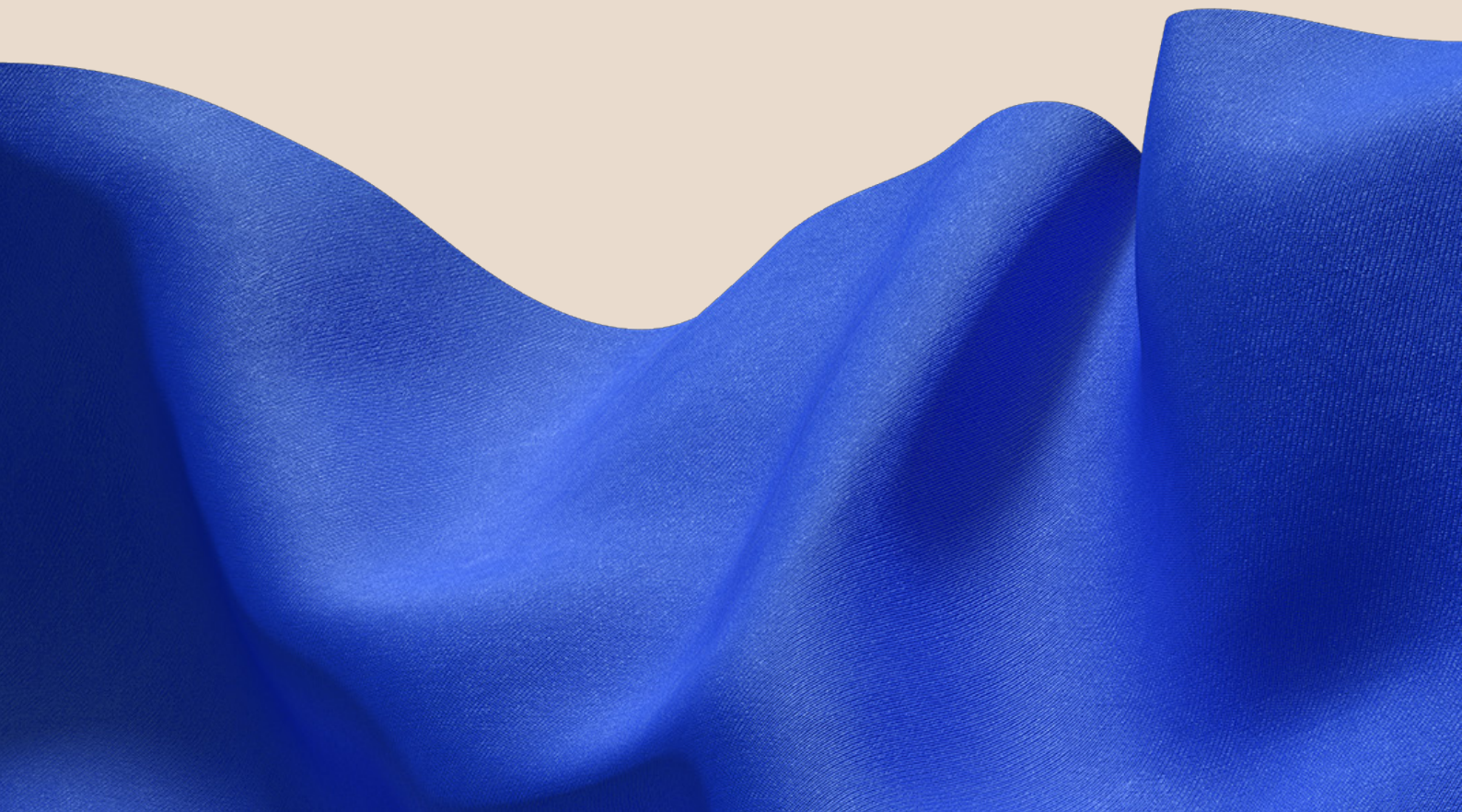




Interim report

January - June 2021

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



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Economical overview

If is the leading property and casualty insurance company in the Nordic region, with insurance operations that also encompass the Baltic countries. The Group's headquarters is located in Solna, Sweden and 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. If's subsidiaries and branches provide insurance solutions and services in Sweden, Norway, Denmark, Finland and the Baltic countries. If's operations are divided into four business areas: Private, Commercial, Industrial and Baltic.

