If P&C Insurance AS

Annual Report 2024

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Translation from Estonian original

Business name:	If P&C Insurance AS
Registry code:	10100168
Address:	Lõõtsa 8a, 11415 Tallinn
Telephone:	+372 777 1211
E-mail:	info@if.ee
Web page:	www.if.ee
Main field of activity:	non-life insurance services
Beginning of financial year:	1 January 2024
End of financial year:	31 December 2024
Chairman of the Management Board:	Andris Morozovs
Auditor:	Sirius Audit OÜ

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Management Report

Organization

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

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 374,000 policyholders and is one of the leading P&C insurers 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.

Legal structure of the company

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

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

Branch in Lithuania
If P&C Insurance AS filialas
reg. no. 302279548

Significant events and effects during the year

Over the past three to four years, the economies of the Baltic states have encountered significant volatility. This period has been characterized by geopolitical uncertainty, notable fluctuations in inflation rates, central bank-initiated increases in interest rates, and various other economic events that have adversely affected the insurance market. Moreover, there has been a noticeable uptick in both the frequency and severity of natural disasters and extreme weather occurrences.

The insurance industry is undergoing significant changes, with technology and data analytics playing increasingly pivotal roles. If is committed to further investments in digitalization, data-driven innovations, and automation, while prioritizing customer-centric approaches to solidify its position as a leading digital provider of insurance and assistance services. Our strategy involves cultivating a dedicated agile organization structured around cross-functional tribes aligned with value streams, coupled with a strong emphasis on standardization, empowering us to secure strategic positions within digital ecosystems.

Refer to Note 1 for the main accounting policies applied.

Changes in accounting policies

During the year, the presentation of change in discounting effect attributable to risk adjustment has been updated. The change in the discount effect is now allocated between the insurance service expenses and insurance finance income or expenses.

Earnings and financial position

Results

Insurance service result increased to €31.0 million (€28.1 million in 2023) and the combined ratio improved and amounted to 87.0% (87.2% in 2023). Net financial result was €11.7 million (€18.4 million in 2023). Profit before tax for the year amounted to €42.9 million (€46.6 million in 2023).

Premiums

Insurance revenue amounted to €245.0 million (€223.0 million in 2023) where of gross written premiums amounted to €249.6 million (€238.0 million in 2023). Gross written premium growth was 5%, driven mainly by premium increases, new customer acquisition and solid renewals of existing customers, in both the Private and Commercial small and medium customer segments.

Claims

Insurance service expense, claims incurred and reinsurers' share of claims incurred increased to a net of €153.6 million (€139.2 million in 2023). The loss ratio was 63.7% (63.5% in 2023), including a 6.0% (positive 4.9% in 2023) positive impact of prior years' development. The change was primarily attributable to high large claims and severe weather. On December 31, the liability for incurred claims increased by €13.4 million and amounted to €176.2 million (€162.8 million in 2023). The reinsurance asset for incurred claims amounted to €7.4 million (€7.0 million in 2023). The decrease during the period was €0.4 million.

Expenses

Insurance service expense, operating expenses amounted to €55.8million (€51.5 million in 2023). The increase in these expenses was 8%. The expense ratio improved to 23.3% (23.7% in 2023).

Net financial result

Net financial result was €11.7 million (€18.4 million in 2023), consisting of Investment result and Insurance finance income or expenses, net.

Investment result was €17.7 million (€23,2 million in 2023). This corresponded to a total investment return of 5.2% (7.3%), driven by tighten spreads. The allocation of the investment assets has remained stable, fixed income comprises 100% (100% in 2023) of the total investment assets. The duration of the fixed income assets at the end of the period was 2.7 (2.7).

Insurance finance income or expenses, net was negative €5.9 million (negative €4.8 million in 2023) and included the effect of changes in discount rates of negative €1.5 million (negative €1.4 million in 2023) and interest expense (unwinding) of negative -€4.0 million (negative -€3.7 million in 2023).

Yields in 2024 have been decent and 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, however in some cases awaiting better opportunities.

Tax expense and net profit

The effective tax rate for the year was 14.9% (16% in 2023). Out of the total tax expenses, current tax expense accounted for €6.4 million (€7.4 million in 2023), and deferred tax expense for €0.1 million (€0.1 million in 2023).
Net profit for the year was €36.6 million (€39.1 million in 2023).

Personnel

The numbers of employees increased during the year and amounted to 614 FTE (2023:602) at year-end. The average number of employees during the year was 613 FTE (2023: 591), of whom 65% (2023: 67%) were women.

During the year, If recruited 77 employees (2023: 86) in order to replace people who had retired or left the company and to add new competencies to the organization.

The principles for determining the remuneration of senior executives are presented in Note 8.

Our employees and their contribution are If's most important source of competitive advantage. The Company's success is entirely dependent on employees delivering top-class professional insurance services in all customer interactions. If invests heavily in culture, talent acquisition and people engagement in order to build a work environment that enables strong performance while supporting employee well-being. Ensuring that great people want to join If, want to stay at If, and want to give their best to help the company reach its goals is vitally important for company performance and value creation. Furthermore, the importance of having great people, a strong company culture and a first-rate work environment where employees can impact their growth opportunities is vital to create the people engagement. A supportive and inspiring culture, and the capability to adapt to a changing market, is the best way of ensuring that we build a resilient organization where people put their hearts into it and where we continuously stay ahead.

Strengthening the One If culture

If is dependent on a great company culture with engaged employees. This requires a healthy and safe work environment for all employees including physical safety, relating to issues such as ergonomics and well-functioning workspaces, as well as psychological safety, which concerns issues such as reasonable workload, good leadership, development opportunities and non-tolerance of discrimination and harassment. The basic building blocks of a sound work environment and company culture include having clear and well-known purpose statements and values, along with our vision of becoming the most caring insurance company. A strong company culture is also vital for attracting and retaining the right employees.

Building great leadership

Quality leadership is an important foundation for If's continued success. Leaders play a significant role in the continuous improvement of the work environment and in building a strong culture. Following the principles of If Leadership Compass enables all leaders to support and motivate their teams better. During 2024 all leaders in If participated in If Leadership Compass Program which supports them in their personal development journey of their leadership.

Securing people and skills for the future

Because If's competitive advantage is its competent and engaged employees, high expectations are placed on all employees to strive towards being the best-skilled and most competent professionals in their field of expertise. In parallel with If's structured competence initiatives each employee is encouraged to take individual ownership for improving operational excellence within their area of responsibility and to ensure professional growth.

Operations

If offers a complete range of property and casualty (P&C) insurance products for both private and corporate customers. We provide services through digital channels and by phone, but customers are also served with the help of a strong network of brokers and partners.
In 2024, If continued to strengthen its presence in the market through various initiatives and campaigns. A major milestone was the upgrade of the Health Insurance product in Lithuania, ensuring enhanced benefits and improved accessibility for customers. This initiative was complemented by a pan-Baltic B2B campaign, further expanding If's reach and reinforcing its commitment to delivering high-quality services. We successfully migrated our first insurance product to a new core system, bringing scalability, agility, and a strong competitive advantage to our operations.

Strategic sponsorship played a key role in If's engagement with communities across the Baltic regions. If sponsored of the If Half Marathon in Lithuania. Additionally, If actively participated in various EV-related events in Latvia, maintained its presence at the Pets Expo, and continued supporting animal shelters as part of its long-term social responsibility initiatives in the Baltics.
A major development in Estonia was the announcement of a new office project. The construction of Estonia's first wooden high-rise building will commence in the modern Fahle business district and this remarkable building will become If's new Tallinn office by the summer of 2026.

Sustainability remained a core focus for If in 2024. As part of our efforts to reduce the environmental impact, If reduced the number of shared vehicles used by its employees in the Baltic countries by a third. Whenever possible, we choose electric vehicles as replacements, and also use car-sharing platforms and taxis. During the year, we replaced some of the previously used petrol cars with electric and hybrid vehicles. In addition, If introduced claims sustainability initiatives, to encourage customers to repair rather than replace vehicle parts.

Another important achievement was reaching 100,000 registered users of the If Mobile Baltic App. This milestone reflects the growing importance of digital solutions and If's commitment to enhancing customer convenience through seamless digital experiences.
In an effort to have the most engaged employees, various internal activities were organized in the Baltics during the year, including Health and Mental Health weeks and two annual events for all employees to celebrate the biggest achievements and recognise the best employees of the year.

Outlook

The Baltic insurance market is forecast to experience moderate growth in 2025, supported by a gradual economic recovery, declining inflation, and lower interest rates. While 2025 is expected to be a transitional year, full stability has yet to be achieved. Geopolitical uncertainties remain a key risk factor, with concerns over regional stability and regulatory changes, including changes to tax regimes, influencing market dynamics and consumer behaviour. Additionally, salary inflation is expected to remain elevated due to a growing shortage of skilled labour, driven by demographic shifts, an ageing workforce, and increased cross-border employment by companies in higher-cost EU countries. Despite these challenges, the market remains resilient, with insurers demonstrating their adaptability to evolving conditions.

In this dynamic environment, frequent reassessment and adjustment of pricing strategies will be necessary to maintain a balance between risk management and customer value. Policy and customer growth is expected to remain moderate in 2025, driven primarily by changing consumer behaviors and a modest increase in demand for insurance products, with repricing playing a secondary role.

At the same time, there is a growing shift toward environmentally friendly and socially responsible products, which are steadily gaining traction with consumers. The increasing focus on sustainability is influencing purchasing decisions and reflecting broader market trends. If is well-positioned to navigate these evolving dynamics and respond effectively to changing customer expectations.

Overall, the Baltic insurance market is poised for steady growth in 2025, supported by evolving consumer preferences, moderate demand increases, and the need for strategic adaptability amid economic fluctuations, geopolitical uncertainties, and broader socioeconomic trends. In line with overall market trends, If is expected to maintain premium growth in 2025 and remains fully prepared to ensure business continuity while maintaining high standards of customer service.

Applied accounting policies

The Company has prepared the accounts in accordance with international accounting standards (IFRS Standards, IAS Standards, SIC Interpretations and IFRIC Interpretations), as adopted by the European Union.

Solvency, objectives and policies for financial risk management

Insurance is a regulated business with EU-wide rules for calculating capital requirements and available capital. The Company has regulatory solvency capital requirements (SCR) and uses the standard formula for calculating SCR. The Company publishes an annual comprehensive Solvency and Financial Condition Report, which is available on the company website if.ee.

The core of the Company's insurance operations is the transfer of risk from the insured clients to the insurer. The Company's result depends on both the insurance service result and the net financial result.

The main objectives of the Company's risk management are to ensure a sufficient return for the risks taken and that risks are taken into account in pricing decisions and other business decisions.

This requires risks to be properly identified and monitored. The risks, exposures and risk management are described in Note 4.

Sustainability report

The parent company If P&C Insurance Holding Ltd (publ), corporate reg. no. 556241-7559, whose headquarter is in Solna Sweden, has prepared a sustainability report called If Sustainability Report 2024. It covers the parent company and its subsidiaries and is available on the website if.se. If P&C Insurance AS has therefore chosen not to prepare its own sustainability report.

Five-year summary

€000	2024	2023	2022	2021	2020
Statement of profit&loss (2022-2024) [6,7]					
Insurance revenue	244,974	223,024	188,769		
Reinsurance premium expense	-5,526	-5,264	-4,153		
Insurance service expense, claims incurred	-153,615	-139,185	-123,059		
of which, claims handling expenses	*-6,673*	*-6,047*	*-5,337*		
Insurance service expense, operating expenses	-55,828	-51,524	-45,006		
Reinsurers' share of claims incurred	1,038	1,015	1,103		
Insurance service result	**31,043**	**28,066**	**17,654**		
Result from other services	**171**	**77**	**77**		
Investment result	17,698	23,226	3,371		
Insurance finance income or expense, Net	-5,965	-4,783	4,921		
Net financial result	**11,733**	**18,443**	**8,292**		
Result before income tax	**42,947**	**46,586**	**26,023**		
Income taxes	-6,388	-7,467	-4,865		
Net profit for the year	**36,559**	**39,119**	**21,158**		
Statement of profit&loss (2020-2021) [6,7]					
Premiums written, net of reinsurance				164,243	148,733
Premiums earned, net of reinsurance				156,062	147,101
Claims incurred, net of reinsurance				-97,405	-91,297
of which, claims handling expenses				*-4,681*	*-4,476*
Operating expenses, reinsurance commissions and other income				-39,109	-37,094
Technical result from property and casualty insurance				**19,548**	**18,710**
Investment result				2,521	2,252
Result before income taxes				**22,069**	**20,962**
Taxes				-3,899	-4,360
Net profit for the year				**18,170**	**16,602**

Five-year summary, *continued*

€000	2024	2023	2022	2021	2020
Statement of Financial position, December 31 [6,7]					
Assets					
Cash and bank balances	42,670	29,610	42,425	78,327	52,880
Investment assets	345,829	338,984	300,170	276,198	296,496
Reinsurance assets/ Reinsurers' share of technical provisions	5,696	5,695	5,002	6,260	5,786
Debtors	3,972	2,875	3,256	36,267	31,178
Other assets, prepayments and accrued income	4,676	4,976	**5,545**	8,280	7,251
Deferred tax assets	-	-	**140**	-	-
Total assets	**402,843**	**382,140**	**356,538**	**405,332**	**393,591**
Liabilities, provisions and shareholders' equity					
Creditors	14,763	17,109	12,037	11,176	10,423
Deferred tax liability	41	21	189	40	75
Provisions, accruals and deferred income	8,365	8,182	7,334	7,847	6,708
Insurance liabilities / Technical provisions	223,923	208,936	189,105	208,616	196,144
Shareholders' equity	155,751	147,892	147,873	177,653	180,241
Total shareholders' equity, provisions and liabilities	**402,843**	**382,140**	**356,538**	**405,332**	**393,591**
Key data, property and casualty operations [6]					
Loss ratio, % [1]	63.7%	63.5%	66.1%	62.4%	62.1%
Expense ratio, % [2]	23.3%	23.7%	24.3%	25.1%	25.2%
Combined ratio, % [3]	87.0%	87.2%	90.4%	87.5%	87.3%
Gross written premium	249,558	238,028	205,709	168,756	152,243
Key data, asset management [7]					
Total investment return, % [4,8]	5.2%	7.3%	-8.8%	0.0%	1.4%
Other key data [6,7]					
Return on equity, % [5]	23.5%	26.5%	-4.6%	10.2%	9.2%

1) Claims incurred, net of reinsurance divided by insurance revenue net of reinsurance
2) Insurance service expense, operating expenses divided by insurance revenue net of reinsurance
3) Loss ratio +Expense ratio
4) Investment result divided by weighted average volume of financial investments in the period (on a yearly basis)
5) Total comprehensive income divided by average equity

6) Since 1 January, 2023 If applies the new standard IFRS 17 Insurance contracts whereby all figures for 2022 have been recalculated in accordance with these policies. The figures presented for 2020-2021 are unchanged, which means that they are presented in accordance with the previously applied accounting policies.

7) Since 1 January, 2023 If applies the standard IFRS 9 Financial instruments, where the comparative year 2022 has not been recalculated in accordance with these policies. The figures presented for 2020-2021 are unchanged, which means that they are presented in accordance with the previously applied accounting policies.

8) The total investment return since 2023 consists of the Investment result. For 2022 and earlier, this consists of the Investment result and effects presented in Other comprehensive income (Remeasurement of financial assets available for sale and value changes on financial assets available for sale reclassified to the statement of profit and loss).

