	-2,478	2,982	3,910	-2,423	1,492	1,300
Value changes of AFS assets recognized in the income statement	588	-386	-877	-1,062	-886	-7
Total return	-1,741	4,003	5,740	-838	2,995	3,185
Information regarding economic status						
Investment assets	110,958	115,111	112,394	110,535	110,975	111,994
Technical provisions	95,392	98,099	91,704	91,618	89,775	89,596
Solvency capital	37,139	40,450	36,559	33,932	36,043	36,715
<i>of which, deferred tax</i>	2,032	2,670	2,728	2,016	2,563	3,076
Key data						
Claims ratio	66.9%	68.5%	68.4%	68.8%	68.9%	67.8%
Expense ratio	15.2%	16.2%	16.1%	16.4%	16.4%	16.6%
Combined ratio	82.1%	84.7%	84.5%	85.2%	85.3%	84.4%
Risk ratio ¹⁾	61.4%	63.0%	62.7%	63.3%	63.3%	62.3%
Cost ratio ¹⁾	20.8%	21.7%	21.8%	21.9%	22.0%	22.1%
Insurance margin ¹⁾	18.3%	15.7%	15.9%	15.1%	15.1%	15.5%
Total investment return	-1.4%	3.5%	5.0%	-0.8%	2.6%	2.9%

¹⁾ Refers to alternative performance measures which are defined in Definitions.

Income statement

MSEK	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Other operating income	10	-	-
Other operating expenses	-21	-26	-44
Operation result	-11	-26	-44
Result from financial investments			
Dividend from subsidiaries	7,115	6,409	6,409
Result from associated companies	0	2	3
Interest income and similar income items	25	32	70
Interest expense and similar expense items	-60	-50	-107
Result after financial items	7,070	6,368	6,332
Group contributions, net	-	-	21
Result before income taxes	7,070	6,368	6,353
Tax on net profit for the period	11	4	0
Net profit for the period	7,081	6,372	6,353

Statement of comprehensive income

MSEK	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Net profit for the period	7,095	6,372	6,353
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit and loss when specific conditions are met</i>			
Effects of changes in exchange rates, foreign operations	0	-	-
Remeasurements of financial assets available for sale	-27	47	53
Value changes recognized in income statement on financial assets available for sale	0	0	0
Taxes related to items which will be reclassified when specific conditions are met	6	-10	-11
	-21	37	41
Total comprehensive income for the period	7,060	6,410	6,394

Balance sheet

MSEK	2020	2019	2019
Assets	Jun 30	Jun 30	Dec 31
Financial fixed assets			
Shares in Group companies	20,299	17,039	17,381
Shares in associated companies	92	92	92
	20,391	17,130	17,472
Deferred tax asset	16	4	-
Debtors			
Debtors, Group companies	4,925	6,243	59
Other debtors	1	-	-
Accrued interest income	4	8	11
	4,930	6,252	70
Short-term investments			
Bonds	1,831	4,140	2,681
	1,831	4,140	2,681
Cash and bank balances	1,269	2,288	1,711
Total assets	28,437	29,815	21,934
Shareholders' equity, provisions and liabilities			
Shareholders' equity			
Share capital	2,726	2,726	2,726
Statutory reserve	400	400	400
Fair value reserve	-10	7	11
Profit carried forward	14,095	15,241	7,741
Net profit for the period	7,081	6,372	6,353
	24,291	24,747	17,232
Subordinated debt	2,990	2,985	2,988
Provisions			
Deferred tax liability	-	2	1
Other provisions	15	0	7
	15	2	9
Current creditors			
Creditors, Group companies	1,108	2,071	1,687
Other creditors	10	0	1
Other accrued expenses and prepaid income	22	10	19
	1,140	2,081	1,706
Total shareholders' equity, provisions and liabilities	28,437	29,815	21,934

NOTE 1 – Applied accounting policies

For the Group, this Interim report was prepared in accordance with IAS 34 Interim Financial Reporting and applicable regulations in the Annual Accounts Act (1995:1560) for Insurance Companies (ÅRFL), and for the Parent Company in accordance with the Annual Accounts Act (1995:1554) (ÅRL). The accounting policies for the Group and the Parent Company that have been applied in this Interim report are the same as those applied in the 2019 Annual Report.