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 2020 and for balance sheet items as per 31 December 2020.

Significant events and effects during the reporting period

The Covid-19 effect on If's premiums was minor in the first six months. In business area Private, the impact was primarily within travel insurance where volumes continued to be lower than the pre-pandemic level. In the corporate segments, Covid-19 had a slight negative impact on premium volumes in the Finnish worker's compensation portfolio.

Claims cost for the first six months was positively impacted by low claims frequencies in the motor and travel insurance portfolios following imposed government restrictions. The effect of Covid-19 on the risk ratio was approximately 3 percentage points positive in the first six months. A gradual normalization of claims frequency is expected as vaccinations are progressing and restrictions lifted.

Earnings and financial position

Results

The technical result for insurance operations increased to MSEK 4,549 (4,239) and the combined ratio improved during the period to 81.1% (82.1). The investment result increased to MSEK 1,481 (148). Profit before tax for the period amounted to MSEK 5,733 (4,083).

Premiums

Gross written premiums amounted to MSEK 30,851 (30,347). Adjusted for currency effects, the increase was 4.4%, driven by stable and high retention levels and high new car sales across the Nordics.

Claims and claims reserves

Claims incurred, net of reinsurance, amounted to MSEK 15,581 (15,701) during the period. The risk ratio was 59.9% (61.4), including a 4.0 percentage points (4.7) positive impact of prior years' development.

On June 30, gross claims reserves amounted to MSEK 67,647 (66,130). Adjusted for currency effects, gross claims reserves increased by MSEK 755 compared with the end of 2020. 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.

Expenses

Operating costs in insurance operations amounted to MSEK 3,654 (3,568) during the first half of the year. The cost ratio deteriorated to 21.2% (20.8).

Investment Result

At full market value, result from asset management was MSEK 2,841 (negative 1,741), driven by supportive equity and credit markets, and corresponding to a total return of 2.5% (negative 1.4).

Asset allocation remained stable. Fixed income comprises 88% (88) and equity 12% (12) of the total investment assets. The duration of the fixed income assets at the end of the period was 1.3 (1.4).

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, strongly increased to MSEK 8,060 (1,831).

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 decreased to MSEK 5,863 (7,081), primarily due to decreased dividends from subsidiaries.

Signatures

The interim report has not been reviewed by the company's auditors.

We hereby certify that this half-year interim report for January-June 2021 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 3, 2021

Torbjörn Magnusson
Chairman of the Board

Knut Arne Alsaker
Board member

Patrick Lapveteläinen
Board member

Ricard Wennerklint
Board member

Morten Thorsrud
President and CEO

Consolidated income statement

MSEK	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
TECHNICAL ACCOUNT INSURANCE OPERATIONS			
Premiums earned, net of reinsurance			
Premiums written, gross	30,851	30,347	50,582
Premiums ceded	-2,218	-1,864	-2,455
Change in provision for unearned premiums and unexpired risks	-5,827	-5,744	-1,229
Reinsurers' share of change in provision for unearned premiums and unexpired risks	912	725	131
	23,718	23,464	47,028
Allocated investment return transferred from the non-technical account	81	93	173
Other technical income	611	547	1,079
Claims incurred, net of reinsurance			
Claims paid			
Gross	-16,012	-17,490	-33,727
Reinsurers' share	613	447	1,190
Change in provision for claims outstanding			
Gross	-654	417	473
Reinsurers' share	472	925	861
	-15,581	-15,701	-31,204
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross	-3,740	-3,650	-7,564
Commissions and profit participations in ceded reinsurance	87	82	148
	-3,654	-3,568	-7,416
Other operating expenses	-626	-595	-1,159
	-4,279	-4,163	-8,575
Technical result from property and casualty insurance	4,549	4,239	8,502
NON-TECHNICAL ACCOUNT			
Investment result			
Direct investment income	1,086	895	1,829
Changes in value	531	-624	-48
Management costs	-137	-122	-252
	1,481	148	1,529
Allocated investment return transferred to the technical account	-182	-215	-404
Interest expense on net pension liability	-6	-8	-16
Interest expenses, financing	-82	-80	-160
Income from associates	-26	-2	-1
Result before income taxes	5,733	4,083	9,451
Taxes	-1,194	-890	-2,046
Net profit for the period	4,539	3,193	7,405
<i>Of which attributable to owners of the parent</i>	<i>4,539</i>	<i>3,193</i>	<i>7,405</i>