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Statement of profit and loss

€000	Note	2024	2023
Insurance revenue	16	244,974	223,024
Reinsurance premium expenses	16	-5,526	-5,264
Insurance service expenses			
Claims incurred	5	-153,615	-139,185
Operating expenses	6	-55,828	-51,524
Total		**30,005**	**27,051**
Reinsurers' share of claims incurred	5	1,038	1,015
Insurance service result		**31,043**	**28,066**
Other income		203	77
Other Expenses		**-32**	**-**
Result from other services		**171**	**77**
Investment result	**10**	**17,698**	**23,226**
Insurance finance income or expenses, net			
Insurance contracts	16	-6,225	-4,936
Reinsurance contracts held	16	260	153
Total		**-5,965**	**-4,783**
Net financial result		**11,733**	**18,443**
Result before income taxes		**42,947**	**46,586**
Taxes	11	-6,388	-7,467
Net profit for the year		**36,559**	**39,119**

Statement of other comprehensive income

€000	Note	2024	2023
Net profit for the year		**36,559**	**39,119**
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss when specific conditions are met		-	-
Total other comprehensive income for the year		**36,559**	**39,119**

Statement of financial position

€000	Note	31.12.2024	31.12.2023
Assets			
Cash and bank balances		42,670	29,610
Financial Investment assets	**12**	**345,829**	**338,984**
Debtors	**13**	**3,972**	**2,875**
Prepayments and accrued income		**1,037**	**933**
Reinsurance assets		**5,696**	**5,695**
Asset for remaining coverage	16	-1,753	-1,336
Asset for incurred claims	16	7,449	7,031
Other assets		**3,639**	**4,043**
Tangible assets	14	3,639	4,043
Total assets		**402,843**	**382,140**
Liabilities, provisions and shareholders’ equity			
Creditors		**14,763**	**17,109**
Other creditors	15	12,062	13,779
Lease liabilities	15	2,701	3,330
Deferred tax liability	**17**	**41**	**21**
Accruals and deferred income	**18**	**8,365**	**8,182**
Insurance liabilities		**223,923**	**208,936**
Liability for remaining coverage and acquisition cashflow asset	16	47,743	46,108
Liability for incurred claims	16	176,180	162,828
Shareholders' equity	**19**	**155,751**	**147,892**
Share capital	19	6,391	6,391
Premium reserve	19	3,679	3,679
Statutory reserve	19	2,362	2,362
Profit brought forward	19	106,760	96,341
Net profit for the year		36,559	39,119
Total liabilities, provisions and shareholders' equity		**402,843**	**382,140**

Statement of cash flows

€000	Note	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from insurance operations			
Premium flows, direct insurance		246,792	230,813
Premiums ceded		-5,493	-5,134
Claims payments, direct insurance		-146,716	-128,729
Reinsurance flows		71	60
Costs of operations		-54,120	-50,224
		40,533	**46,786**
Cash flow from asset management			
Interest received		8,888	5,965
Interest paid		-79	-54
Investments in bonds and other interest bearing securities		-119,300	-62,139
Proceeds from disposals of bonds and other interest bearing securities		121,781	39,889
		11,290	**-16,339**
Paid income tax	11	-9,079	-4,229
		-9,079	**-4,229**
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend received	10	-	1,050
Proceeds from sale of subsidiary		-	5
		-	**1,055**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid	19	-28,700	-39,100
Repayments of lease liabilities		-984	-988
		-29,684	**-40,088**
Cash flow for the period		**13,060**	**-12,815**
Cash and bank balances			
Cash and bank balances on January 1		29,610	42,425
Change in cash flow		13,060	-12,815
Cash and bank balances on December 31		**42,670**	**29,610**

Changes in shareholders' equity

€000	Restricted equity: Share capital	Restricted equity: Share premium	Restricted equity: Statutory reserves	Unrestricted equity: Fair value reserve [3]	Unrestricted equity: Profit brought forward	Unrestricted equity: Net profit for the year	Total equity
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) [2]	-	-	-	24,011	-24,011	-	**-**
Adjusted equity at beginning of 2023	**6,391**	**3,679**	**2,362**	**-**	**135,441**	**-**	**147,873**
Total comprehensive income	-	-	-	-	-	39,119	**39,119**
Dividend paid [1]	-	-	-	-	-39,100	-	-39,100
Equity at end of 2023	**6,391**	**3,679**	**2,362**	**-**	**96,341**	**39,119**	**147,892**
Equity at beginning of 2024	**6,391**	**3,679**	**2,362**	**-**	**135,460**	**-**	**147,892**
Net profit for the year	-	-	-	-	-	36,559	**36,559**
Dividend paid [1]	-	-	-	-	-28,700	-	-28,700
Equity at end of 2024	**6,391**	**3,679**	**2,362**	**-**	**106,760**	**36,559**	**155,751**

[1] Refer to Note 19-Equity

[2] The fair value reserve prior change in accounting policies (IFRS 9) corresponded in full to value changes of financial assets available for sale

Notes to the Financial Statements

Note 1. Material accounting policies

Company information

If P&C Insurance AS is an insurance company (registry code: 10100168) which has the registered address at Lõõtsa 8a, Tallinn (Republic of Estonia) and comprises the Estonian company and its branches in Latvia and Lithuania (hereinafter the Company).

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

The financial statements of the Company for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Management Board on 6th June 2025.

Basis for preparation

The 2024 financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS and IAS Standards) and the interpretations of the International Financial Reporting Interpretations Committee (SIC and IFRIC Interpretations) as adopted by the European Union.

The financial statements are presented in EUR thousands (€000), unless otherwise stated. The totals in tables and statements in the annual 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.

The Annual Report which is prepared by the Management Board and reviewed by the Supervisory Board and includes the financial statements, is approved by the General Shareholder's Meeting in accordance with the Commercial Code of the Republic of Estonia.

The Company is a wholly-owned subsidiary of If P&C Holding Ltd (publ) and the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements of the parent are available on the website www.sampo.com in the section Annual report.

The financial statements include the accounts of the insurance company in Estonia and the accounts of its branch offices in Latvia and Lithuania. Branches are business entities created to provide services on behalf of the Company. A branch is not an independent legal entity and the Company is responsible for the obligations arising from the activities of the branch. Branches use in all material respects the same accounting policies as the Company. All balances and transactions, unrealized gains and losses resulting from transactions between the Estonian entity, the branch in Latvia and the branch in Lithuania are eliminated in full.

The Company's cash flow statement has been prepared in accordance with the direct method, disclosing major classes of gross cash receipts and payments. The cash flows are classified by operating, investing and financing activities.

Information about new and revised accounting standards

The financial statements are prepared based on the principles of consistency and comparability, which means that the Company consistently applies the same accounting policies and presentation of information.

Changes in accounting policies and presentation of information take place only if they are required by new or revised IFRS standards adopted by EU and interpretations or if a new accounting policy and/or presentation of information gives a more objective overview of the financial position, financial performance and cash flows of the Company.

New standards and interpretations issued but not yet effective

Issued, but not yet effective, international accounting standards are currently not expected to have a significant impact on the Company's financial statements when first applied, except for IFRS 18 Presentation and Disclosure in Financial Statements. IFRS 18 was issued in April 2024 and will take effect on 1 January 2027. IFRS 18 replaces IAS 1 Presentation of Financial Statements and includes changes primarily related to the presentation of income and expenses in the statement of profit or loss, new requirements regarding the disclosure of management-defined performance measures, and new requirements for aggregation and disaggregation. If has started to analyse the effect of the new standard on its financial statements and is monitoring how the standard is incorporated into European law.

Changes in accounting policies and disclosures

During the year, the presentation of the change in the discounting effect attributable to risk adjustment was updated. The change in the discounting effect is now allocated between the insurance service expenses and insurance finance income or expenses. This change had immaterial impact on the statement of profit and loss.

Transactions in foreign currencies

The financial statements are presented in euros, which is the functional and presentation currency of the Company. Foreign currency transactions are translated into euros on the basis of the exchange rates of the European Central Bank.

Policies applied to items in the statement of financial position

Cash and bank balances

Cash and cash equivalents consists of cash held in the bank. Bank balances are in the insurance operations and funds transferred to asset management that have not been invested in investment assets. No expected credit losses have been recognized as cash and bank balances have very short durations or are payable on demand. Any loss amount would thus be insignificant.

Financial investment assets

A financial asset or financial liability is recognized in the statement of financial position when the Company becomes party to the contractual terms of the financial instrument. A financial asset is derecognized from the statement of financial position when the rights in the contract are realized, expire or as a result of a transfer of the asset whereby the Company no longer retains significant risks and rewards from the asset as well as it loses control over it. A financial liability is derecognized from the statement of financial position when the obligation in the agreement has been fulfilled, cancelled, or otherwise terminated. Furthermore, a contract is derecognized if a significant modification has been made to the contract terms of a financial asset or liability.

The purchase and sale of money market and capital market instruments on the spot market are reported in the statement of financial position on the transaction date. Between the transaction date and payment date the counterparty's liability/receivable is reported at the gross amount under the item Collaterals and security settlement claims or Other creditors.

Debt instruments (Bonds and other interest-bearing securities) are classified based on the business model for managing the assets and the asset's contractual terms. The business model reflects how the Company manages a portfolio of financial assets to achieve business objectives and to generate cash flows. The factors considered when determining a portfolio's business model include how the financial assets' performance is evaluated and reported to management, how risks are assessed and managed, past experience of how the cash flows have been collected and how compensation is linked to performance.

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

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

Bonds and other interest-bearing securities

The Company has a long-term investment strategy for bonds and other interest-bearing securities, where the key priority and focus of the evaluation is based on the fair values. The portfolio is evaluated at least weekly by management to decide what actions are to be taken with regards to selling or keeping the instruments. The decisions are based on the fair values and the most up to date available market information. These actions are in line with the business model to evaluate the performance of the portfolio on a fair value basis. Additionally, the compensation to the assets manager for managing the investment portfolio is based on the market value of the portfolio. Therefore bonds and other interest-bearing securities are classified as measured at fair value through profit or loss, since the business model reflects the assets being managed and evaluated on a fair value basis. The instruments are initially recognized and subsequently measured at fair value. Transaction costs that are directly attributable to the issue or acquisition of the assets are recognized as expenses in profit or loss.

The investment result comprises interest income from investments reported using the effective interest rate method, where the premiums / discounts resulting from acquisitions are distributed across the remaining useful life of the asset as well as interest income for assets measured at fair value through profit or loss. Additionally the investment result includes unrealized and realized value changes on investment assets, changes in the credit loss allowance (if any) and currency result. The administrative expenses relating to asset management are reported as management costs within the investment result.

Debtors

Receivables are reported in the amounts expected to be received.

Tangible assets

Tangible assets consist of machinery and equipment and are initially measured at acquisition value. Acquisition value includes not only the purchase price but also expenses directly attributable to the acquisition. Machinery and equipment are reported at historical acquisition value, less accumulated straight-line depreciation. These deductions are based on historical acquisition value and the estimated useful life.

Depreciation period	
Office equipment	5–6 years
Computer equipment	3 years
Vehicles	5 years
Other fixed assets	5-6 years

The Company recognizes right-of-use assets for material leases that are in scope of IFRS 16 Leases. If applies a company-specific materiality assessment that includes, but is not limited to, the two exemptions specified in the standard. The acquisition cost corresponds to the amount equivalent to lease liabilities and any lease prepayments made before the commencement date.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the estimated useful life which is set at the end of the expected lease term. The carrying amount of the right-of-use asset is adjusted for certain remeasurements of the lease liability.

If there is any indication on the closing date that the carrying amount of a tangible asset owned or held through a right of use is higher than its recoverable amount, a calculation is made of the asset's recoverable amount. Recoverable amount refers to the higher of the asset's net realizable value and its value in use. If the determined recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

If, subsequently, a higher recoverable amount can be set, a previous impairment may be reversed.

Insurance liabilities and reinsurance assets

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

The liability for remaining coverage relates to the obligation to investigate and pay valid claims that have not yet occurred. The liability consists of the part of premium payments received relating to insurance services that are to be provided after the closing date (i.e. relating to the unexpired portion of the insurance coverage), adjusted for acquisition cashflows. The liability for incurred claims relates to the obligation to investigate and pay valid claims that have occurred. The liability is designed to cover anticipated future payments for all claims incurred, including claims not yet reported to If, referred to as IBNR. See also Note 16 for further details regarding measurement methods and inputs.

Measurement model

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

Level of aggregation

Portfolios of insurance contracts comprise contracts subject to similar risks and managed together. The Company has determined the portfolios based on a combination of country and product. The portfolios are then divided into two groups, onerous contracts or all remaining contracts (profitable contracts). Since the premium allocation approach is applied, the groups of contracts are assumed to not be onerous unless facts and circumstances indicate otherwise. Internal management information regarding the insurance service result per the plan process has been used to identify any onerous groups of contracts. A very limited number of onerous groups of contracts have been identified over time.

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

Liability for remaining coverage and acquisition cash flow asset

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

The insurance acquisition cash flows reducing the carrying amount of LRC relate to commissions expenses (external) as well as personnel expenses for internal sales units (internal). The acquisition cash flows are deferred over the coverage period of the contracts, generally one year. Any acquisition cash flows paid relating to a group of insurance contracts not yet recognized are presented as a separate acquisition cash flow asset included in the related portfolio's total carrying amount.

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

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

Liability for incurred claims

The liability for incurred claims (LIC) is intended to cover the estimated future payments of all claims incurred, including claims not yet reported to If (IBNR) and all claims handling expenses. The estimated future cash flows (best estimate) in direct property and casualty insurance and reinsurance are calculated by means of statistical methods or through assessments of individual claims. Often a combination of the two methods is used, meaning that large claims are assessed individually while small claims and claims incurred but not reported (IBNR) are calculated using statistical methods.

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

Reinsurance assets

The corresponding accounting policies as for measuring the insurance contracts issued are applied when measuring the reinsurance contracts held. The asset for incurred claims also takes into consideration the effect of the risk of non-performance by the issuer of the reinsurance contract (reinsurer). Identified non-distinct investment components in reinsurance contracts held reduce the asset for remaining coverage with a corresponding increase in the asset for incurred claims, and therefore have no effect on the statement of profit or loss.

Lease liabilities

Lease liabilities are initially measured at the present value of the fixed lease payments and certain variable lease payments to be made under the lease that are not paid at the commencement date, discounted using the incremental borrowing rate. The lease liabilities are subsequently measured at amortized cost using the effective interest method. They are remeasured to reflect any lease modifications or reassessments. Lease liabilities are recognized in the line item Other creditors.

The lease term is determined as the expected lease term. This includes the non-cancellable period of the lease contracts, adjusted for any optional extension or termination periods that the Company is reasonably certain to exercise.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over lease term.

Policies applied to items in the statement of profit and loss

The income statement is split between a result from the insurance operations – the Insurance service result – and the Net financial result, which is attributable to asset management and changes in discounting effects relating to insurance contracts issued and reinsurance contracts held.

Items included in the insurance service result pertain to the Company's operations as an insurer, that is, the transfer of insurance risk pursuant to the definition in IFRS 17, Insurance Contracts. Income or expenses from reinsurance contracts held are presented separately from the income or expenses from the insurance contracts issued.

Contracts that do not transfer a significant insurance risk are attributable to other operations and are reported in accordance with IFRS 15 Revenue from Contracts with Customers within Result from other services. This also includes any distinct non-insurance services separated from the insurance contract. As at 31 December 2024, the Company had no such services.

Insurance revenue

Insurance revenue reflects the compensation that If receives from the policyholder in return for assuming the transfer of insurance risk (insurance contract services) on an earned basis. The insurance revenue recognized in the reporting period is based on premium receipts and expected premium receipts allocated linearly over the underlying terms of the insurance contracts, i.e. based on the passage of time.

The liability for remaining coverage is reduced with a corresponding amount as the insurance revenue.