Besides the disclosures provided in Notes 1-6, more information can be found in the section Economical overview.

NOTE 2 – Risks and uncertainties

Risk is a natural and integral part of the Group's business and environment and the tools used for managing risk include clearly defined strategies and responsibilities, together with strong commitment to the risk-management processes. The main underwriting risks in insurance operations are premium risks and reserve risks. In addition, market risks (such as changes in interest rates, foreign exchange rates and stock prices, as well as changes in their volatility) and credit risks affect the market values of financial assets and liabilities. Operational risks, which are the risk of loss arising from inadequate or failed processes or systems, from personnel, or from external events, are also handled through the risk-management processes. The Group's risks and risk management are described in the 2019 Annual Report.

During the reporting period, the spread of Covid-19, the measures taken to contain the spread and the uncertainty that the situation has created have affected the risk profile of the Group and risks are being monitored closely. Financial market volatility has increased and there is a high risk of a global recession, affecting the market risk, and to a lesser degree the underwriting risk, of the Group. The adjustment to remote operations, with the vast majority of If's employees working out of home offices during the reporting period, was smooth and there have not been strong signs of an increase in the operational risk of the Group.

NOTE 3 – Result per business area

Income statement per business area

MSEK	Private	Com- mercial	Industrial	Baltic	Asset management	Other ¹⁾	Eliminations and adjustments to consolidated policies ²⁾	Total 2020 Jan-Jun	Total 2019 Jan-Jun
Premiums earned, net of reinsurance	13,998	6,318	2,368	781		-		23,464	22,786
Allocated investment return transferred from the non-technical account	44	36	12	-		0		93	80
Other technical income	131	31	12	0		425	-54	547	173
Claims incurred, net of reinsurance	-8,654	-4,294	-2,308	-477		13	19	-15,701	-15,604
Operating expenses in insurance operations, net of reinsurance	-2,023	-1,082	-324	-196		62	-5	-3,568	-3,694
Other operating expenses	-154	-39	-12	-		-430	40	-595	-225
Technical result from property and casualty insurance	3,342	970	-252	109	-	70	-	4,239	3,515
Investment result, net					-1,741		1,890	148	1,407
Allocated investment return transferred to the technical account						-215		-215	-235
Interest expense on net pension liability						-8		-8	-6
Interest expenses, financing						-80		-80	-72
Income from associates						-2		-2	2
Result before income taxes								4,083	4,612

¹⁾ Including road assistance, Run Off and other operations not allocated to the business areas.

²⁾ Business area reporting includes all value changes on investment assets in the Investment result.

Balance sheet per business area

MSEK	Private	Com- mercial	Industrial	Baltic	Asset management	Other	Total 2020	Total 2019
							Jun 30	Jun 30
Assets								
Intangible assets	286	315	-	-	-	1,813	2,414	1,018
Investment assets	-	-	-	-	110,958	-	110,958	115,111
Reinsurers' share of technical provisions	292	296	3,093	31	-	-	3,712	2,752
Deferred tax assets	-	1	-	-	-	249	250	152
Debtors arising out of insurance operations	11,810	3,323	1,836	356	-	-124	17,202	17,434
Deferred acquisitions costs	785	340	63	37	-	-	1,225	1,286
Other assets ¹⁾	-	-	-	-	2,555	5,804	8,359	12,070
Total assets	13,173	4,274	4,993	425	113,512	7,743	144,120	149,824
Shareholders' equity, provisions and liabilities								
Shareholders' equity	-	-	-	-	-	30,965	30,965	33,637
Subordinated debt	-	-	-	-	-	4,142	4,142	4,143
Technical provisions, gross	48,391	27,333	17,598	2,070	-	-	95,392	98,099
Provisions for other risk and changes	18	27	0	364	-	3,220	3,629	3,754
Creditors arising out of insurance operations	447	89	790	56	-	345	1,726	2,086
Reinsurers' share of deferred acquisition costs	5	6	69	1	-	-	80	70
Other creditors ¹⁾	-	-	-	-	552	7,351	8,188	8,035
Total shareholders' equity, provisions and liabilities	48,861	27,454	18,457	2,490	552	46,307	144,120	149,824

¹⁾ Other debtors and creditors are not divided on the basis of business areas except for those related to asset management.