Consolidated statement of comprehensive income

MSEK	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Net profit for the period	4,539	3,193	7,405
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Remeasurements of the net pension liability	473	-171	-2
Taxes related to items which will not be reclassified	-98	39	-3
	375	-132	-5
<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	277	-344	-906
Effects of changes in exchange rates, foreign associates	0	0	0
Remeasurements of financial assets available for sale	1,877	-2,478	903
Value changes recognised in income statement on financial assets available for sale	-517	588	116
Taxes related to items which will be reclassified when specific conditions are met	-303	439	-42
	1,334	-1,794	71
Total comprehensive income for the period	6,249	1,267	7,471
<i>Of which attributable to owners of the parent</i>	<i>6,249</i>	<i>1,267</i>	<i>7,471</i>

Consolidated balance sheet

Assets

MSEK	Note	2021 Jun 30	2020 Jun 30	2020 Dec 31
Intangible assets				
Goodwill		1,866	1,828	1,824
Other intangible assets		287	586	432
		2,153	2,414	2,256
Investment assets				
Land and buildings		53	35	35
Shares in associated companies		192	146	218
Loans to associated interests		2	2	2
Other financial investments	4	110,002	110,768	108,274
Deposits with ceding undertakings		7	7	7
		110,256	110,958	108,535
Reinsurers' share of technical provisions				
Provisions for unearned premiums and unexpired risks		1,516	1,228	589
Provisions for claims outstanding		2,796	2,484	2,255
		4,312	3,712	2,844
Deferred tax assets				
		109	250	217
Debtors				
Debtors arising out of direct insurance operations		17,032	16,292	14,267
Debtors arising out of reinsurance operations		1,280	910	875
Other debtors		843	1,090	827
		19,155	18,291	15,969
Other assets				
Tangible assets		1,971	1,865	1,832
Cash and bank balances		13,510	4,191	4,015
Collaterals and settlement claims		152	333	439
		15,633	6,389	6,287
Prepayments and accrued income				
Accrued interest and rental income		321	393	385
Deferred acquisition costs		1,195	1,225	1,160
Other prepayments and accrued income		466	488	435
		1,982	2,106	1,980
Total assets		153,599	144,120	138,089

Consolidated balance sheet

Shareholders' equity, provisions and liabilities

MSEK	Note	2021 Jun 30	2020 Jun 30	2020 Dec 31
Shareholders' equity				
Share capital		2,726	2,726	2,726
Statutory reserve		400	400	400
Fair value reserve		6,689	3,285	5,594
Profit brought forward		22,763	21,360	14,744
Net profit for the period		4,539	3,193	7,405
		37,117	30,965	30,868
Subordinated debt				
		5,598	4,142	4,095
Technical provisions (gross)				
Provisions for unearned premiums and unexpired risks		28,691	27,453	22,499
Provisions for claims outstanding		67,647	67,939	66,130
		96,338	95,392	88,629
Provisions for other risks and charges				
Deferred tax liability		3,199	2,282	2,822
Other provisions		650	1,346	1,177
		3,849	3,629	3,999
Deposits received from reinsurers				
		-	-	-
Creditors				
Creditors arising out of direct insurance operations		1,285	912	1,967
Creditors arising out of reinsurance operations		1,086	814	326
Derivatives	4	134	342	446
Other creditors		6,361	6,335	5,766
		8,865	8,402	8,506
Accruals and deferred income				
Reinsurers' share of deferred acquisition costs		104	80	45
Other accruals and deferred income		1,729	1,511	1,946
		1,833	1,591	1,991
Total shareholders' equity, provisions and liabilities				
		153,599	144,120	138,089

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 2021	2,726	400	5,594	22,149	-	30,868
Total comprehensive income	-	-	1,096	614	4,539	6,249
Equity at end of June 2021	2,726	400	6,689	22,763	4,539	37,117
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
Equity at beginning of 2020	2,726	400	4,771	21,801	-	29,697
Total comprehensive income	-	-	823	-757	7,405	7,471
Dividend	-	-	-	-6,300	-	-6,300
Equity at end of 2020	2,726	400	5,594	14,744	7,405	30,868