Reinsurance premium expenses

Reinsurance premium expenses relating to reinsurance contracts held are recognized similarly to insurance revenue and reflect the premium payments by If that are attributable to the reporting period for the reinsurance contract services received. Any commissions received reduce the reinsurance premium expenses. Identified non-distinct investment components in reinsurance contracts held are excluded from the reinsurance premium expenses.

Insurance service expenses

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

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

Operating expenses reported in the Insurance service result relate to administration expenses arising from the handling of insurance contracts as well as acquisition cash flows and other expenses allocated to the sales function. Acquisition cash flows are deferred via the liability for remaining coverage and recognized in the statement of profit and loss over the coverage period of the contracts.

The total operating expenses refer to all direct and indirect costs which is in addition to the operating expenses in the insurance service result, are also allocated to the statement of profit and loss line items Claims incurred, Other expenses and Investment result.

Reinsurers' share of claims incurred

The reinsurers' share of claims incurred is reported consistently with Insurance service expenses, claims incurred and also includes changes in the risk of non-performance. Moreover, identified non-distinct investment components in reinsurance contracts held are excluded from the reinsurers' share of claims incurred.

Other income

Other income consists of revenue from services provided that does not involve transfer of significant insurance risk. Such revenue is primarily attributable to services for administration, claims settlement, etc. in insurance contracts on behalf of other parties.

Investment result

The investment result is comprises Direct investment income, Changes in value and Management costs. Direct investment income primarily includes interest income from investments reported using the effective interest rate method, where the premiums / discounts resulting from acquisitions are distributed across the remaining useful life of the asset. Changes in value mainly includes unrealized and realized value changes on investment assets, but also changes in the credit loss allowance (if any). The Company's currency result is included in Changes in value.

The administrative expenses relating to asset management are reported as management costs.

Insurance finance income or expenses

Insurance/ Reinsurance finance income or expenses comprise of changes in the liability/ asset for incurred claims relating to the change in discounting effect due to changes in interest rates and interest expense/ income (unwinding). The decomposition of the change in discounting effect is calculated relative to the opening balance and interest rates at the start of the year. The entire change in the discounting effect relating to risk adjustment is presented in insurance service expense. As the future indexation of annuities is tied to a statutory index such as CPI, the effect of changes in indexation is also regarded as a financial risk and presented within insurance finance income or expenses. The option to present changes in discounting effect in other comprehensive income is not applied.

Taxes

The Company's tax expense is calculated in accordance with IAS 12 Income taxes. This entails calculation and recognition of both current and deferred tax.

Current tax is calculated individually for every unit in accordance with the tax rules in each country. The Company's foreign branch offices are taxed on their results in the country concerned. In Estonia, the Company had to pay income tax at the rate of 20% (2023: 20%) only on the income that has not been taxed in the branches and only when profit is distributed into dividends or from incurred expenses such as non-business deemed as profit disribution.

In Estonia regular dividend distributions in 2024 are subject to a lower, 14% tax rate (the amount of tax payable is calculated as 14/86 of the net distribution). Every calendar year the lower tax rate might be applied to dividend and other profit distributions to an extent that does not exceed the average amount of dividend and other profit and equity distributions for the preceding three years on which tax has been paid.

Corporate income tax payable on the distribution of dividends is recognised as income tax expense in the income statement in the period in which the dividend is actually distributed.

In Latvia corporate income tax is calculated on distributed profits calculated 20/80 of the net amount payable to the shareholders, and certain expenses deemed as distributed profit, by applying a coefficient of 0.8. Tax rate in Latvia is 20% (2023: 20%).

Since the result of the Latvian branch has been transferred to Estonia before the reporting year-end, there are no temporary differences on company level that warrants any deferred tax recognition in accounts.

Deferred tax attributable to temporary differences between the amounts reported and the equivalent actual taxation is reported in the company's accounts. For income reported in the income statement for the period but which is not taxed until a later period, a deferred tax cost is charged, which results in a corresponding liability item, Deferred tax liabilities. Similarly, costs that will not result in tax deductions until a later period give rise to a deferred tax revenue and a corresponding deferred tax asset. Deferred tax assets and liabilities are reported net when they pertain to the same tax authority and can be offset against each other. The tax effect of tax loss carry-forwards is reported as deferred tax assets if it is considered likely that they can be used to offset taxable profits in the future.

In Lithuania, both current and deferred tax is calculated and reported. Deferred tax attributable to temporary differences between the amounts recognised in books and the amounts actually paid are reported in the Company's financial statements. Detailed information on the deferred tax asset and liability of the Lithuanian branch is disclosed in Note 17. Deferred tax assets and liabilities are reported net in those cases where they pertain to the same tax authority and can be offset against each other. For the Lithuanian branch, the corporate income tax rate is 15% (2023: 15%). As the income tax rate will increase to 16% effective from 2025 in Lithuania, deferred tax have been calculated using the enacted tax rate of 16%. The maximum income tax liability which would arise if all of the available equity were distributed as dividends is disclosed in Note 19.

Policies applied to items in the statement of cash flows

The Company defines cash and cash equivalents as the balance in transaction accounts in banks. The cash flow for the year thus consists of the net of inflows and outflows of cash and cash equivalents during the year, and, at the same time, the reconciliation of the statement of financial position item Cash and bank balances is a reconciliation of the Company's cash and cash equivalents.

In the Company's income statement, the insurance revenue is earned over the contractual period. A liability for incurred claims is continuously generated using statistical models for anticipated claims, and the actual case reserve or annuities are accounted when the claims occur. The claim is finally settled through payment to the policyholder. The cash flow arising from an insurance contract and a claim thus differs considerably from how the result is accounted for. The link between the income statement and cash flow is recognized in the Company's statement of financial position, where accrual items are recognized primarily in the insurance liabilities and reinsurance assets that comprise outstanding items attributable to insurance contacts. Due to extensive insurance operations, the law of large numbers means that the effects of the underlying differences between accounting and real cash flow are reduced considerably.

The cash flow statement shows separate items of the Company's cash flow. It has its foundation in the income statement items that are directly connected with external payment flows. These items are adjusted with the changes in the statement of financial position during the period that are directly linked to the income statement items in question.

Note 2 – Significant estimations and judgments affecting the financial statements

Preparing financial statements in accordance with IFRS requires that the Management Board and executive management make judgments and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The judgments and assumptions are based on experience and insight into the insurance business. The actual outcome may deviate from these judgments and estimations.

Judgments made by the Management Board and executive management in the application of IFRS that have a significant effect on the financial statements for 2024 and estimations that may cause material adjustments in the financial statements in subsequent years are commented on below.

Investment assets

Classification and related business model assessment for investment assets is considered a significant judgment. Almost all investment assets are classified as measured at fair value through profit or loss. Refer to note 1 for judgments made in relation to the classification of the investment assets. Since the valuation of the assets is essentially based on observable market data, the Company believes that this accounting method offers a good presentation of the company's holdings of investment assets. The measurement criteria are presented in Note 12 (under the heading of Financial investment assets at fair value).

Insurance liabilities

The liability for incurred claims relates to the obligation to investigate and pay valid claims that have occurred. The liability is designed to cover anticipated future payments for all claims incurred, including claims not yet reported to If, referred to as IBNR. The liability is measured by means of statistical methods or individual assessments of claims. These liabilities are significant in an assessment of the company's reported results and financial position, since any deviation from actual future payments gives rise to a prior-year claims result reported in future years.

The liability for remaining coverage relates to the obligation to investigate and pay valid claims that have not yet occurred. If applies the simplified measurement model, premium allocation approach, where the use of judgement is limited. The liability consists of the premiums received for insurance services to be provided after the closing date (i.e. relating to the unexpired portion of the insurance coverage), adjusted for acquisition cashflows. The change in the liability is for most products based on the passage of time as insurance services are provided, and the carrying amount is also changed with actual cash flows in the subsequent periods. A loss component is to be reported for any groups of onerous contracts. The assessment of which groups are onerous and calculation of the loss component includes estimates of e.g. future claims expenses.

Additional comments on reserve risk are provided in Note 4. See Note 16 for further details regarding measurement methods and inputs, as well as an account of the company's prior-year claims results in recent years.

Note 3 – Information about related companies

Parent company and other group companies

If P&C Insurance Holding Ltd is located in Stockholm, Sweden and is the parent company of If Group. It is a holding company and owns and administers the shares of If Group companies. The holding company owns the Swedish If P&C Insurance Ltd (publ) and life insurance provider If Livförsäkring AB and the Estonian company If P&C Insurance AS. If P&C Insurance Ltd (publ) operations in Denmark, Norway, Finland, Latvia, Lithuania and Estonia are conducted via branches. In addition to the Nordic and Baltic branches, If P&C Insurance Ltd (publ) has established branches in Germany, France, the Netherlands and the United Kingdom.

The holding company also owns If IT Services A/S, which is located in Copenhagen, Denmark, and is involved in the purchase of IT services for If Group companies in the Nordic and Baltic area.

If P&C Insurance Holding Ltd is a wholly-owned subsidiary of Sampo plc, a Finnish listed company, which is the ultimate controlling party for the Company.

Other related parties

Related parties also include the Company's shareholders, staff, Management Board and Supervisory Board members, their close family members and other persons that are under the significant influence of the above persons. No transactions have been conducted with the company's shareholders, employees, members of the Supervisory Board, their close family members, or other related parties under their significant influence. More information about transactions with members of the management board and members of the Supervisory Board in Note 8.

	Income		Expenses		Assets		Liabilities	
€000	2024	2023	2024	2023	2024	2023	2024	2023
Reinsurance contracts related								
If P&C Insurance Ltd (publ)	21	36	-3,909	-3,414	4	-	-1,942	-1,467
Other rendered or purchased services								
If P&C Insurance Ltd (publ)	274	302	-344	-256	-	-	-79	-74
If IT Services A/S	-	-	-944	-712	-	-	-144	-72

Note 4 – Risks and risk management

Risk management system

Risks and risk management are an essential and inherent element of the Company's business activities and operating environment. High-quality risk management process is a prerequisite for running the business effectively and for assuring stable results. The objectives of the Risk Management System are to secure Company's long-term solvency, to minimise the risk of unexpected financial loss and to give input to business decisions by taking into account the effect on risk and capital and at the same time creating value for the Company's stakeholders.

The Company's risk appetite framework defines the boundaries for what level of risk the Company is willing to accept in the pursuit of the objectives.

The Risk Management System comprises strategies, processes and reporting procedures necessary to continuously identify, measure, monitor, manage and report risks. The Risk Management System is part of the Internal Control System and ensures that all risks are managed.

For effective implementation of the Risk Management System, the three lines of defence concept is used based on the COSO[1] framework (Figure 1).

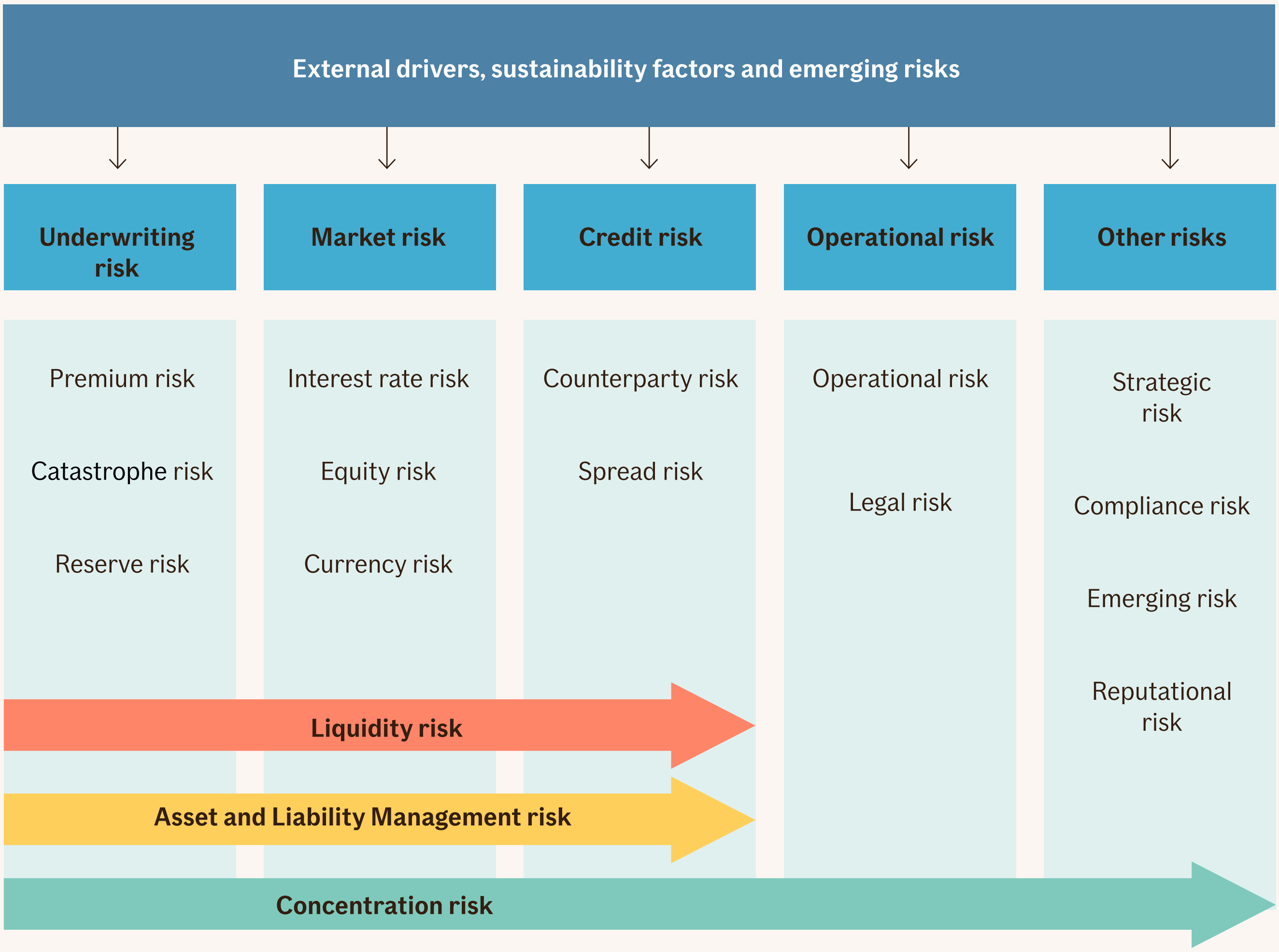
Figure 1. Three lines of defence concept

First line of defence Heads of Units	• own the risk, is accountable for assessing, controlling and mitigating the risks in their day to day operations; and • appoint the Business Risk Coordinators for each risk category to facilitate the risk management and reporting to the second line of defence
Second line of defence Risk Manager Compliance Officer	• assesses, analyses and monitors the Company level risks independently from the business • supports and gives advice to the business on the risk management matters; and • reports regularly on risk matters to the Management Board, Supervisory Board and to the Chief Risk Officer of If Group
Third line of defence Internal Auditor	• evaluate and test effectiveness of internal controls, risk management and governance in 1st and 2nd line of defence; and • reports regularly to the Supervisory Board

[1] The Committee of Sponsoring Organizations of the Treadway Commission.

The main risk categories managed within the Risk Management System are: underwriting, market, credit, operational and other risks (Figure 2).

Figure 2. Risks encompassed in the Risk Management System



Policies adopted by the Supervisory Board are in place for each risk area specifying restrictions and limits chosen to reflect and ensure that the risk level at all times complies with the Company's overall risk appetite and capital constraints.