NOTE 4 – Other financial investment assets and derivative liabilities

Classification of other financial investment assets and derivative liabilities in accordance with IAS 39

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 below.

MSEK	Acquisition value		Fair value		Carrying amount	
	2020 Jun 30	2019 Jun 30	2020 Jun 30	2019 Jun 30	2020 Jun 30	2019 Jun 30
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	15	13	58	51	58	51
Financial assets available for sale						
Shares and participations	9,712	9,410	11,889	12,644	11,889	12,644
Bonds and other interest-bearing securities	97,632	100,416	96,899	100,958	96,899	100,958
Total financial assets, at fair value	107,359	109,838	108,846	113,653	108,846	113,653
Loans ¹⁾						
Deposits with credit institutions	52	53	53	53	52	53
Other loans	1,869	1,219	1,896	1,046	1,869	1,219
Total Other financial investment assets	109,280	111,110	110,795	114,752	110,768	114,925
Financial liabilities, mandatory at fair value through profit or loss (trading)						
Derivatives	1	2	342	66	342	66
Total financial liabilities, at fair value	1	2	342	66	342	66

¹⁾ Loans are in accordance with the If's application of IAS 39 accounted for at amortized cost. The fair value is only shown for information. Financial instruments with fair value given for information are classified in three different hierarchy levels depending on their liquidity and valuation methods. All loans are classified in level 3 and the fair value of these loans are based on cash-flow valuations.

Financial investment assets and derivative liabilities at fair value

A careful process is followed and controls are performed in order to ensure correct fair values of financial assets and liabilities. For example, controls are made by several different external sources and assessments of abnormal price changes are performed when necessary.

Different valuation methods are used to determine the fair value depending on the type of financial instruments and to what extent they are traded on active markets. In order to evaluate the activity in a market with respect to frequency and volume If mainly uses information compiled by Bloomberg. Quoted shares are valued on the basis of latest trade price on stock markets and are obtained by Bloomberg. The valuation of bonds is also usually based on prices from Bloomberg. Quoted bonds are valued on the basis of last bid price. For model-valued interest bearing instruments, yield curves based on last mid prices are used.

If's financial instruments, which are measured at fair value, are classified in three different hierarchy levels depending on their valuation methods as well as how active the market is. The control of the classification in hierarchy levels is done quarterly. If conditions have changed for the existing level, the holding in question is moved to the correct hierarchy level in consent with the Risk Control unit.

Level 1 – Financial assets and liabilities with values based on quoted prices in active markets for identical assets or liabilities.

Quoted prices in active markets are considered the best estimate of an asset/liability's fair value. An active market is typically characterized by quoted prices that are easily and regularly available and that represent actual and regularly occurring transactions at arm's length distance.

Assets and liabilities in the category include shares, listed funds (ETF), equity- and interest rate funds and interest bearing assets that have quoted prices in an active market at the time of valuation. The category also includes derivatives with a daily fixing.

Level 2 – Financial assets and liabilities with values based on quoted prices or valuation based on directly or indirectly observable market data.

In the level 2 hierarchy, all essential inputs are observable either directly or indirectly. The large majority of the instruments in level 2 are traded in a market with daily quoted prices and regularly occurring market transactions but where the market is not considered to be active enough regarding frequency and volume and/or when the standard deviation of the prices is high. A very limited part of the instruments are model valued with the help of market data that is indirectly observable, meaning that prices can be derived from observable markets where market interest rates and underlying rates normally are updated daily or, in exceptional cases, at least on a monthly basis.

Instruments that are valued at level 2 include interest bearing assets where the market is not active enough. Most OTC derivatives, standardized derivatives as well as currency derivatives are also included in this level.