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	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from insurance operations			
Premium flows, direct insurance	28,259	27,824	50,286
Claim payments, direct insurance	-16,057	-18,156	-33,826
Reinsurance flows	-1,350	-1,079	-1,372
Cost of operations	-3,946	-4,235	-7,362
	6,906	4,354	7,727
Cash flow from asset management			
Interest received	891	1,051	1,896
Interest paid	-73	-108	-171
Dividends received	311	106	308
Cash flow from properties	0	-1	0
Net investments in financial investment assets	1,777	-2,886	549
	2,907	-1,838	2,582
Interest payment, financing	-39	-45	-161
Realized foreign exchange transactions	-217	450	-16
Paid income tax	-1,494	-1,090	-1,840
	8,062	1,831	8,292
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend, associates	-	0	1
Acquisition of subsidiaries, net of cash acquired	-	-304	-304
Investments in associates	-	-	-75
	-	-304	-379
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid	-	-	-6,300
Repayment of lease liabilities	-106	-105	-222
Issuance of loans	1,491	285	285
Repayment of loans	-	-794	-794
	1,385	-614	-7,032
Cash flow for the period	9,448	912	882
Cash and bank balances			
Opening cash and bank balances for the period	4,015	3,303	3,303
Effect of exchange rate changes	46	-24	-169
Cash flow for the period	9,448	912	882
Closing cash and bank balances for the period	13,510	4,191	4,015

Key figures

MSEK	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec	2019 Jan-Dec	2018 Jan-Dec	2017 Jan-Dec
Earnings-related information						
Premiums earned, net of reinsurance	23,718	23,464	47,028	46,451	44,019	41,376
Allocated investment return transferred from the non-technical account	81	93	173	167	130	180
Other technical income	611	547	1,079	332	304	260
Claims paid, net of reinsurance	-15,581	-15,701	-31,204	-31,756	-30,307	-28,516
<i>of which, claims-adjustment costs</i>	<i>-1,380</i>	<i>-1,303</i>	<i>-2,672</i>	<i>-2,635</i>	<i>-2,437</i>	<i>-2,327</i>
Operating expenses for insurance operations, net of reinsurance	-3,654	-3,568	-7,416	-7,472	-7,200	-6,796
Other operating expenses	-626	-595	-1,159	-472	-345	-334
Technical result from property and casualty insurance	4,549	4,239	8,502	7,250	6,601	6,171
Net profit for the period	4,539	3,193	7,405	7,301	6,784	6,148
Investment result						
Investment result	1,481	148	1,529	2,707	2,648	2,389
Remeasuring of financial assets available for sale	1,877	-2,478	903	3,910	-2,423	1,492
Value changes of AFS assets recognized in the income statement	-517	588	116	-877	-1,062	-886
Total return	2,841	-1,741	2,548	5,740	-838	2,995
Information regarding economic status						
Investment assets	110,256	110,958	108,535	112,394	110,535	110,975
Technical provisions	96,338	95,392	88,629	91,704	91,618	89,775
Solvency capital	45,805	37,139	37,568	36,559	33,932	36,043
<i>of which, deferred tax</i>	<i>3,090</i>	<i>2,032</i>	<i>2,605</i>	<i>2,728</i>	<i>2,016</i>	<i>2,563</i>
Key data						
Claims ratio	65.7%	66.9%	66.4%	68.4%	68.8%	68.9%
Expense ratio	15.4%	15.2%	15.8%	16.1%	16.4%	16.4%
Combined ratio	81.1%	82.1%	82.1%	84.5%	85.2%	85.3%
Risk ratio ¹⁾	59.9%	61.4%	60.7%	62.7%	63.3%	63.3%
Cost ratio ¹⁾	21.2%	20.8%	21.5%	21.8%	21.9%	22.0%
Insurance margin ¹⁾	19.2%	18.3%	18.2%	15.9%	15.1%	15.1%
Total investment return	2.5%	-1.4%	2.3%	5.0%	-0.8%	2.6%