Risk management strategy

The Company's Risk Management Strategy is a part of the governing principles for the operations.
The purpose of the Risk Management Strategy is to:

- ensure strong governance structure to optimise development and maintenance;
- ensure a sound and well-established internal Control and risk culture;
- ensure adequacy of capital in relation to risks and risk appetite;
- limit fluctuation in the economic value;
- ensure strong financial data management;
- ensure that risks affecting the profit and loss account and the balance sheet are identified, assessed, managed, monitored and reported;
- ensure that the riskiness of the insurance business is reflected in the pricing;
- ensure adequate long-term investment returns within set risk levels;
- ensure well working and efficient reporting processes compliant with external and internal requirements; and
- safeguard If´s reputation and ensure that customers and other stakeholders have confidence in If.

The Company's Risk Management Strategy is set by the Supervisory Board and is in line with the If Group Risk Strategy.

Risk management process

The overall risk management process includes five main steps: risk identification, risk assessment and measuring, risk mitigation, risk monitoring and reporting (figure 3). When risks are identified and assessed, sustainability aspects should also be considered. Additionally, forward looking own risk and solvency assessment (ORSA) is conducted at least annually and is implemented as a part of the Risk Management System. In ORSA the three-year business plan and corresponding risk profile and capitalisation are analysed under different scenarios and stress tests with the aim to secure continuous solvency of the Company and to ensure the operations correspond to the risk appetite adopted by the Supervisory Board.

FIgure 3. Risk management process

Risk governance and reporting structure

The Supervisory Board

The Supervisory Board is the corporate body ensuring that Company has an appropriate Risk Management System. The Supervisory Board sets the risk management strategy, company-level risk appetite and tolerances by adopting annually the Risk Management Policy. The Supervisory Board should be provided with regular quarterly solvency assessment results (ORSA) in deciding the mid-term business plan.

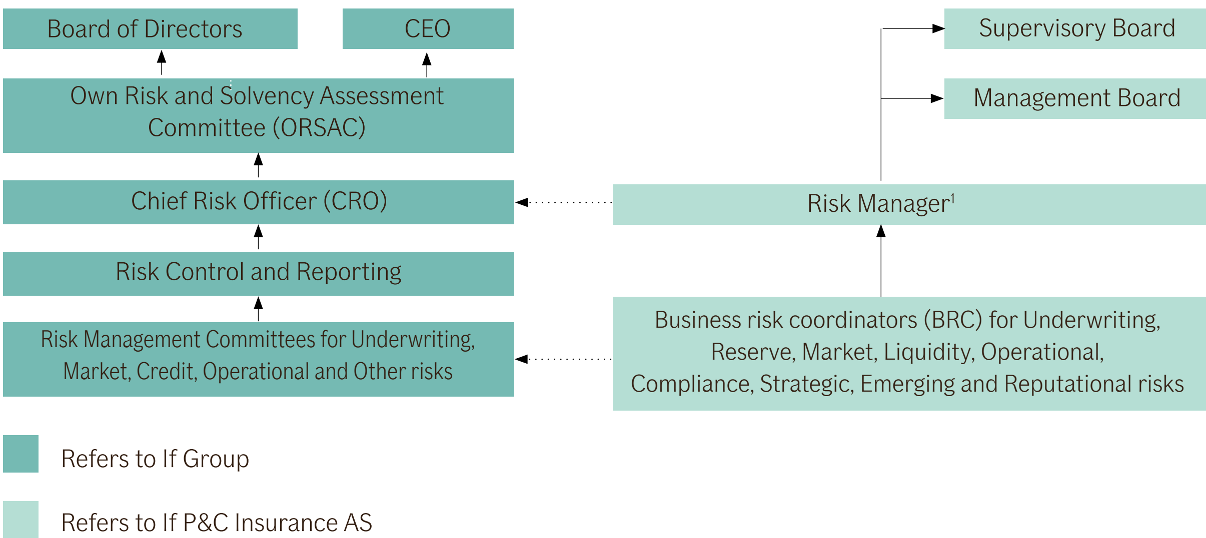
The Management Board

The Management Board has the ultimate responsibility for the effective implementation of the Risk Management System by ensuring appropriate risk management set-up and promoting a sound risk culture within the Company. The Management Board receives from the Risk Manager a risk report at least on a quarterly basis, takes active part in the forward-looking own risk and solvency assessment (ORSA) process and ensures that risk management and monitoring are effective.

The Risk Management Function

The responsible person for the Risk Management Function is the Risk Manager. The Risk Manager is responsible for coordinating the risk management activities on behalf of the Management Board. The Risk Management Function supports the implementation of the Risk Management System within the Company.

Figure 4. Risk Management Function set-up and reporting structure



[1] Person responsible for the Risk Management Function

Capital Management

The Company focuses on capital efficiency and sound risk management keeping its capital resources at an appropriate level in relation to the risks taken. This means ensuring that the available capital (eligible own funds) always exceeds the internal and regulatory capital requirements.

Capital should be managed to maintain financial strength, mitigate the impact of negative changes in the economic and business environment as well as to ensure the Company's growth opportunities and meet other risk management and business objectives.

The Company's risk profile, required capital and available capital are measured, analysed and reported at least quarterly to the Management Board and to the Supervisory Board.

Capital position

The capital position is the relationship between available capital (eligible own funds) and required capital. To fulfil requirements from various stakeholders, different measures are used to describe the capital position: the external regulatory capital measures, include the minimum capital requirements and the solvency capital requirements and the internal measure is economic capital.

In 2024, the Company met the regulatory minimum capital requirement and solvency capital requirement set out in the Solvency II regulation. This safeguards sustainable services for customers and ensures that all obligations taken by the Company can be met.

Risk Profile

Underwriting risk

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

The underwriting risk consists of premium, catastrophe and reserve risks.

Premium risk and catastrophe risk

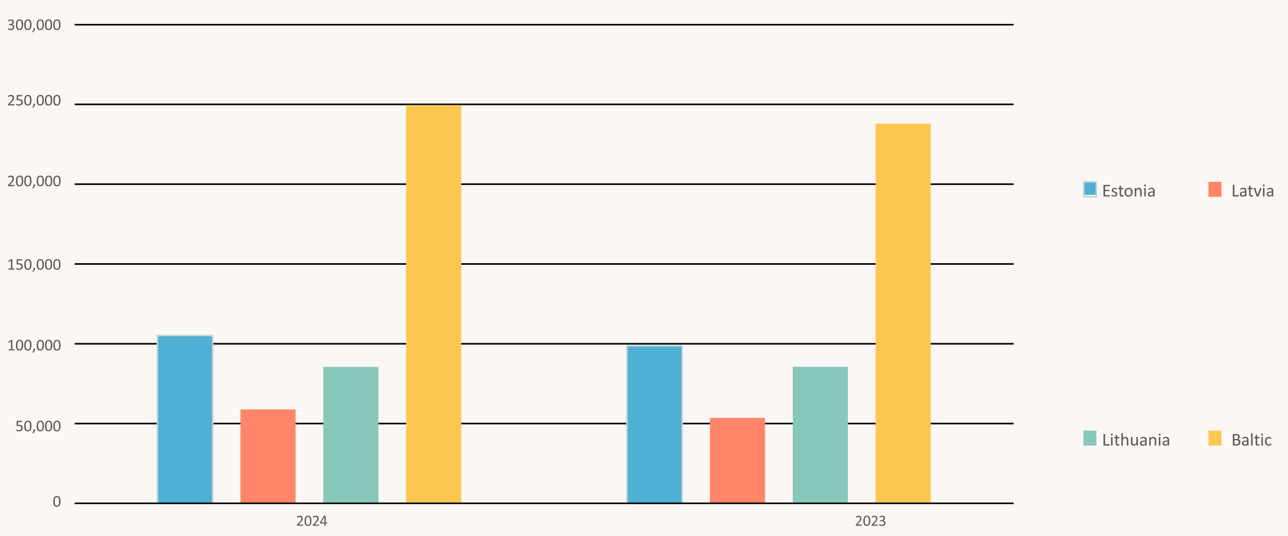
Premium risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events that have not occurred at the reporting date.

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

Risk exposure

Given the inherent uncertainty of property and casualty insurance, there is the risk that due to claims losses may be higher than expected. Events that may cause this include large fires, natural catastrophes such as severe storms, floods or unforeseen increases in the frequency or the average size of small and medium-sized claims. The distribution of gross written premium per geographical area is shown in Figure 5.

Figure 5 – Written premium, gross per geographical area



Risk management and control

For managing and mitigating the premium and catastrophe risks, the Company uses reinsurance, diversification, prudent underwriting and regular follow-ups linked to the strategy and business plan.

The Underwriting Policy sets general principles and restrictions for underwriting activities. The Underwriting Policy is supplemented with the Baltic and country based guidelines which outline in greater detail how to conduct underwriting within each line of business.

In the Reinsurance Policy, there are limitations regarding allowed reinsurers and their ratings, concentration risk and single reinsurance counterparty exposure. The Company has excess of loss reinsurance cover for all main lines of business with the retention of €3.5 million per risk and per catastrophic event. The retention level and the adequacy of reinsurance treaties are analysed regularly, taking into account developments in the insurance business, such as the insurance of a single major asset, launch of new lines of business and changes in insurance terms and conditions.

Sensitivity analysis

A sensitivity analysis of how changes in the combined ratio, insurance revenue (net of reinsurance premium expense) and claims incurred affect the result before tax is presented in Table 1.

Table 1 – Sensitivity analysis, premium risk

€000 Parameter	Level, 2024 (gross)	Level, 2024 (net)	Change	Effect on profit before tax (gross)		Effect on profit before tax (net)	
				2024	2023	2024	2023
Combined ratio	85.5%	87.0%	+/- 2 percentage point	+/- 4,899	+/- 4,460	+/- 4,789	+/- 4,355
Insurance revenue (net of reinsurance premium expense)	244,974	239,448	+/- 2 percentage point	+/- 621	+/- 561	+/- 621	+/- 561
Claims incurred	153,615	152,578	+/- 2 percentage point	+/-3,072	+/-2,784	+/-3,052	+/-2,763

Reserve risk

Reserve risk is the risk of loss, or of adverse change in the value of net liability for incurred claims, resulting from fluctuations in the timing and amount of claims settlements for events that have occurred at, or prior to, the reporting date.

Reserve risk includes revision risk, which is defined as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the level, trend, or volatility of revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured. Valuation of the liability for incurred claims always includes a degree of uncertainty since it is based on estimates of the size and the frequency of future claims payments. The uncertainty in the valuation is normally greater for new portfolios for which complete run-off statistics are not yet available, and for portfolios including claims that take a long time to settle. Motor Third Party Liability (MTPL), Personal Accident and Liability insurance are products with the latter characteristics.

The value of the net liability for incurred claims is in addition to risk factors relating to reserve risk also impacted by changes in discount rates. These market risks are described in sections for interest rate risk. The reserve risk differs from interest rate risk since it relates to the size of future cash flows, whereas the interest rate risk only impacts the present value of these future cashflow.

Risk exposure

The net liability for incurred claims amounted to €168,730 thousand (2023: €155,798 thousand) and the exposure specified by product is shown in Table 2.

The net liability for incurred claims is dominated by short-tailed business. The contribution of the long-term annuities related to the compulsory Motor Third Party Liability insurance have a relatively small impact.

Risk management and control

The Management Board of the Company adopts The Baltic Reserving Guideline. The Company's Appointed Actuary is responsible for developing and presenting guidelines on how the insurance liabilities are to be calculated and for assessing whether the level of provisions is sufficient.

The actuarial estimates are based on historical claims data and exposures that are available at the closing date. Factors that are monitored include claims development trends, the level of unpaid claims, changes in legislation, case law, economic conditions and product cover specific changes. When setting liability for incurred claims, the Chain Ladder and Bornhuetter-Fergusson methods are generally used, combined with loss ratio expectations.

The anticipated inflation trend is taken into account explicitly in the calculation of the annuities of MTPL as it is of high importance for claims settled over a long period of time. In other areas, inflation estimates are implicitly based on the trends inherent in statistics.

Table 2 – Net liability for incurred claims per product		
€000	**2024**	**2023**
Motor	108,211	104,314
- *whereof MTPL*	95,804	90,875
Liability	22,532	20,227
Accident	2,962	2,681
Property	32,986	25,998
Marine and Transport	2,039	2,578
TOTAL	**168,730**	**155,798**

The duration of the net liability for incurred claims for various products are shown in Figure 6.
When estimating the liability, established actuarial methods are generally used, combined with projections of the number of claims and average claims costs. See Note 16 for further details regarding measurement methods and inputs.

Figure 6 – Duration of net liability for incurred claims per line of business, December 31

<u>Sensitivity analysis</u>

A sensitivity analysis of the reserve risk is presented in Table 3 as well as interest rate risk relating to insurance contracts. The effects represent the immediate impact on the liability's values as a result of changes in the different risk factors as per December 31 each year.

The sensitivity analysis is calculated before taxation. A change in the net liability for incurred claims will result in a corresponding change in the pre-tax profit. The impact is presented in the statement of profit or loss either in the result from insurance activities or in the result from financial activities.

Table 3 – Sensitivity analysis, reserve risk

€000 Insurance liabilities item	**Risk factor**	**Change in risk parameter**	**Country**	**2024 Effect Gross**	**2024 Effect Net**	**2023 Effect Gross**	**2023 Effect Net**
Discounted estimated future cash flows	Inflation increase	Increase by 1 percentage point	Estonia	2,689	2,666	2,650	2,626
			Latvia	852	842	745	734
			Lithuania	1,994	1,935	1,927	1,849
Discounted insurance liabilities, net	Decrease in discount rate	Decrease by 1 percentage point	Estonia	2,501	2,478	2,465	2,441
			Latvia	810	800	709	698
			Lithuania	1,840	1,782	1,782	1,705
Annuities and related IBNR	Decrease in mortality	Life expectancy increase by 1 year	Estonia	91	90	90	89
			Latvia	32	32	28	28
			Lithuania	16	16	8	8

Financial assets and liabilities

The recognition of financial assets and liabilities depends on their classification.

Table 4 – Categories of financial assets and financial liabilities

€000	2024
Financial assets at fair value through profit or loss	345,829
Financial assets at amortized cost [1]	47,679
Total financial assets	**393,508**
Financial liabilities at amortized cost [2]	2,701
Total financial liabilities	**2,701**

[1] Financial assets at amortized cost consist of the following statement of financial position items: debtors, cash and bank, prepayments
[2] Financial liabilities at amortized cost consist of the following statement of financial position items: lease liabilities.

€000	2023
Financial assets at fair value	
Financial assets, available for sale	338,984
Financial assets at amortized cost [1]	33,418
Total financial assets	**372,402**
Financial liabilities at amortized cost [2]	3,330
Total financial liabilities	**3,330**

[1] Financial assets at amortized cost consist of the following statement of financial position items: debtors, cash and bank, prepayments
[2] Financial liabilities measured at amortized cost consist of lease liabilities.

Market risk

Market risk is the risk of loss, or of adverse change, in the financial situation resulting, directly or indirectly, from fluctuations in the level or in the volatility of market prices and underlying market variables, that impact the measurement of assets and liabilities.

Risk exposure

The exposure mainly relates to financial instruments and insurance contracts, where insurance contracts also are analyzed in the Reserve risk section. Market risk expresses the risks stemming from investment activities. The Company's investment strategy is conservative and the investment portfolio consists mainly of fixed income instruments. Investment assets under active management amounted to €345,829 thousand (2023: €338,984), as presented in Table 4. The Company's investment operations generated a return of 5.2% in 2024 (2023: 7.3%)

The main market risk is interest rate risk. The Company's exposure to currency risks is not material and there is no exposure to equity risks. The exposure towards market risk can be described through the allocation of investment assets and the sensitivity of their values to changes in underlying market variables.

Table 5 shows the sensitivity analysis of the fair values of financial investment assets in different market scenarios. The effects represent the immediate impact on fair values as a result of changes in the underlying market variables as per December 31 each year.

Risk management and control

The Investment Policy and the Baltic Investment Policy are the principal documents for managing the Company's market risks.

