SAMPO GROUP

2020

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

CONTENTS

REPORTS FOR THE YEAR 2020
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BOARD OF DIRECTORS' REPORT

Board Of Directors' Report For 2020

Sampo Group

Sampo Group's largest business area If had an extremely strong year 2020 in all respects. The combined ratio for the full-year 2020 was 82.1 per cent (84.5). This is the strongest combined ratio If has ever reported. Because of the impairment loss of EUR 899 million and the sales loss of EUR 262 million on Nordea shares, Group's reported profit before taxes for 2020 decreased to EUR 380 million (1,541). Without the extraordinary items relating to the Nordea holding, the profit before taxes would have been EUR 1,541 million for 2020 and EUR 1,696 million for 2019. The total comprehensive income for the period, taking changes in the market value of assets into account, amounted to EUR 434 million (1,565).

The earnings per share were EUR 0.07 (2.04) and marked-to-market earnings per share were EUR 0.65 (2.63). The earnings per share excluding the Nordea-related extraordinary items were EUR 2.16 per share (2.31). In accordance with the dividend policy, this figure has been used as basis when calculating the dividend proposal. The return on equity for the Group amounted to 3.1 per cent (12.0) for 2020. The net asset value per share on 31 December 2020 was EUR 19.82 (20.71).

Sampo plc's Board of Directors has today, after applying management judgement, decided to impair the book value of Nordea to EUR 7.50 per share from EUR 8.90 per share in Sampo Group's consolidated accounts at the end of December 2020.

Sampo plc's Board of Directors has proposed to the Annual General Meeting to be held on 19 May 2021 a dividend of EUR 1.70 per share (1.50). The proposed dividend payment amounts in total to EUR 944 million (833).

If segment's profit before taxes rose to EUR 901 million (884) and insurance technical result improved to EUR 811 million (685). The return on equity remained at a high level at 33.3 per cent (34.5). Premiums grew in all business areas in the Nordics amounting to almost 5 per cent with fixed currencies. If paid a dividend of SEK 6.3 billion (approximately EUR 600 million) to Sampo plc in December 2020.

Topdanmark segment's profit before taxes for 2020 was EUR 167 million (238). The combined ratio amounted to 85.2 per cent (82.1) in 2020. The expense ratio was 16.2 per cent (16.0). The Board of Directors of Topdanmark will recommend to the AGM on 25 March 2021 that in total a dividend of DKK 20 per share will be paid. If approved, Sampo plc's share of the dividend payment is EUR 113 million.

Sampo announced on 5 August 2020 that the company and Rand Merchant Investment Holdings (RMI) had made a recommended cash offer, through a jointly owned company, to acquire all issued and to be issued shares in Hastings Group Holdings Plc not already owned by Sampo and RMI.

Sampo holds 70 per cent of Hastings Group (Consolidated) Limited, which became Sampo plc's subsidiary and forms a separate segment in the Group's financial reporting as of 16 November 2020. The consolidated last six weeks of 2020 comprise a number of one-off expense items.

Sampo's share of Nordea's net profit for 2020, excluding the accounting impacts of the sale of Nordea shares in November 2020 and the impairment of the holding in Sampo Group's consolidated accounts 2020, amounted to EUR 429 million (290). The reported loss after these measures was EUR -734 million (290). Nordea is progressing well towards meeting its 2022 financial targets.

On 4 February, Nordea's Board proposed a dividend of EUR 0.39 per share for 2020. In addition, the Board will decide on 18 February to distribute EUR 0.07 per share as the first instalment of the delayed 2019 dividend of EUR 0.40 per share. The Board also proposes that the Annual General Meeting authorize it to pay out the remaining part of the 2019 dividend (EUR 0.33 per share) and the 2020 dividend (EUR 0.39 per share) – a total of EUR 0.72 per share – after September 2021, in line with the European Central Bank recommendation. Sampo plc's share of the proposed dividend payments is EUR 508 million.

Profit before taxes for segment Mandatum was EUR 154 million (280). The reserves related to the higher guarantees of 4.5 and 3.5 per cent decreased by EUR 268 million to EUR 1.9 billion at the end of 2020. Mandatum Life has supplemented the discount rate reserve and the rate used for 2021 - 2023 is 0.25 per cent. This had a negative impact of EUR 77 million on the result. The return on equity amounted to 14.4 per cent (23.5). Mandatum Life's Board proposes a dividend of EUR 200 million to Sampo plc in February 2021.