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

Parent company

Income statement

MSEK	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Other operating income	51	10	50
Other operating expenses	-48	-21	-55
Operation result	3	-11	-5
Result from financial investments			
Dividend from subsidiaries	5,898	7,115	7,278
Result from associated companies	-	0	1
Interest income and similar income items	15	25	38
Interest expense and similar expense items	-50	-60	-110
Result after financial items	5,863	7,070	7,203
Group contributions, net	-	-	26
Result before income taxes	5,865	7,070	7,229
Tax on net profit for the period	-2	11	-1
Net profit for the period	5,863	7,081	7,227

Statement of comprehensive income

MSEK	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Net profit for the period	5,863	7,081	7,227
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	0	0
Remeasurements of financial assets available for sale	6	-27	3
Value changes recognized in income statement on financial assets available for sale	-1	0	0
Taxes related to items which will be reclassified when specific conditions are met	-1	6	-1
	5	-21	2
Total comprehensive income for the period	5,867	7,060	7,229

Balance sheet

MSEK	2021	2020	2020
Assets	Jun 30	Jun 30	Dec 31
Financial fixed assets			
Shares in Group companies	18,299	20,299	18,299
Shares in associated companies	120	92	120
	18,420	20,391	18,420
Deferred tax asset	2	16	1
Debtors			
Debtors, Group companies	5,639	4,925	132
Other debtors	0	1	0
Accrued interest income	4	4	9
	5,643	4,930	141
Short-term investments			
Bonds	4,347	1,831	2,472
	4,347	1,831	2,472
Cash and bank balances	6,686	1,269	1,937
Total assets	35,098	28,437	22,971
Shareholders' equity, provisions and liabilities			
Shareholders' equity			
Share capital	2,726	2,726	2,726
Statutory reserve	400	400	400
Fair value reserve	17	-10	13
Profit carried forward	15,022	14,095	7,795
Net profit for the period	5,863	7,081	7,227
	24,028	24,291	18,161
Subordinated debt	4,487	2,990	2,993
Provisions			
Deferred tax liability		-	-
Other provisions	23	15	17
	23	15	17
Current creditors			
Creditors, Group companies	6,383	1,108	1,755
Provision for taxes	3	2	3
Other creditors	114	8	9
Other accrued expenses and prepaid income	59	22	33
	6,559	1,140	1,800
Total shareholders' equity, provisions and liabilities	35,098	28,437	22,971

Notes

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 2020 Annual Report.

Besides the disclosures provided in Notes 1-5, 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 2020 Annual Report.

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 2021 Jan-Jun	Total 2020 Jan-Jun
Premiums earned, net of reinsurance	14,266	6,287	2,404	761	-	0		23,718	23,464
Allocated investment return transferred from the non-technical account	39	32	10	-	-	0		81	93
Other technical income	132	38	12	0	-	556	-128	611	547
Claims incurred, net of reinsurance	-8,925	-4,308	-1,945	-465	-	25	38	-15,581	-15,701
Operating expenses in insurance operations, net of reinsurance	-2,106	-1,063	-353	-189	-	70	-12	-3,654	-3,568
Other operating expenses	-160	-43	-12	-	-	-513	102	-626	-595
Technical result from property and casualty insurance	3,245	943	116	107	-	138	-	4,549	4,239
Investment result, net					2,841		-1,360	1,481	148
Allocated investment return transferred to the technical account						-182		-182	-215
Interest expense on net pension liability						-6		-6	-8
Interest expenses, financing						-82		-82	-80
Income from associates						-26		-26	-2
Result before income taxes								5,733	4,083