They set out the guiding principles, for instance the prudent person principle, specific risk limits and the decision-making structure for investment activities.

The Company's overall risk appetite, risk tolerances, regulatory requirements and the nature of technical provisions are taken into account in deciding risk limits and setting return and liquidity targets. Market risk is monitored regularly and reported to the Management Board and to the Supervisory Board as part of the risk report, which is submitted at least quarterly.

Table 5 – Sensitivity analysis of the fair values of financial investment assets

€000	2024 Interest rate		2023 Interest rate	
Assets	1 percentage point parallel shift down	1 percentage point parallel shift up	1 percentage point parallel shift down	1 percentage point parallel shift up
Short-term fixed income	61	-60	-	-
Long-term fixed income	9,366	-8,871	10,213	-9,797
Total change in fair value	**9,426**	**-8,931**	**10,213**	**-9,797**
Effect recognized in result before income taxes	**9,426**	**-8,931**	**10,213**	**-9,797**

Interest rate risk

Interest rate risk refers to the sensitivity of the values of assets and liabilities to changes in the level or in the volatility of interest rates.

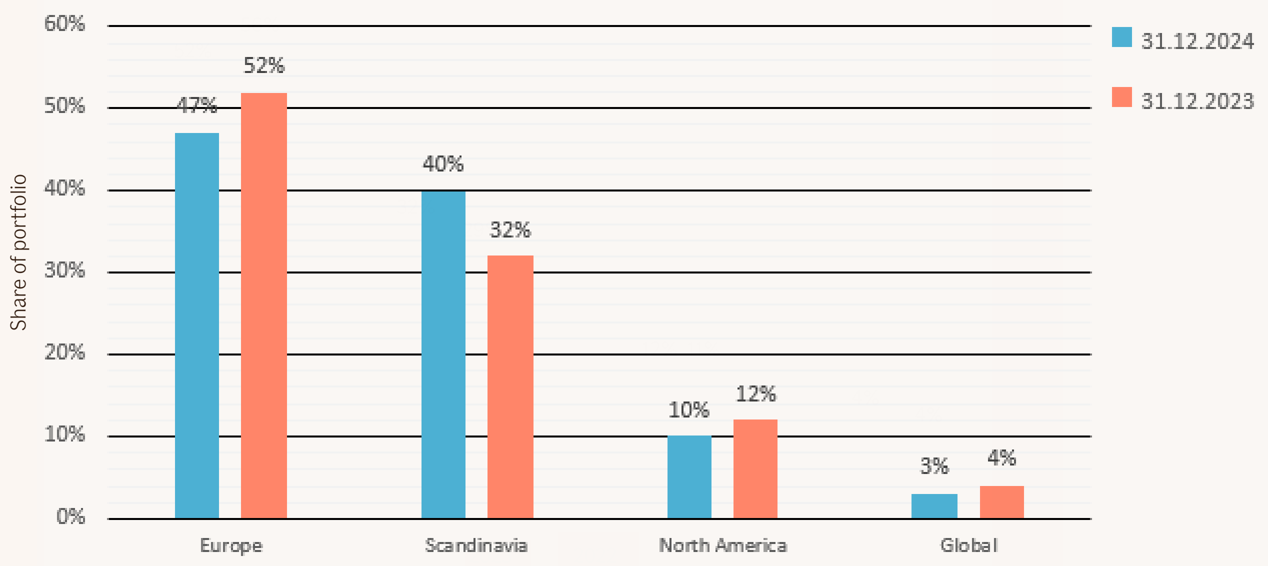
Risk exposure

If's exposure to interest rate risk from insurance contracts issued and reinsurance contracts held arises from the net liability for incurred claims, where future claims payments are discounted to a present value and therefore impacted by changes in discount rates. The duration sensitivity to changes in interest rates in the net liability for incurred claims is analyzed in Table 3, in the Reserve risk section.

The Company's exposure to the interest rate risk from financial instruments arises primarily from fixed income investments. The duration of fixed income investments at year-end 2024 was 2.7 (2023: 2.7) years. The duration of fixed income investments is shown in Table 6. The cash flows of financial assets and liabilities are presented in the liquidity risk section.

The distribution of bonds and other interest-bearing securities related to credit risks according to geographic region is presented in the Figure 7 below.

Figure 7 – Division of interest bearing securities by geographical area



Risk management and control

Interest rate risk relating to insurance liabilities is, in accordance with the Company's Investment Policy and the Baltic Investment Policy, taken into account in the composition of investment assets. The overall interest rate risk is managed by sensitivity limits for financial instruments sensitive to interest rate changes.

The Company measures and monitors interest rate risk using the interest sensitive assets and liabilities difference method, while also applying different interest rate risk scenarios for the evaluation of possible losses arising from changes in interest rates.

Interest rate risk is defined as potential loss arising from a parallel shift in the interest curve by 1%.

Table 6 – Duration and breakdown of fixed income investments per instrument type, 31 December

	2024			2023		
€000	Carrying amount	%	Duration in years	Carrying amount	%	Duration in years
Euro credit (excl. Scandinavian)	158,564	45.9%	2.7	174,479	51.5%	2.6
Scandinavian credit	108,054	31.2%	2.9	108,875	32.1%	2.8
US credit	35,996	10.4%	3.3	39,082	11.5%	2.8
Short-term fixed income (incl. Scandinavian)	29,826	8.6	0,2	-	-	-
Global credit	10,939	3.2%	4.2	14,158	4.2%	3.4
EU government bonds	2.450	0.7%	1.2	2.392	0.7%	2.2
TOTAL	**345,829**	**100%**	**2.7**	**338,984**	**100%**	**2.7**

Equity risk

Equity risk refers to the sensitivity of the values of assets and financial instruments to changes in the level or in the volatility of the market prices of equities.

Risk exposure

The Company is not exposed to equity risk. According to the Investment Policy and Baltic Investment Policy, it is not allowed to invest in equity instruments.

Currency risk

Currency risk refers to the sensitivity of the values of assets and liabilities to changes in the level or in the volatility of currency exchange rates (other than the presentation currency).

Risk exposure

Exposure to currency risk is insignificant. The majority of the Company's liabilities of incurred claims and all financial investments of the Company are in euros.

Credit risk

Credit risk is the risk of loss, or of adverse change, in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, and other counterparties to which the Company is exposed in the form of counterparty default risk, spread risk or market risk concentrations.

Spread risk refers to the sensitivity of the values of assets and liabilities to changes in the level or in the volatility of credit spreads over the risk-free interest rates.

Counterparty default risk is the risk of loss due to default, or deterioration in the credit standing of counterparties. In the case of default, the final loss depends on the value of the asset less any collateral and recoveries at the time of default.

Credit risk relating to asset management

Credit risk in asset management can be measured as spread risk and counterparty default risk. In most cases, part of the credit risk is already reflected through a higher spread. The asset therefore has a lower market value, even in the case of no default. Accordingly, the spread is essentially the market price of credit risk.

Additional risks, stemming either from the lack of diversification in the asset portfolio or from a large exposure to default risk by a single issuer of securities or a group of related issuers not captured by the spread risk or counterparty default risk, are measured as concentration risk.

Risk exposure

The most significant credit risk exposures in the Company arise from fixed income investments. The exposures are shown by sector, asset class and rating category in Table 7.

Risk management and control

Credit risk in asset management is managed by specific limits stipulated in the Investment Policy and the Baltic Investment Policy. In the policy, limits are set for maximum exposures towards single issuers, type of debt category and per rating class. The spread risk is further limited by sensitivity limits for instruments sensitive to spread changes.

Before investing, potential investments are analyzed thoroughly. The creditworthiness and outlook of the issuer are assessed together with any collateral as well as structural details of the potential investment. Internal risk indicators are important factors in the assessment, although the macroeconomic environment, market trends and external opinions of analysts and credit ratings by rating agencies are also taken into account. In addition, the portfolio performance and the counterparties' credit standings are monitored continuously.

The development of the portfolios with respect to credit risk is monitored at the Company level and reported to the Management Board and to the Supervisory Board as a part of the quarterly risk report. Credit risk exposures are reported by ratings.

Table 7 – Exposures by sectors and rating category 2024

	Fixed income							
€000	**AAA**	**AA+ - AA-**	**A+ - A-**	**BBB+ - BBB-**	**BB+ - C**	**Not rated**	**Total**	**Change compared with Dec 31 2023**
Basic Industry	0	0	2,112	5,092	0	2,823	**10,027**	-4,892
Capital Goods	0	0	2,564	9,378	0	0	**11,942**	-2,307
Consumer Products	0	992	3,010	17,524	0	0	**21,526**	-4,379
Energy	0	0	2,798	0	0	0	**2,798**	56
Financial Institutions	0	57,152	109,251	40,999	0	0	**207,401**	26,601
Government Guaranteed	0	2,450	0	0	0	0	**2,450**	58
Health Care	0	0	2,014	10,398	0	0	**12,412**	2,276
Insurance	0	0	0	2,041	0	0	**2,041**	1,068
Media	0	0	0	484	0	0	**484**	-1,511
Packaging	0	0	0	0	734	0	**734**	-2,745
Real Estate	0	0	0	16,814	1,805	2,839	**21,457**	-5,445
Services	0	0	997	11,050	0	4,527	**16,574**	-1,664
Technology and Electronics	0	980	6,767	6,070	0	1,006	**14,823**	3,297
Telecommunications	0	0	1,955	6,117	0	0	**8,072**	-3,029
Transportation	0	0	3,056	1,065	0	0	**4,121**	3,134
Utilities	0	0	0	6,885	0	0	**6,885**	-4,712
Others	0	0	1,038	0	0	0	**1,038**	1,038
Covered Bonds	1,043	0	0	0	0	0	**1,043**	1
Total	**1,043**	**61,574**	**135,562**	**133,917**	**2,539**	**11,194**	**345,829**	**6,845**
Change compared with Dec 31, 2023	1	23,248	6,959	-1,275	-2,383	-19,705	**6,845**	

Credit risk in insurance operations

In addition to credit risk associated with investment assets, credit risk also arises from insurance operations, most importantly through ceded reinsurance. Credit risk related to reinsurers arises through reinsurance recoverables, consisting of the reinsurance assets relating to incurred claims and any reinsurance receivables within the line-item Debtors. Credit risk exposure towards policyholders of insurance contracts issued and intermediaries is very limited, since non-payment of premiums generally results in the cancellation of insurance policies and the debt management process is systematically monitored.

Risk exposure

The distribution of reinsurance recoverables per credit rating category is presented in Table 8. Most of the exposures are to reinsurers with AA and A ratings and non-rated exposure is very limited mainly because historical claims were reinsured via a pool managed by the Estonian Motor Bureau.

Table 8 – Reinsurance recoverables

€000 Rating (S&P)	2024	%	2023	%
AA	5,800	84,5%	5,596	94.0%
A	257	3,7%	-	0%
Non-rated	803	11,8%	356	6.0%
Total	**6,860**	**100%**	**5,952**	**100%**

Risk management and control

To limit and control credit risk associated with ceded reinsurance, the Company has Reinsurance Policy which sets requirements for the reinsurers' minimum credit ratings and the maximum exposure to individual reinsurers. Credit ratings from rating agencies are used to determine the creditworthiness of reinsurance companies.

The distribution of ceded written premiums for treaty and facultative per rating category is presented in Table 9.

Table 9 – Ceded written premium for treaty and facultative reinsurance per rating category

€000 Rating (S&P)	2024	%	2023	%
AA	3,752	97%	3,098	97%
A	130	3%	102	3%
Non-rated	5	0%	-	0%
Total	**3,887**	**100%**	**3,200**	**100%**

Liquidity risk

Liquidity risk is the risk that the Company is unable to realize investments and other assets in order to settle financial obligations when they fall due.

Risk exposure

The maturities of cash flows from financial instruments and insurance contracts are presented in Table 10. In the table, financial assets and liabilities are divided into contracts with a contractual maturity profile, and other contracts. The table also shows expected future cash flows for insurance liabilities and reinsurance assets, which are inherently associated with a degree of uncertainty.

Risk management and control

In property and casualty insurance, premiums are collected in advance and large claim payments are usually known long before they fall due, thus limiting the liquidity risk. Additionally, the investment portfolio duration is kept short to support liquidity.

The Accounting unit is responsible for liquidity planning. The main objective in liquidity management is to ensure the Company's ability to fulfil all its obligations arising from insurance contracts and insurance activities in a timely manner. To identify liquidity risk, expected cash flows from investment assets and insurance liabilities are analyzed regularly, taking both normal market conditions and stressed conditions into consideration. Liquidity risk is reduced by investing in assets that are readily marketable in liquid markets. The available liquidity of financial assets, meaning the part of the assets that can be converted into cash at a specific point in time, is analyzed and reported continuously.

Table 10 – Maturities of cash flows for financial instruments and insurance contracts

2024 €000	Carrying amount	*of which without maturity*	*of which with contractual maturity*	2025	2026	2027	2028	2029-2039	2040-
Financial assets	393,508	43,707	349,801	80,947	76,055	63,886	64,575	97,470	-
Asset for incurred claims [1]	7,449	-	7,449	5,124	953	498	362	466	46
Other financial liabilities	20,468	-	20,468	-	-	-	-	-	-
Lease liabilities	2,701	-	2,701	-	-	-	-	-	-
Liability for incurred claims and other insurance related payables [1]	176,180	–	176,180	94,762	24,921	13,795	9,628	24,752	8,322

[1] Liability/asset for incurred claims consists of the present value of estimated future cash flows (best estimate).

2023 €000	Carrying amount	*of which without maturity*	*of which with con-tractual maturity*	2024	2025	2026	2027	2028-2037	2038-
Financial assets	372,402	30,543	341,859	69,884	54,126	78,839	66,158	110,473	-
Asset for incurred claims [1]	7,031	-	7,031	3,936	1,427	700	380	532	55
Other financial liabilities	21,982	-	21,982	-	-	-	-	-	-
Lease liabilities	3,330	-	3,330	1,052	651	662	644	408	-
Liability for incurred claims and other insurance related payables [1]	162,828	_	162,828	81,376	25,481	14,612	9,553	23,366	8,439

[1] Liability/asset for incurred claims consists of the present value of estimated future cash flows (best estimate).

Concentration risk

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

Risk exposure

The Company provides insurance services across multiple lines of business in three Baltic countries with different legislation and competition environments. Therefore, the insurance portfolio and operations of the insurance business can be regarded diversified. Concentrations of risks in the Company's insurance portfolio may arise as a result of natural catastrophes such as storms and floods that affect the three Baltic countries simultaneously. The risk exposure and the management and control of this risk is described in more detail in the premium risk and catastrophe risk section above.

The main concentration risk exposure for the Company stems from investments. Investments are mainly concentrated in the financial sector in the Scandinavian countries .

The largest market and credit risk concentrations related to a single issuer of securities or a group of related issuers and asset class are shown in Table 11 below. Concentrations of exposures to industry sectors and rating categories are shown in Table 7 in the credit risk section. Concentration of exposures to geographical areas are presented in Figure 7.

Reinsurance assets for incurred claims for the ten largest reinsurer counterparties amounted to € 4,257 thousand (€3,929 thousand), representing 98% (2023: 88%) of the total reinsurance assets for incurred claims. Out of the ten largest reinsurer counterparties, 90% (2023: 90%) of the reinsurers had an A rating or higher, while the rest were from non-rated captives.

Risk management and control

The Company's Underwriting Policy, Investment Policy, Baltic Investment Policy and Reinsurance Policy set out limits for maximum exposures to single counterparties and rating classes.