Sampo Group's total investment assets, excluding Topdanmark's life insurance assets, on 31 December 2020 amounted to EUR 22.6 billion (21.8), of which 78 per cent was invested in fixed income instruments (76), 14 per cent in equities (16) and 8 per cent in other assets (8). If's share of assets was 49 per cent (50), Topdanmark's 13 per cent (13), Hastings's 4 per cent, Mandatum Life's 25 per cent (26) and Sampo plc's 9 per cent (11).

Sampo Group's equity as at 31 December 2020 amounted to EUR 11,418 million (11,908), excluding the minority share of EUR 840 million (635). The main changes in the equity were the dividend payment of EUR 885 million reducing the equity and the comprehensive income for the year of EUR 322 million increasing it.

Sampo Group's Solvency II capital ratio at the end of 2020 was 176 per cent (174) and the Group solvency amounted to EUR 4,308 million (4,513).

Sampo Group will issue a report on non-financial information in accordance with Chapter 3a, Section 5 of the Accounting Act. A separate report, Corporate Responsibility Report 2020, will be published in May 2021.

Key Figures

Sampo Group, 2020

EURm	2020	2019	Change, %
Profit before taxes *)	380	1,541	-75
If	901	884	2
Topdanmark	167	238	-30
Hastings	-16	-	-
Associates *)	-722	143	-
Mandatum	154	280	-45
Holding (excl. Associates)	-103	-4	-
Profit for the period	**112**	**1,237**	**-91**
Earnings per share, EUR	0.07	2.04	-1.97
EPS (without eo. items) EUR	2.16	2.31	-0.15
EPS (based on OCI) EUR	0.65	2.63	-1.88
NAV per share, EUR	19.82	20.71	-0.89
Average number of staff (FTE)	13,227	9,813	3,414
Group solvency ratio, %	176	174	2
RoE, %	3.1	12.0	-8.9

*) *The reported loss related to the sale of Nordea shares in November 2020 and the impairment of Nordea holding made in the consolidated Group accounts 2020, together EUR 1,161 million is included in the 2020 figure. The comparison figure includes a valuation loss of EUR 155 million related to Nordea shares.*

Exchange Rates Used in Reporting

	1-12/2020	1-9/2020	1-6/2020	1-3/2020	1-12/2019	1-9/2019
EURSEK						
Income statement (average)	10.4882	10.5622	10.6621	10.6649	10.5853	10.5679
Balance sheet (at end of period)	10.0343	10.5713	10.4948	11.0613	10.4468	10.6958
DKKSEK						
Income statement (average)	1.4066	1.4157	1.4280	1.4279	1.4183	1.4158
Balance sheet (at end of period)	1.3485	1.4197	1.4813	1.4813	1.3982	1.4326
NOKSEK						
Income statement (average)	0.9778	0.9857	0.9932	1.0195	1.0749	1.0816
Balance sheet (at end of period)	0.9584	0.9523	0.9618	0.9610	1.0591	1.0809
EURDKK						
Income statement (average)	7.4544	7.4581	7.4648	7.4714	7.4661	7.4644
Balance sheet (at end of period)	7.4409	7.4462	7.4526	7.4674	7.4715	7.4662
EURGBP						
Income statement (average)	0.8892					
Balance sheet (at end of period)	0.8990					

Economic Environment

The global economy is expected to have shrunk by 3.5 per cent in 2020, primarily due to the shock caused by the COVID-19 pandemic. While some areas of the economy continue to be depressed, others have weathered the crisis relatively well. The sectors most negatively affected by the shock have been those dependent on in-person spending and sectors dependent on international travel and tourism. In contrast, some of the sectors that have shown resilience – or even gained from the crisis – have been areas of the economy linked to manufacturing and the digital economy, such as the technology and online retail sectors. Going forward, much will depend on the pace of the rollout of vaccines and the effectiveness of coordinated monetary and fiscal policy responses.

Following the setbacks of 2020, the Nordics are on track towards recovery. While the second wave of the pandemic is still hindering the recovery, vaccines and the summer are expected to bring long-awaited relief and a prospect of a return to normal. Compared to most other European countries, the Nordics have been among the most resilient in withstanding the crisis. The contraction of GDP is expected to have been much smaller than in most other countries as a consequence of favourable export composition and smaller exposure to tourism related shocks.