Level 3 – Financial assets and liabilities that are traded on an illiquid market, with non-observable market data or indications of trading levels without any actual trade.

When neither quoted prices in active markets nor observable market data is available, the fair value of financial instruments is based on valuation techniques that are based on non observable market data.

Level 3 comprises private equity, unlisted shares, certain high-yield assets and distressed assets encountering financial difficulties where trading has essentially ceased to exist.

The types of financial instruments classified as level 3 in the valuation hierarchy are discussed below with reference to type of securities and valuation method:

- Private equity is classified as level 3. The majority of If's investment in Private Equity is made in mutual funds. The fair values are based on prices and share values obtained from the funds administrators. These quotations are based on the value in the underlying assets in accordance with market practice. The last obtained value is used;
- For some unlisted shares external evaluations are obtained, which are used for valuation. The external valuations are based on models that contain non-observable assumptions; and
- Other assets in level 3 are normally valued at least yearly and the valuation is based either on external estimates, cash flow analyses or latest market transactions.

Financial investment assets and derivative liabilities in fair value hierarchy

MSEK	2020 Jun 30				2019 Jun 30			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets, mandatory at fair value through profit and loss (trading)								
Derivatives								
Equity derivatives	-	0	-	0	-	0	-	0
Fixed income derivatives	-	-	-	-	-	-	-	-
Foreign exchange derivatives	-	58	-	58	-	51	-	51
Financial assets, available for sale								
Shares and participations ¹⁾	11,713	-	176	11,889	12,489	-	155	12,644
Bonds and other interest-bearing securities	62,760	34,132	7	96,899	63,659	37,299	0	100,958
Total financial assets, at fair value	74,473	34,190	183	108,846	76,148	37,351	155	113,653
Financial liabilities, mandatory at fair value through profit and loss (trading)								
Derivatives								
Fixed income derivatives	-	14	-	14	-	21	-	21
Foreign exchange derivatives	-	328	-	328	-	45	-	45
Total financial liabilities, at fair value	-	342	-	342	-	66	-	66

¹⁾ Mutual equity funds recognized in the above balances totaled MSEK 3,887 (4,192) of which MSEK 3,817 (4,041) was allocated to level 1 and MSEK 70 (151) to level 3.

Financial investment assets in level 3

Financial assets presented in level 3 are included in financial instruments carried at fair value on the balance sheet. At June 30, 2020, the assets presented in level 3 amounted to MSEK 183 (155).

These financial assets are categorized as available for sale, and unrealized market value changes are, therefore, recognized in other comprehensive income.

MSEK 2020	Carrying amount Jan 1	Net gains/losses recorded in		Purchases	Sales/ maturities	Transfers into/out of level 3	Exchange rate differences	Carrying amount Jun 30	Net gains/losses in income statement that are attributable to assets held at end of period
		income-statement	other comprehensive income						
Financial assets, available for sale									
Shares and participations	182	-	-3	4	-7	-	1	176	-
Bonds and other interest-bearing securities	0	-3	0	-	0	11	-1	7	-3
Total financial assets, at fair value	182	-3	-3	4	-8	11	0	183	-3

MSEK 2019	Carrying amount Jan 1	Net gains/losses recorded in		Purchases	Sales/ maturities	Transfers into/out of level 3	Exchange rate differences	Carrying amount Jun 30	Net gains/losses in income statement that are attributable to assets held at end of period
		income-statement	other comprehensive income						
Financial assets, available for sale									
Shares and participations	198	-	-17	3	-36	6	0	155	-
Bonds and other interest-bearing securities	0	-	0	-	-	-	-	0	-
Total financial assets, at fair value	198	-	-17	3	-36	6	0	155	-

Sensitivity analysis of the fair values of financial investment assets in level 3

The sensitivity of the fair value of level 3 instruments to changes in key assumptions, by category and financial instrument is shown below.

The following changes in key assumptions have been used:

- a 1% increase in the yield curve for bonds and other interest-bearing securities;
- a 20% decrease in prices for equity related securities and real estate.