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							Total	Total
	Private	Com- mercial	Industrial	Baltic	Asset management	Other	2021 Jun 30	2020 Jun 30
Assets								
Intangible assets	-	315	-	-	-	1,838	2,153	2,414
Investment assets	-	-	-	-	110,256	-	110,256	110,958
Reinsurers' share of technical provisions	172	220	3,888	32	-	0	4,312	3,712
Deferred tax assets	-	0	-	0	-	108	109	250
Debtors arising out of insurance operations	12,380	3,503	2,305	389	-	-265	18,312	17,202
Deferred acquisitions costs	760	320	75	39	-	-	1,195	1,225
Other assets ¹⁾	-	-	-	-	10,893	6,370	17,263	8,359
Total assets	13,312	4,358	6,268	461	121,149	8,051	153,599	144,120
Shareholders' equity, provisions and liabilities								
Shareholders' equity	-	-	-	-	-	37,117	37,117	30,965
Subordinated debt	-	-	-	-	-	5,598	5,598	4,142
Technical provisions, gross	47,953	27,168	19,116	2,100	-	-	96,338	95,392
Provisions for other risk and changes	16	27	5	317	-	3,484	3,849	3,629
Creditors arising out of insurance operations	442	136	1,042	59	-	692	2,370	1,726
Reinsurers' share of deferred acquisition costs	7	7	89	1	-	-	104	80
Other creditors ¹⁾	-	-	-	-	500	7,723	8,223	8,188
Total shareholders' equity, provisions and liabilities	48,417	27,338	20,252	2,477	500	54,614	153,599	144,120

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	
	2021 Jun 30	2020 Jun 30	2021 Jun 30	2020 Jun 30	2021 Jun 30	2020 Jun 30
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	13	15	74	58	74	58
Financial assets available for sale						
Shares and participations	9,010	9,712	14,494	11,889	14,494	11,889
Bonds and other interest-bearing securities	93,201	97,632	93,991	96,899	93,991	96,899
Total financial assets, at fair value	102,224	107,359	108,559	108,846	108,559	108,846
Loans ¹⁾						
Deposits with credit institutions	-	52	-	53	-	52
Other loans	1,442	1,869	1,678	1,896	1,442	1,869
Total Other financial investment assets	103,666	109,280	110,237	110,795	110,002	110,768
Financial liabilities, mandatory at fair value through profit or loss (trading)						
Derivatives	-	1	134	342	134	342
Total financial liabilities, at fair value	-	1	134	342	134	342

¹⁾ Loans are in accordance with 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.

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	2021 Jun 30				2020 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	-	1	-	1	-	-	-	-
Foreign exchange derivatives	-	74	-	74	-	58	-	58
Financial assets, available for sale								
Shares and participations ¹⁾	14,415	19	60	14,494	11,713	-	176	11,889
Bonds and other interest-bearing securities	60,042	33,854	96	93,991	62,760	34,132	7	96,899
Total financial assets, at fair value	74,457	33,948	156	108,559	74,473	34,190	183	108,846
Financial liabilities, mandatory at fair value through profit and loss (trading)								
Derivatives								
Fixed income derivatives	-	3	-	3	-	14	-	14
Foreign exchange derivatives	-	130	-	130	-	328	-	328
Total financial liabilities, at fair value	-	134	-	134	-	342	-	342

¹⁾ Mutual equity funds recognized in the above balances totaled MSEK 4,803 (3,887) of which MSEK 4,767 (3,817) was allocated to level 1 and MSEK 36 (70) 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, 2021, the assets presented in level 3 amounted to MSEK 156 (183).

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

MSEK 2021	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	145	-	3	-4	86	-	3	60	-	
Bonds and other interest-bearing securities	16	-23	7	96	-	-	1	96	-23	
Total financial assets, at fair value	161	-23	9	92	86	-	4	156	-23	

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	

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.

MSEK	2021 Jun 30		2020 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⁾	60	-12	176	-35
Bonds and other interest-bearing securities	96	-3	7	-
Total financial assets, at fair value	156	-16	183	-35

¹⁾ Includes holding in equity funds.

NOTE 5 – Pledged assets and contingent liabilities

MSEK	2021	2020	2020
	Jun 30	Jun 30	Dec 31
Pledged assets and equivalent securities			
Other financial investment assets	2,615	2,692	2,627
Shares in subsidiaries	929	-	874
Cash and bank balances	33	19	42
Total	3,578	2,710	3,543
Policyholders' beneficiary rights			
Assets covered by policyholders' beneficiary rights	106,477	105,619	101,849
Technical provisions, net	-71,703	-74,864	-70,511
Surplus of registered securities	34,774	30,755	31,338
Contingent liabilities and other commitments			
Surety and guarantee undertakings	18	21	21
Other commitments	45	51	46
Total	63	71	66

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.

Contact:

Sweden	+46 771 430 000	if.se
Norway	+47 980 024 00	if.no
Denmark	+45 77 01 21212	if.dk
Finland	+358 105 1510	if.fi