Table 11 – Concentration of market and credit risks in individual counterparties and asset classes 31.12.2024

€000	Fixed income
Nordea Bank plc	37,418
OP Yrityspankki Oyi	16,257
Danske Bank A/S	15,071
Swedbank AB	13,814
SEB	12,330
Handelsbanken	8,777
Nykredit A/S	8,460
Societe Generale	8,318
Tornator OYJ	7,802
ING Group	7,563

The ten largest exposures amount to €135,810 thousand (2023: €99,720 thousand), representing 39% (2023: 29%) of the total investment assets under active management.

Operational risk

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

The definition includes legal risk that can be described as the risk of loss due to (i) disputes not related to insurance claims, (ii) breach of contract or entry into illegal contracts or (iii) breach of intellectual property rights.

Operational risks occur in all parts of the organization and are a natural part of the business. A continuous assessment of the risks is one way to balance the level of risk mitigation, as it is not cost-effective to eliminate all operational risks. Managers within the line organization are the risk owners and responsible for continuously managing significant risks to an acceptable level within their operations.

Risk exposure

The Company's daily insurance operations are heavily dependent on the functioning of IT systems and infrastructure. Therefore, the most material operational risk exposure may arise from IT systems and software developments. As a result of extensive digitalisation, the company is also exposed to cyber threats.

Risk management and control

The Company identifies operational risks through different processes:

- **Operational and Compliance Risk Assessment Process.** Operational and Compliance Risk Assessment process is conducted by each unit as a self-assessment twice per year. Based on this assessment the second line of defence assesses operational risks from the Company's perspective. The risk levels are monitored on a continuous basis and reported regularly to the Management and Supervisory Boards of the Company.
- **Incident reporting process.** Operational incidents are reported via a web-based system. The incidents are analysed by the Risk Management Function to determine the areas needing improvements. Information on incident trends and severe impacts is included in the quarterly risk report.
- **Business Continuity Management.** Business Continuity Management is implemented to ensure the organisation's capability to manage business interruptions and crises situations effectively. Business continuity exercises are carried out in each country. The test, actual crisis and business interruptions results are analysed and improved actions are included in the IT Disaster Recovery Plans and Business Continuity Plans. An overview of continuity management exercises and their results is presented to the Management and Supervisory Boards regularly.

The main internal guidelines to manage the operational risks are Baltic Risk Management Guideline, Operational Risk Policy, Security Policy, Baltic Business Continuity Management Guideline, Outsourcing Policy and Complaints Handling Policy.

Other risks

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, material financial losses or loss of reputation as a result of not complying with applicable rules and regulations.

Risk management and control

The Company aims to achieve an integrated compliance culture. The first line of defence owns and manages their compliance risks in the daily activities and reports to the second line of defence.

Practical compliance risks in the business are identified within the Operational and Compliance Risk Assessment process and incidents are reported through the incident reporting process similarly to operational risks and incidents. Additionally, compliance monitoring activities in particular fields of compliance topics are carried out when necessary.

Internal training on important rules and guidelines is provided to employees on a regular basis. Policies and other internal steering documents are reviewed and updated at least annually.

Identified risks are assessed from a severity perspective, taking into account their likelihood and impact and reported quarterly to the Management Board and the Supervisory Board.

Reputational risk

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

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

Risk management and control

When assessing operational and compliance risks, the reputational consequence of a materialised risk is taken into account. Additionally, media incidents are reported by the Communication Managers in Estonia, Latvia and Lithuania at least twice per year to the Risk Manager. Reputational risk is analysed and reported at least twice per year to the Management Board and to the Supervisory Board along with the regular risk reporting.

Since operational and other risks may evolve into reputational risks if not handled correctly, the communication department continuously works to ensure that all employees are aware of the importance of appropriate management of operational and other risks and understand how to deal with potential reputational risks. Customer feedback and complaints are closely followed and instantly handled.

Strategic risk

Strategic risk is defined as the risk of losses due to changes in the competitive environment, changes in the overall economic climate or internal inflexibility.

Risk management and control

Strategic risks are evaluated quarterly in addition to the annual assessment during the yearly financial planning process. The development of the identified material strategic risks are reported quarterly to the Management Board and the Supervisory Board. The strategic risks and their mitigation are regularly followed up.

The main techniques used to mitigate strategic risks include the implementation of management actions based on the risk development.

Emerging risk

Emerging risks are newly developing or changing risks that are difficult to quantify and which may have a major impact on the Company.

Risk exposure

The risks that are under extra observation are cyber risks, nanotechnology, lack of adaption to climate change, Internet of Things (IoT), self-driving vehicles, critical infrastructure blackouts and supply chain disruption.

Risk management and control

Emerging risks are identified and assessed on the basis of their likelihood and impact at least twice per year. The monitoring of the development of emerging risks is a continuous process. The risks assessed as the most serious for the Company are reported twice a year as a part of the regular risk report.

Solvency II

Detailed information about the Company's risks based on the Solvency II regulation is provided in the Solvency and Financial Condition Report, which is available on the Company's website.

Notes to the statement of profit and loss

Note 5 – Claims incurred

€000	2024 Gross	2024 Ceded	2024 Net	2023 Gross	2023 Ceded	2023 Net
Paid insurance claims						
Claims paid	-139,261	882	-138,380	-122,580	128	-122,452
Annuities paid	-554	-	-554	-456	-	-456
Claims handling expenses	-6,673	-	-6,673	-6,047	-	-6,047
	-146,488	**882**	**-145,607**	**-129,083**	**128**	**-128,955**
Change in liability / asset for incurred claims						
Present value of estimated future cashflows						
Incurred and reported losses	-7,430	315	-7,115	-2,579	929	-1,650
Incurred but not reported losses (IBNR)	1,492	-131	1,361	-6,830	-106	-6,936
Annuities	-409	-7	-415	612	-6	606
Claims handling	-13	-	-13	-510	-	-510
Risk of non-performance by reinsurer	-767	-34	-802	-795	62	-733
Risk adjustment (discounted)	-	13	13	-	8	8
	-7,127	**156**	**-6,971**	**-10,102**	**887**	**-9,215**
Total claims incurred	**-153,615**	**1,038**	**-152,578**	**-139,185**	**1,015**	**-138,170**

€000	2024 Gross	2024 Ceded	2024 Net	2023 Gross	2023 Ceded	2023 Net
Claims expenses attributable to current-year operations						
Paid insurance claims	-107,352	-9	-107,361	-97,078	45	-97,033
Change in liability / asset for incurred claims						
Present value of estimated future cashflows	-57,283	1,261	-56,023	-50,335	1,226	-49,108
Risk adjustment (discounted)	-3,505	32	-3,473	-2,791	62	-2,729
	-168,141	**1,284**	**-166,856**	**-150,204**	**1,333**	**-148,871**
Claims expenses attributable to prior-year operations						
Paid insurance claims	-39,136	890	-38,246	-32,005	83	-31,922
Change in liability / asset for incurred claims						
Present value of estimated future cashflows	50,923	-1070	49,853	41,028	-401	40,627
Risk adjustment (discounted)	2,738	-67	2,671	1,996	-	1,996
	14,525	**-247**	**14,279**	**11,018**	**-318**	**10,701**
Total claims incurred	**-153,615**	**1,038**	**-152,578**	**-139,185**	**1,015**	**-138,170**

Note 6 – Operating expenses

€000	2024	2023
Specification of profit and loss statement item Insurance service expense, operating expenses		
Acquisition cashflows deferred via the liability for remaining coverage and acquisition cashflow asset		
External and internal acquisition cashflows	14,318	12,976
Change from deferred acquisition cash flows	490	1,305
	14,809	**14,281**
Administrative expenses and other sales function expenses	-70,636	-65,805
Total	**-55,828**	**-51,524**

€000	2024	2023
Summary of total operating expenses (by nature)		
Salaries and remuneration	-27,867	-24,264
Social fees	-5,903	-5,227
Other personnel costs	-1,174	-1,260
Total personnel costs	**-34,944**	**-30,751**
Premises costs	-1,159	-1,041
Depreciation	-1,244	-1,275
External acquisition cashflows	-14,809	-14,282
Other administrative costs	-10,867	-11,527
Total expenses split by nature	**-63,023**	**-58,876**
Change from deferral of external and internal acquisition cash flows, not split by nature	490	1,305
Total	**-62,532**	**-57,571**

€000	2024	2023
Allocation of total operating expenses in the statementof profit and loss (by function)		
Insurance service expenses, operating expenses	-55,828	-51,524
Claims handling expenses, included in Claims incurred	-6,673	-6,047
Administrative expenses pertaining to other operations, included in Other Expernses	-32	-
Total	**-62,532**	**-57,571**

Note 7 – Average number of employees

	2024		2023	
	Average number of employees	Where of Women %	Average number of employees	Where of Women %
Estonia	204	66	203	67
Latvia	235	57	222	59
Lithuania	174	76	166	77
Total	**613**	**65**	**591**	**67**

Percentage of women in executive management	2024	2023
Management Board	43 %	43 %

Note 8 – Salaries and other remuneration for the members of the Management Board

€000 Salaries and other remuneration for the members of the Management Board	2024	2023
Fixed salaries and remuneration	1,198	1,094
Variable compensation and incentive schemes	1,003	673
Total	**2,202**	**1,767**

The amounts above include social tax. In reporting year 2024 no termination benefits was paid to members of the Management Board (2023: €0).
No remuneration was paid to members of the Supervisory Board in 2024 and 2023. The majority of the Management Board is also covered by Sampo Group's long-term incentive schemes. The Company does not disclose additional information in relation to the of long-term incentive schemes because the company apply disclosure exemption on the basis of materiality.

Principles for determining remuneration of senior executives

Remuneration of the Chairman of the Management Board and other members of the Management Board consists of a fixed salary, short-term variable compensation and other benefits. Most of the Management Board is also covered by Sampo Group's long-term incentive schemes.

The maximum annual variable compensation payable to the Chairman of the Management Board is 50% of the annual fixed salary. The maximum annual variable compensation payable to other members of the Management Board is 25% of the annual fixed salary. The annual variable compensation is based on the If Group results, business area/business unit results and individual results.

A substantial part of payments from variable compensation programs is deferred for at least three years. Thereafter, the Supervisory Board shall evaluate and, if needed, risk adjust the deferred compensation before any payment is made.

Severance pay

According to the conditions of the contracts concluded with the members of the Management Board, severance payments may be paid for up to 12 months on the termination of the contract.

Note 9 – Auditors' fees

€000	**2024**	**2023**
Audit fees including statutory fees	324	211
Other consultancy fees	-	7
Total fees to elected auditor	**324**	**218**

Note 10 – Investment result

€000	2024	2023
Financial assets and liabilities at fair value through profit or loss		
Interest bearing securities		
Interest income	8,561	6,859
Realized and unrealized result	8,385	14,696
Currency result	-121	-54
Financial assets at fair value through profit or loss total	16,825	21,501
Other financial investment assets		
Interest income	1,268	1,018
Total from Other financial investment assets	1,268	1,018
Other assets		
Dividends	-	1,050
Total from Other assets	-	1,050
Total Investment income	18,093	23,569
Investment costs		
Interest expense on lease liabilities	-67	-50
Other financial expenses	-328	-293
Investment result	17,698	23,226

Note 11 – Taxes

€000	2024	2023
Current tax	-6,368	-7,422
Deferred tax	-20	-45
Total tax in the statement of profit and loss	**-6,388**	**-7,467**
Current tax		
Estonia	-4 445	-6,870
Latvia	-1 154	-480
Lithuania	-788	-117
Total current tax	**-6 388**	**-7,467**

For a specification of deferred tax, see Note 17.

€000	2024	2023
Difference between reported tax and tax based on current tax rate in Lithuania and Latvia		
Profit before taxes	9 297	2 237
Tax according to current tax rate, 15%/20%	-1 616	-409
Permanent differences	-306	-86
Temporary differences	-22	-31
Adjustment of prior-year taxes	1	-4
Differences arising from IFRS 17 effect	-	-66
Reported tax in the statement of profit and loss	**-1 943**	**-597**

Current corporate income tax asset/liability (-)

€000	2024	2023
At 1 January	**-3,938**	**-745**
Calculated	-6,368	-7,422
Paid	9,079	4,229
At 31 December	**-1,227**	**-3,938**

Notes to the statement of financial position

Note 12 – Financial investment assets

Classification of financial investment assets

The recognition of financial assets depends on their classification. The classification of assets categorized in accordance with IFRS 9 is shown below.

€000	Acquisition value 31.12.2024	Fair value 31.12.2024	Carrying amount 31.12.2024
Financial assets at fair value through profit or loss			
Bonds and other interest-bearing securities	341,785	345,829	345,829
Total financial assets, at fair value through profit or loss	**341,785**	**345,829**	**345,829**

€000	Acquisition value 31.12.2023	Fair value 31.12.2023	Carrying amount 31.12.2023
Financial assets at fair value through profit or loss			
Bonds and other interest-bearing securities	302,682	338,984	338,984
Total financial assets, at fair value through profit or loss	**302,682**	**338,984**	**338,984**

Specification of financial investment assets

Bonds and other interest-bearing securities

If's bonds and other interest-bearing securities by type of issuer at December 31, 2024 are shown below.

€000 Type of issuer	Nominal value %	Fair value %	Carrying amount %
Foreign governments	0.7	0.8	0.8
Foreign financial companies	61.1	56.6	56.9
Other foreign companies	38.2	42.6	42.3
Total	**100**	**100**	**100**

Years to maturity [1]	<1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-30	Total
Fair value %, 2024	20.1	19.6	16.6	17.3	9.1	7.3	2.9	2.0	1.1	4.0	**100**
Fair value %, 2023	17.7	13.5	20.8	17.4	16.0	6.8	5.4	1.0	0.2	1.2	**100**

[1] The maturity period is not adjusted by taking into account the possibility of early redemption of bonds.

Financial investment assets at fair value

Within the Company, 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. The valuation of bonds is also usually based on prices from Bloomberg. Quoted bonds are measured based on the last bid price. For model-valued interest bearing instruments, yield curves based on last mid prices are used.

Company's financial instruments, which are measured at fair value, are categorized 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.

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 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 in the category include 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 measured at level 2 include interest-bearing assets where the market is not active enough.

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 non-observable market data is available, the fair value of financial instruments is based on valuation techniques that are based on non-observable market data.

There were no level 3 financial instruments measured at fair value in the portfolio as at 31 December 2024 and 2023.

For additional information on the valuation of financial instruments, see Note 1 Material accounting policies.

Financial investment assets in fair value hierarchy

€000	Level 1	2024 Level 2	Total fair value
Financial assets at fair value through profit or loss			
Bonds and other interest-bearing securities	297,965	47,864	345,829
Total financial assets at fair value through profit or loss	**297,965**	**47,864**	**345,829**

Financial investment assets in fair value hierarchy

€000	Level 1	2023 Level 2	Total fair value
Financial assets at fair value through profit or loss			
Bonds and other interest-bearing securities	314,739	24,246	338,984
Total financial assets at fair value through profit or loss	**314,739**	**24,246**	**338,984**

Transfers from level 1 to level 2 amounted to €10,354 thousand (2023: €9,671) corresponding to 3.0% (2023: 2.9%) of the outstanding balance for financial investment assets measured at fair value, while transfers from level 2 to level 1 amounted to €0 (2023: €1,014 thousand) corresponding to 0% (2023: 0.3%) of the outstanding balance for financial investment assets measured at fair value.