MSEK	2020 Jun 30		2019 Jun 30	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets, available for sale				
Shares and participations ¹⁾	176	-35	155	-31
Bonds and other interest-bearing securities	7	-	0	-
Total financial assets, at fair value	183	-35	155	-31

¹⁾ Includes holding in equity funds.

NOTE 5 – Pledged assets and contingent liabilities

MSEK	2020 Jun 30	2019 Jun 30	2019 Dec 31
Pledged assets and equivalent securities			
Other financial investment assets	2,692	2,329	2,495
Cash and bank	19	19	18
Total	2,710	2,347	2,513
Policyholders' beneficiary rights			
Assets covered by policyholders' beneficiary rights	105,619	110,588	105,348
Technical provisions, net	-74,864	-77,129	-72,442
Surplus of registered securities	30,755	33,459	32,906
Contingent liabilities and other commitments			
Surety and guarantee undertakings	21	21	19
Other commitments	51	147	98
Total	71	167	116

NOTE 6 – Business combination

In January 2020, If P&C Insurance Holding Ltd (publ) acquired the Norwegian company Viking Redningstjeneste Topco AS.

The purchase price was MNOK 322. Acquisition-related costs were not significant and are included in administrative expenses in the consolidated income statement.

The acquired net assets, including assumed net debt, are negative. Acquired trademarks are estimated to have a lasting value. Acquired customer relationships consist of the calculated value of existing and the estimated value of renewed customer agreements. Customer relationships will be amortized over the expected useful life, estimated at 3-4 years. The amount for goodwill includes the synergy effects in the form of more efficient processes and expansion opportunities that the competencies of Viking's personnel will add to If.

Viking Redningstjeneste is consolidated into If Group as at January 1, 2020. During the period January – June 2020, the company's revenue and operating profit amounted to approximately MNOK 425 and MNOK 2, respectively.

During the reporting period, If P&C Insurance Holding Ltd (publ) contributed MNOK 642 in new share issues to enable a refinancing of Viking Redningstjeneste. During the reporting period, the company redeemed its bond loans and raised a loan from Nordea Bank of

MNOK 300. As security the company has pledged certain assets and If P&C Insurance Holding Ltd (publ) has pledged its shares in the company.

MSEK	
Acquisition balance sheet	
Trademarks	159
Customer relationships	69
Other tangible and intangible assets	116
Cash and bank	40
Other assets	214
Deferred tax liabilities	-21
Long-term liabilities	-812
Other provisions and liabilities	-372
Total identifiable net assets	-607
Goodwill	949

Definitions

Alternative performance measures

An alternative performance measure which is not defined in applicable accounting standards (IFRS, ÅRFL, FFFS 2019:23 and FRL), but where If considers it relevant to monitor and describe the Group's/company's financial situation and to provide additional useful information to the users of its financial statements. Since these measures have been developed and adapted for If, they are not fully comparable with similar performance measures presented by other companies. These are marked below with *).

Claims ratio

Total sum of claims incurred on own account including claims-adjustment costs in relation to premiums earned on own account, expressed as a percentage.

Combined ratio

Total sum of claims incurred and operating expenses on own account in insurance operations in relation to premiums earned on own account, expressed as a percentage.

Cost ratio *)

Total sum of operating expenses in insurance operations on own account and claims-adjustment costs in relation to premiums earned on own account, expressed as a percentage.

Expense ratio

Operating expenses in insurance operations on own account in relation to net premiums earned, expressed as a percentage.

Insurance margin *)

Technical result less other technical income and other operating expense in relation to premiums earned on own account, expressed as a percentage.

Risk ratio *)

Total sum of insurance claims on own account, excluding claims-adjustment costs, in relation to premiums earned on own account, expressed as a percentage.

Solvency capital

Shareholders' equity less deferred tax assets plus untaxed reserves, subordinated debt and deferred tax liability.

Total investment return

Investment return in relation to other financial investment assets, land and buildings, cash and bank balances, accrued financial income, securities settlement claims/liabilities and derivative liabilities, expressed as a percentage. The return has been calculated using a daily time-weighted return calculation method.

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