Note 13 – Debtors

€000	2024	2023
Insurance and reinsurance related receivables	1,163	258
Other debtors	2,809	2,617
Total	**3,972**	**2,875**

Note 14 – Tangible assets

	2024			2023		
€000	Right-of-Use Buildings	Other Tangible assets	Total	Right-of-Use: Buildings	Other Tangible assets	Total
Accumulated acquisition value	**9,158**	**1,939**	**11,096**	**8,650**	**1,753**	**10,403**
Opening balance	3,284	759	**4,043**	3,806	634	**4,440**
Additions	355	638	**993**	508	730	**1,238**
Write off	-	-342	**-342**	-	-545	**-545**
Closing balance	**9,513**	**2,234**	**11,747**	**9,158**	**1,938**	**11,096**
Accumulated depreciation and impairment						
Opening balance	-5,874	-1,179	**-7,053**	-4,844	-1,119	**-5,963**
Depreciation and impairments during the year	-1,018	-226	**-1,244**	-1,030	-245	**-1,275**
Disposals	-	190	**190**	-	185	**185**
Closing balance	-6,892	-1,215	**-8,107**	-5,874	-1,179	**-7,053**
Carrying amount, closing balance	**2,620**	**1,019**	**3,639**	**3,284**	**759**	**4,043**

Lease contracts where the Company acts as lessee mainly pertain to premises, vehicles and office equipment. Right-of-use assets relate to lease contracts for large office premises.

The Company leases premises and vehicles for its own use. The expected lease term varies from 1 to 4 years for premises. One contract has an option to terminate the contract before the term end.

Variable lease payments are linked to consumer price indexes. Expenses relating to lease contracts not recognized in the statement of financial position amounted in 2024 to €541 thousand (2023: €424 thousand).

The total cash outflow for leases amounted to €1,051 thousand in 2024 (2023: €1,038 thousand).

For additional information on leases, please refer to Note 1 Material accounting policies, Note 10 Investment result and Note 15 Creditors.

Note 15 – Creditors

€000	2024	2023
Taxes		
Current tax liabilities	1,227	3,938
Employee withholding taxes	491	455
Other tax	367	353
Total taxes	**2,085**	**4,746**
Other insurance and reinsurance related payables	4,052	3,907
Lease liabilities	2,701	3,330
Prepaid premiums	4,515	3,887
Accounts payable	15	14
Other creditors	1,395	1,225
Total	**14,763**	**17,109**

Note 16 – Insurance liabilities and reinsurance assets

Insurance liabilities, Net

	2024			2023		
€000	Gross	Ceded	Net	Gross	Ceded	Net
Liability / asset for remaining coverage						
Premiums received / paid	55 403	-1 753	57 156	53,368	-1,336	54,704
Acquisition cash flows	-7 660	-	-7 660	-7,260	-	-7,260
	47 743	**-1 753**	**49 496**	**46,108**	**-1,336**	**47,444**
Liability / asset for incurred claims						
Present value of estimated future cashflows						
Incurred and reported claims	104 936	7 077	97 859	94,395	6,522	87,873
Incurred but not reported claims (IBNR)	44 873	36	44 838	44,564	162	44,402
Annuities	11 525	146	11 379	10,286	143	10,143
Claims handling expenses	4 807	-	4 807	4,641	-	4,641
Risk of non-performance by reinsurer	-	-23	23	-	-36	36
Risk adjustment (discounted)	10 039	214	9 825	8,942	240	8,702
	176 180	**7 449**	**168 731**	**162,828**	**7,031**	**155,797**
Total	**223 923**	**5 696**	**218 227**	**208,936**	**5,695**	**203,241**

Valuation of insurance liabilities

Insurance liabilities reflect the liability the Company has for its insurance undertakings, meaning the insurance contracts underwritten. The liability consists of two parts, the liability for remaining coverage and acquisition cash flow assets as well as the liability for incurred claims.

The liability for remaining coverage relates to the obligation to investigate and pay valid claims that have not yet occurred. The liability consists of the part of premium payments received relating to insurance services that are to be provided after the closing date (i.e. relating to the unexpired portion of the insurance coverage), adjusted for acquisition cashflows. The liability for incurred claims relates to the obligation to investigate and pay valid claims that have occurred. The liability is designed to cover anticipated future payments for all claims incurred, including claims not yet reported to If, referred to as IBNR.

Liability for remaining coverage and acquisition cash flow asset

Premiums received net of acquisition cash flows

The liability for remaining coverage is measured using the Insurance contracts Premium Allocation Approach (PAA) for all portfolios. For groups of insurance contracts with a significant share of multi-year policies, an assessment is performed to ascertain that the resulting value of the liability does not differ materially from the value using the General Measurement Model (GMM).

When applying the PAA, the liability for remaining coverage is measured on initial recognition based on premiums received less insurance acquisition cash flows paid. The premiums received are determined by using an indirect method whereby the unearned premium reserve, corresponding to the portion of total gross written premiums that relates to the remaining part of the coverage period, is offset by any outstanding premium receivables at the closing date.

Loss component

A loss component is to be reported for any groups of onerous contracts. Since the premium allocation approach is applied, the groups of contracts are assumed to not be onerous unless facts and circumstances indicate otherwise. Internal management information regarding the insurance service result per the plan process has been used to identify any onerous groups of contracts. The Company performs a comprehensive check on a yearly basis to identify any onerous groups of contracts. A group which is onerous or has a significant risk of becoming onerous is then monitored during the year and a loss component is reported in the liability for remaining coverage if necessary. The loss component is calculated as the difference in the liability measured with the general measurement model compared to the premium allocation approach.

Acquisition cash flow asset

Any acquisition cash flows paid relating to a group of insurance contracts not yet recognized are presented as a separate acquisition cash flow asset included in the related portfolio's total carrying amount.

Liability for incurred claims

The liability for incurred claims (LIC) is intended to cover the estimated future payments of all claims incurred, including claims not yet reported to If (IBNR) and all claims handling expenses. The estimated future cash flows (best estimate) in direct property and casualty insurance and reinsurance are calculated with the aid of statistical methods or through assessments of individual claims. Often a combination of the two methods is used, meaning large claims are assessed individually while small claims that occur more frequently (frequency claims) and claims incurred but not reported (IBNR) are calculated using statistical methods. The best estimate of incurred claims is divided into reported claims incurred (case reserves and annuities) and unreported claims incurred (IBNR) as well as a liability for claims handling expenses.

In addition to the best estimate, the liability for incurred claims includes an explicit risk adjustment for non-financial risk ('risk adjustment'), which reflects the uncertainty about the amount and timing of cash flows arising from non-financial risk. Both the best estimate and risk adjustment are discounted to present value.

The corresponding methods as for measuring the insurance contracts issued are applied when measuring the reinsurance contracts held. The asset for incurred claims also takes into consideration the effect of the risk of non-performance by the reinsurer (credit risk adjustment).

Description of methods

Estimated future cash flows (Best estimate)

If uses a number of statistical methods to determine the final claims expense that If is obliged to pay. Reported claims (case reserves) are either individually assessed or determined by statistical methods depending on claims size.

The most common methods for estimating IBNR amounts are Chain-ladder and Bornhuetter-Ferguson. The Chain-ladder method may be based on various types of data such as outgoing payments, claims expense or the number of claims. Historical claims trend factors and a selection of estimates of future development factors are analyzed. The selection of development factors is subsequently applied to the known expenses to date for claims for each accident year (which are not yet fully developed) that is to be estimated.

This provides an estimate of the anticipated claims expenses for each accident year. The Chain-ladder methodology is most suitable for insurance portfolios that have a relatively stable progression. The method is less applicable in cases that lack sufficient historical data, such as in the case of new insurance products or portfolios with a long lag in claims reporting. In the case of such portfolios, the Bornhuetter-Ferguson method is most frequently used. This is based partly on a combination of claims history and partly on exposure data, such as the numbers of insured parties or premiums written. The actual claims history is given greater weight for older developed accident years while, for more recent years, the known exposure is weighted to a greater degree towards experience from similar portfolios and product areas.

The liability relating to claims handling expenses is estimated based on allocated claims handling expenses for each portfolio in relation to the best estimate incurred claims (case reserves, annuities and IBNR).

The best estimate relating to annuities is determined by life insurance techniques, using the Lee-Miller mortality model based on population data in each country in order to better model longevity trends.

For the liability amounts, other than annuities, the estimated future cash flows are derived from the undiscounted best estimate incurred claims by using standard actuarial methods, i.e. applying development patterns from reserve modelling. For amounts relating to annuities, cash flows follow from the use of life insurance techniques.

Risk adjustment for non-financial risk

The risk adjustment reflects the uncertainty about the amount and timing of cash flows arising from non-financial risk. The risk adjustment is derived through a confidence level technique whereby management has determined the appropriate quantile reflecting the compensation required for bearing non-financial risk and the degree of risk aversion. The confidence level applied in calculating the risk adjustment has been set to 85% at entity level.

The risks considered in estimating the risk adjustment are reserve risk, longevity risk for annuities, and inflation risk. The reserve risk is determined by triangular techniques, while the longevity risk for annuities is determined from the Lee Miller model. The inflation risk is determined using inflation scenarios. Since the effect of changes in indexation of annuities is considered to be a financial risk, it is consequently excluded when measuring the risk adjustment for inflation risk.

Discounting

The discount rates are market-based yield curves, constructed by deriving a risk-free rate from swap rates and an illiquidity premium that is added to the risk-free rate. Discount rates are constructed separately for the main currencies.

The change in discounting effect is in the income statement split into the effect presented in insurance service result and insurance finance income or expenses. The change in discounting effect due to changes in underlying best estimate or changes in payment patterns is presented in the insurance service result. The change in discounting effect due to changes in interest rates and interest expense/ income (unwinding) is presented in insurance finance income or expense. The decomposition is calculated relative to the opening balance and interest rates at the start of the year.

Risk of non-performance by reinsurer

The risk of non-performance is a credit risk adjustment to the asset for incurred claims based on the loss given default as a function of the rating of each reinsurer. Given the structure of If's reinsurance and the composition of the reinsurance panel, this is a minor adjustment.

Assumptions and sensitivity

The assumptions and parameters used in measuring the liability for incurred claims are adjusted each quarter, except for the discount rates which are determined monthly.

If is exposed to personal claims arising primarily from obligatory Motor Third Party Liability. Of the liability for incurred claims 56 percent (2023: 58%) is attributable to Motor Third Party Liability. If issues Motor Third Party Liability insurance in all the Baltic countries.

There are a number of factors affecting liabilities and their uncertainty. The most important assumptions for portfolios dominated by personal claims are:

- inflation;
- discount rate;
- mortality; and
- effect of legislative amendments and court practices.

Inflation

The anticipated inflation trend is observed in all estimated future cash flows but is primarily important in claims settled over a long period of time. For long-tailed business, such as Motor Third Party Liability and General Liability assessments are made in-house regarding the future cost trend. This is based on external assessments of the future inflation trend in various areas, such as the consumer price index and payroll index, combined with If's own evaluation of cost increases for various types of compensation.

Compensation costs can rise due to new or amended legislation or practices, for example. Various national rules mean that the sensitivity implications of the assumptions underlying inflation differ quite substantially between countries.

A large share of the claims expense in obligatory insurance consists of compensation for loss of income, which in terms of legislation is usually associated with a pre-defined index for the value adjustments of compensation.

Discount rate

Market-based yield curves are constructed based on a risk-free rate and an illiquidity premium for the main currencies. The risk-free rate is derived based on swap rates deducted with a credit risk adjustment, currently aligned with the methodology to derive EIOPA's risk-free interest rates applied for Solvency II reporting. This also comprises the last liquid point and the extrapolation method and assumptions, which includes the ultimate forward rate. The risk-free interest rate is adjusted with an illiquidity premium, which is derived from the spread between bond yields after credit risk premium adjustment and risk-free rates. Illiquidity premium is added to the risk-free rate up to the last liquid point and thereafter extrapolated with the same assumptions as the risk-free rate.

The table below shows the present value of the estimated future cash flows and the weighted average discount rates.

€000	2024	2023
Net liability for incurred claims, present value of estimated future cashflows	168,730	155,798
Discount rate (weighted average) %	2.5%	2.8%

Refer to Note 4, Risks and risk management, for a sensitivity analysis of the discount interest rate.

Mortality

The reserve risk for mortality is related to annuities, since actual mortality may be lower than the mortality assumptions made when assessing the liability. If employs a Lee-Miller mortality model with parameters based on population data in each country. The main advantage with more modern mortality models like Lee-Miller is that they allow for modelling of trends in population mortality rather than being static. The assumptions for mortality are generally differentiated in terms of age, gender, and year of birth. Refer to Note 4, Risks and risk management, for a sensitivity analysis of mortality.

Effects of legislative amendments and court practices

When determining the liability, it is virtually impossible to take into account amendments to legislation and practices that affect future expenses. However, there are methods for managing this uncertainty. Firstly, as described above, the inflation assumptions are adjusted somewhat to take into account historical experience of the various insurance categories. In cases where individual claims issues are subject to legal examination and for which there is a risk of a prejudicial decision that will affect other claims, the provisions for similar claims are adjusted.

Changes in 2024

During the year the liability for incurred claims, net (LIC) increased by €12,933 thousand, mostly in Property by €6,988 thousand and Motor Third Party Liability €4,929 thousand.

Significant events

No significant events to be disclosed.

Movements in insurance liabilities and reinsurance assets

The following reconciliations from opening to closing balances show how the carrying amounts of the liability for remaining coverage and the liability for incurred claims changed during the year as a result of amounts recognized in the statement of profit and loss and statement of cash flows.

Changes in insurance liabilities

	2024				2023			
	Liability for remaining coverage	**Liability for incurred claims**		**Total**	**Liability for remaining coverage**	**Liability for incurred claims**		**Total**
€000		Present value of future cash flows	Risk adjust-ment			Present value of future cash flows	Risk adjust-ment	
Opening balance	**46,108**	**153,886**	**8,942**	**208,936**	**41,315**	**139,643**	**8,147**	**189,105**
Changes in statement of profit and loss								
Insurance revenue	-244,974	-	-	**-244,974**	-223,024	-	-	**-223,024**
Insurance service expenses								
Incurred claims	-	164,580	3,563	**168,143**	-	147,412	2,791	**150,203**
Change in insurance acquisition cash flows	14,318	-	-	**14,318**	12,976	-	-	**12,976**
Change in liability for incurred claims, prior year (past service)	-	-12,062	-2.466	**-14,528**	-	-9,022	-1,996	**-11,018**
Insurance finance income or expense, insurance contracts	-	6,225	-	**6,225**	-	4,936	-	**4,936**
Total changes in state-ment of profit and loss	**-230,656**	**158,743**	**1.097**	**-70,816**	**-210,048**	**143,326**	**795**	**-65,927**
Cash flows during the period								
Received premiums	247,009	-	-	**247,009**	228,925	-	-	**228,925**
Paid insurance claims	-	-146,488	-	**-146,488**	-	-129,083	-	**-129,083**
Paid insurance acquisition cash flows	-14,718	-	-	**-14,718**	-14,084	-	-	**-14,084**
Total cash flows during the period	**232,291**	**-146,488**	**-**	**85,803**	**214,841**	**-129,083**	**-**	**85,758**
				-				**-**
Closing balance	**47,743**	**166,141**	**10,039**	**223,923**	**46,108**	**153,886**	**8,942**	**208,936**

The following reconciliations from opening to closing balances show how the carrying amounts of the asset for remaining coverage and the asset for incurred claims changed during the year as a result of amounts recognized in the statement of profit and loss and the statement of cash flows.

Changes in reinsurance assets

€000	2024				2023			
	Asset for remaining coverage	**Asset for incurred claims**		**Total**	**Asset for remaining coverage**	**Asset for incurred claims**		**Total**
		Present value of future cash flows	Risk adjustment			Present value of future cash flows	Risk adjustment	
Opening balance	**-1,336**	**6,791**	**240**	**5,695**	**-931**	**5,755**	**178**	**5,002**
Changes in statement of profit and loss								
Reinsurance premium expenses	-5,616	-	-	**-5,616**	-5,264	-	-	**-5,264**
Reinsurers' share of claims incurred								
Incurred claims, current year	-	1,311	33	**1,344**	-	1,271	62	**1,333**
Change in asset for incurred claims, prior year (past service)	-	-235	-59	**-294**	-	-326	-	**-326**
Change in risk of non-performance by reinsurer	-	13	-	**13**	-	8	-	**8**
Insurance finance income or expense, reinsurance contracts held	-	260	-	**260**	-	153	-	**153**
Translation differences	-1	-23	-	**-23**	-5	58	-	**53**
Total changes in statement of profit and loss	**-5,617**	**1,326**	**-26**	**-4,316**	**-5,269**	**1,164**	**62**	**-4,043**
Cash flows during the period								
Paid premiums	5,200	-	-	**5,200**	4,864	-	-	**4,864**
Received insurance claims	-	-882	-	**-882**	-	-128	-	**-128**
Total cash flows during the period	**5,200**	**-882**	**-**	**4,318**	**4,864**	**-128**	**-**	**4,736**
Closing balance	**-1,753**	**7,235**	**214**	**5,696**	**-1,336**	**6,791**	**240**	**5,695**

Claims development

In addition to the sensitivity analysis, the development of prior-year estimates of the claims expense for individual claims years also represent a measure of If´s ability to forecast final claims expenses. The tables below show the expense development for the accident years 2015-2024, before and after reinsurance. For accident years 2014 and earlier, the information is aggregated to one row.

The upper part of the table shows how the estimate of the total claims expense per accident year has developed annually in terms of the undiscounted fulfilment cashflows (i.e. consisting of both best estimate and risk adjustment). The lower section shows how large a share of this is presented in the statement of financial position.

€000 Claims costs, gross Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Estimated claims expense											
at the close of the claims year	76 854	87 509	81 855	90 838	86 653	93 409	107 946	135 523	147 714	165 088	
one year later	77 877	90 711	82 043	93 094	85 412	93 344	108 972	135 358	145 847		
two years later	78 583	87 113	81 175	93 582	85 105	92 356	108 508	134 009			
three years later	78 723	86 536	80 140	91 612	83 228	90 939	106 822				
four years later	78 658	85 362	78 300	89 920	81 862	88 244					
five years later	77 250	83 847	75 891	87 691	80 249						
six years later	75 474	83 401	75 182	85 481							
seven years later	75 307	81 560	74 567								
eight years later	74 807	81 245									
nine years later	74 036										
Current estimate of total claims expense	74 036	81 245	74 567	85 481	80 249	88 244	106 822	134 009	145 847	165 088	
Total disbursed	68 750	78 214	70 214	71 913	73 016	77 357	93 231	114 810	120 000	100 682	
Liability (gross) reported in the statement of financial position	5 286	3 032	4 353	13 568	7 234	10 887	13 592	19 199	25 847	64 407	167,404
of which annuities	*979*	*180*	*202*	*900*	*1 356*	*378*	*902*	*567*	*357*	*515*	6,335
Liability (gross) relating to 2014 and prior years											19,446
of which annuities											9,265
Liability for claims handling expenses											5,007
Discounting effect, gross											-15,678
Total liability for incurred claims											**176,180**

€000 Claims costs, net of reinsurance Accident year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimated claims expense											
at the close of the claims year	76 795	87 361	80 841	88 367	85 879	92 958	107 337	133 533	146 348	163 754	
one year later	77 827	88 544	81 031	90 386	84 603	92 986	108 479	133 424	144 549		
two years later	78 535	86 917	80 640	90 873	84 276	92 007	107 975	131 699			
three years later	78 684	86 340	79 605	88 903	82 502	90 596	106 477				
four years later	78 627	85 166	77 753	87 211	81 137	88 129					
five years later	77 220	83 651	75 513	84 994	79 528						
six years later	75 430	83 246	74 817	82 809							
seven years later	75 262	81 440	74 225								
eight years later	74 792	81 126									
nine years later	74 021										
Current estimate of total claims expense	74 021	81 126	74 225	82 809	79 528	88 129	106 477	131 699	144 549	163 754	
Total disbursed	68 735	78 094	69 894	71 916	72 919	77 243	92 906	114 747	119 130	100 671	
Liability (net) reported in the statement of financial position	5 286	3 032	4 331	10 892	6 610	10 886	13 571	16 952	25 419	63 084	160 062
of which annuities	979	180	202	900	1 356	378	902	567	357	515	6 335
Liability (net) relating to 2014 and prior years											19 133
of which annuities											9 265
Investment component											-44
Liability for claims handling expenses											5 007
Risk of non-performance by reinsurer											24
Discounting effect, net											-15 452
Total net liability for incurred claims											**168 730**

Note 17 – Deferred tax

€000 Changes in deferred tax 2024 (Lithuania)	Opening balance	Recognized in statement of profit and loss	IFRS 17 transition effect	Closing balance
Deferred tax assets				
Provision for claims	-	-	-	-
Asset for incurred claims	-	-	-	-
Total deferred tax asset	**-**	**-**	**-**	-
Netted deferred tax asset against deferred tax liability	**-**			-
Deferred tax asset according to the statement of financial position	**-**			-
Deferred tax liability				
Liability for remaining coverage and acquisition cashflow asset	-	-	-	-
Provision for claims	-	-	-	-
Vacation pay reserve and other accruals	-41	-9	-	**-50**
Doubtful debts	-3	-2	-	**-5**
Asset depreciation	-11	4	-	**-7**
Leasing assets	-7	-4	-	**-11**
Other temporary differences (other asset depreciation)	-8	3	-	**-5**
Provision for amounts recoverable by subrogation	91	28	-	**119**
Total deferred tax liability	**21**	**20**	**-**	**41**
Netted deferred tax liability against deferred tax asset	**-**			
Deferred tax liability in the statement of financial position	**21**	**-**	**-**	**41**
Deferred tax expense according to the statement of profit and loss	**-**	**20**	**-**	**-**

€000 Changes in deferred tax 2023 (Lithuania)	Opening balance	Recognized in statement of profit and loss	IFRS 17 transition effect	Closing balance
Deferred tax assets				
Liability for remaining coverage and acquisition cashflow asset				
Provision for claims	213	-213	-	-
Asset for incurred claims	26	-3	-23	-
Total deferred tax asset	**239**	**-216**	**-23**	-
Netted deferred tax asset against deferred tax liability	**-99**			
Deferred tax asset according to the statement of financial position	**140**			
Deferred tax liability				
Liability for remaining coverage and acquisition cashflow asset	148	-76	-72	-
Provision for claims	24	-	-24	-
Vacation pay reserve and other accruals	-24	-17	-	**-41**
Doubtful debts	-5	2	-	**-3**
Asset depreciation	16	-27	-	**-11**
Leasing assets	-2	-5	-	**-7**
Other temporary differences (other asset depreciation)	-	-8	-	**-8**
Provision for amounts recoverable by subrogation	131	-40	-	**91**
Total deferred tax liability	**288**	**-171**	**-96**	**21**
Netted deferred tax liability against deferred tax asset	**-99**			
Deferred tax liability according to the statement of financial position	**189**	**-**	**-**	**21**
Deferred tax income according to the statement of profit and loss	**-**	**45**	**-**	**-**

Note 18 – Accruals and deferred income

€000	31.12.2024	31.12.2023
Other accrued expense	7,129	6,607
Deferred income	1,237	1,575
Total	**8,365**	**8,182**

Other accrued expense consist mainly of personnel-related provisions, such as for vacation-pay liability, social security fees, commission and other variable compensation as well as accruals for uninvoiced other operating expenses.

Note 19 – Equity

Share capital

As at 31 December 2024 the number of issued shares was 6,391,165 with the nominal value of €1 (2023: 6,391,165).

As at 31 December 2024 the number of authorised shares was 12,000,000 with the nominal value of €1 (2023: 12,000,000).

Premium reserve

Premium reserve is the difference between the nominal value and the issue price of a share. Premium reserve may be used for covering accumulated losses if those cannot be covered by retained earnings, mandatory capital reserve or other reserves set out in the Articles of Association, as well as for increasing share capital via a bonus issue. As at 31 December 2024, premium reserve amounted to €3,679 thousand (31 December 2023: €3,679 thousand).

Statutory reserve

The mandatory capital reserve has been recognised in accordance with the Commercial Code of Estonia. The mandatory capital reserve must amount to no less than 1/10 of share capital. As at 31 December 2024, the mandatory capital reserve amounted to €2,362 thousand (31 December 2023: €2,362 thousand).

Retained earnings

In the reporting period the sole shareholder resolved that the Company should pay out a dividend of €28,700 thousand and the carry forward earnings after the dividend payments of €143,319 thousand.

€000	2024	2023
Dividend declared and paid	28,700	39,100
Final equity dividend per ordinary share in euros	4.4906	6.1178

Contingent income tax liability

As at 31 December 2024 the Company's retained earnings amounted to €143,319 thousand (2023: €135,460 thousand). Undistributed profit from Estonian activities amounts to €134,736 thousand (2023: €137,212 thousand). The maximum possible income tax liability in Estonia related to the distribution of the Company's retained earnings as dividends and excluding the retained earnings of Lithuanian and Latvian branches is €38,002 thousand (2023: €31,209 thousand). The Company could thus pay a total of €105,317 thousand (2023: €109,298 thousand) as a net dividend including the profit of the Lithuanian and Latvian branches of €8,583 thousand (2023: €2,246 thousand) which have already been taxed in Lithuania and Latvia. The maximum possible income tax liability has been calculated based on the assumption that the net dividends to be paid and the related total income tax expense to be recorded in the statement of profit or loss in 2025 may not exceed retained earnings as at 31 December 2024. The profit available for distribution may be further limited by regulatory capital requirements. Effective from 2025, the corporate income tax liability on dividend distributions will be subject to adjustment in accordance with the updated tax rates outlined in the Income Tax Act of Estonia. As of 1st January 2025, the previously reduced tax rate of 14% is discontinued, and the standard rate rose from 20% to 22%.

Note 20 – Events after the balance sheet date

The financial statements reflect all significant events affecting the valuation of assets and liabilities that occurred between the reporting date (31 December 2024) and the date on which the financial statements were authorised for issue (6 June 2025) but are related to transactions that occurred in the reporting period or earlier periods. No significant events have occurred after the balance sheet date.

Signatures to Annual Report 2024

The Management Board of If P&C Insurance AS has prepared the management report and financial statements for 2024

Signatures:

Heinar Olak	Member of the Management Board	/ Signature /	6 June 2025
Tiit Kolde	Member of the Management Board	/ Signature /	6 June 2025

SIRIUS AUDIT

SIRIUS AUDIT OÜ
Jalgpalli 1
11312 Tallinn
Estonia
Reg. No.: 17011255

[Translation from Estonian original]

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of If P&C Insurance AS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of If P&C Insurance AS (hereinafter also „the Entity"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit and loss, the statement of other comprehensive income, the statements of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Commission.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISAs (EE)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code, Estonia), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

Description of the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud	Summary of the auditor's response to those risks
Valuation of Insurance Liabilities – Liability for Incurred Claims (LIC) under IFRS 17	
As at 31 December 2024 the Entity has recognized liability for incurred claims in the amount of EUR 176,180 thousand (31 December 2023: EUR 162,828 thousand). Note 1 "Material accounting policies" and Note 2 "Significant estimations and judgments affecting the financial statements" to the financial statements give a description of the accounting policies applied and significant estimations and judgments affecting the valuation of the Entity's Liability for incurred claims and Note 4 "Risks and risk management" deals with the	During the audit, we obtained understanding of the valuation process of Liability for incurred claims as well as the accounting policies of the Entity in terms of these liabilities. We involved independent actuarial specialists, IT specialists, and IFRS 17 subject matter experts in our audit procedures to evaluate whether the actuarial valuation methods and models applied to calculate the Liability for Incurred Claims comply with generally

Entity's exposure to and management of the insurance risks associated with the liability for incurred claims. Note 16 "Insurance liabilities and reinsurance assets" further describes the methods applied by the Company in the valuation of the balance sheet item and the development of the liability for incurred claims over time. The valuation of the Liability for Incurred Claims (LIC) under IFRS 17 involves significant management judgment and complex actuarial models. The key risks relate to the selection of actuarial assumptions, including the estimation of future cash flows, risk adjustment for non-financial risk, discount rates, and claims development patterns. Any inappropriate assumptions or errors in actuarial models may result in a material misstatement of insurance liabilities. We considered this area to be significant due to the complexity of actuarial models applied, the level of estimation uncertainty involved, as well as the significance of LIC to the financial statements as a whole, and we identified this area as a key audit matter.	accepted standards and practices. Moreover, our audit procedures included, among others: • Evaluation of actuarial valuation methods and assumptions. We have assessed the appropriateness of the actuarial valuation methods and models used by the Entity for calculating LIC, including the estimation of the Future Cash Flows, Risk Adjustment for Non-Financial Risk, and Discounting Effect. We independently recalculated the Best Estimate of the LIC for key lines of business. We evaluated the significant actuarial assumptions applied, including development patterns, claims settlement time, and discount rates; • Reconciliation and substantive analytical procedures. We have performed an independent analytical reconciliation of the movement of LIC from the opening to the closing balance. We analyzed the run-off results for Q3 and Q4 of 2024 to assess the reasonableness of assumptions and the stability of reserves over time. We validated the Risk Adjustment calculations by performing an independent assessment, assuming normal distribution and an 85th percentile confidence level. • Evaluation of verification performed by the Entity, which included recalculating IBNR for MTPL in Estonia, Latvia, and Lithuania, as well as conducting run-off analyses and discounting mechanism verification. • Evaluation of the design and operational effectiveness of key internal controls, including general IT controls, related to claims paid, recourse, annuities and provisions for reported but not paid claims; • Test accuracy and completeness of the claims provisions. • Performance of analysis of claims case reserves provided as of 31 December 2024 and subsequent period of 2025 including our legal letters subsequent event analysis. We also analysed the disclosures regarding the Liability for incurred claim in the financial statements as well as their completeness and compliance with the financial reporting requirements.

Other Matter

The financial statements of If P&C Insurance AS for the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards as adopted by the European Commission, were audited by another auditor who expressed an unmodified opinion on those financial statements on 12 March 2024.

Other Information

The Management is responsible for the other information. The other information comprises the Management Report included in the Entity's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. It is also our responsibility to note whether information presented in the management report is in accordance with applicable legal requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and we note that information presented in the management report is in material respects in accordance with the financial statements and with applicable legal requirements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the Management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (EE) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (EE), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control, if any, that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public interest entities

Appointment of the Auditor

We were appointed as the statutory auditor by the Entity's Shareholder's General Meeting on 11 December 2024. The length of our total uninterrupted engagement as the statutory auditors is 1 year, covering the financial year ended 31 December 2024.

Consistency with the Additional Report to the Audit Committee

Our audit opinion expressed herein is consistent with the additional report prepared for the Audit Committee, which we issued on 06 June 2025.

Independence

We declare that during the audit we have remained independent of the Entity in accordance with the provisions of Regulation No 537/2014 of the European Parliament and of the Council and the ethical requirements set out in Auditing Act.

We declare that, to the best of our knowledge and belief, no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided on specific requirements regarding the statutory audit of public-interest entities. Other than statutory audit services and services disclosed in the management report or financial statements, we provided no other services to the Entity.

Mariel Akkermann
Certified Auditor No. 574
SIRIUS AUDIT OÜ
Licence No. 306
06 June 2024

Proposal for the Distribution of Profit

Profit available for distribution according to the statement of financial position:

Profit carried forward	€106,759,697
Net profit for 2024	€36,559,266
Total profit available for distribution as at 31 December 2024:	**€143,318,963**

The Management Board proposes:

To make a dividend distribution to the sole shareholder	€30,340,000
To recognise as retained earnings	€112,978,963

Heinar Olak
Member of the Management Board

/ Signature /

Tiit Kolde
Member of the Management Board

/ Signature /