In Finland, the economy is expected to have contracted by 3.0 per cent in 2020, although the 2021 growth forecast of 3.0 per cent will put the economy on track to pare most of the losses towards the end of the year. As is the case with the other Nordic countries, the developments in the economy will largely depend on the pace of reopening sectors affected by COVID-19 restrictions. As long as the service sector is able to reopen, Finland's economic recovery this year will be robust. Private consumption, boosted by recovering employment, will act as a driver for growth. Exports and investments will benefit from the global economic recovery, while the increased levels of public debt present budgetary challenges moving forward.

In Sweden, the economy is expected to have contracted by 2.9 per cent in 2020, yet grow by a solid 4.0 per cent in 2021. Similar to Finland, the first quarter of 2021 is likely to be challenging for the Swedish economy due to rising COVID-19 infection rates and tighter restrictions. However, the growth rate is expected to pick up towards the end of the year driven by pent-up demand, revitalisation of export markets and positive spill over effects stemming from fiscal policy measures taken across the globe. The Riksbank is likely to keep its rates unchanged at zero and continue its asset purchases to support the recovery. The low interest rate environment has kept borrowing costs down and has been one of the key factors in driving up house prices to record levels.

In Norway, the economy is expected to have contracted by 3.4 per cent in 2020 and expand by 2.7 per cent in 2021, putting the Norwegian economy on track to reach pre-crisis GDP levels in early 2022. The Norwegian economy has already regained most of the ground lost during the initial COVID-19 shock in March last year, during which mainland activity shrunk by a massive 14 per cent. The unemployment rate has already recovered back to 4 per cent from the crisis high of 10 per cent and is likely to continue to recover further in 2021. House prices are likely to retain their upward momentum in the first half of 2021 before gradually slowing down. Higher oil prices and signals from the Norges Bank of upcoming rate hikes will contribute to a stronger NOK going forward.

In Denmark, the economy is expected to have contracted by 3.7 per cent in 2020, and the growth projection of 2.5 per cent for 2021 is more modest compared to Denmark's Nordic peers. However, Denmark's public finances have stayed relatively stable due to increased tax revenue from returns on pension investments and actual stimulus spending being noticeably smaller than the funds allocated to the package. In 2021, the economic upswing will be initially driven by rising private consumption supported mainly by a sharp pick-up in the housing market and accumulated savings. Later in the year, Denmark's key export markets are likely to grow, bringing GDP back to pre-crisis levels in 2022.

Effects of COVID-19 on Sampo Group

Year 2020 will be remembered for the COVID-19 pandemic and its effects on society, economy, businesses and the lives of ordinary people. Despite the turbulence, Sampo Group's insurance operations continued their good performance.

When the COVID-19 pandemic hit the Nordic countries in the first quarter of 2020, priority in Sampo Group was given to maintaining service level and to supporting customers in the best possible way in the changed working conditions. The safety of customers and personnel has been ensured through following the instructions and recommendations given by the local authorities and by utilizing digital technology.

A large majority of Sampo Group's personnel has been working remotely since mid-March. After the summer, a gradual opening of offices was initiated within the limits set by social distancing recommendations by authorities but the return to the office was stopped after the pandemic surged again in Europe. As COVID-19 infection rates increased drastically in Northern Europe during October and November, Sampo's subsidiaries adapted to the tighter restrictions and the share of employees working from home increased further. At the end of the fourth quarter 80–95 per cent of If employees and the vast majority of the employees of Sampo's other subsidiaries worked remotely as well.

Despite the challenging situation, all the subsidiaries have been able to offer normal service level and customer satisfaction has remained at a high level, in Mandatum Life the customer satisfaction even reached a new record high.

There have been no COVID-19 related lay-offs among Sampo Group personnel and none of the group companies has required any government funding support during the COVID-19 pandemic.

Sick leave and personnel turnover were lower during the COVID-19 crisis than before the crisis. During 2020 If's sick leave figures improved from 3.3 per cent to 3.0 per cent and personnel turnover fell from 11.6 per cent to 10.1 per cent. In Mandatum, the turnover decreased from 11.3 per cent to 8.1 per cent.

The Group is prepared for an extended period of remote work and an eventual return to normality will be slow and gradual and even long term we expect the share of remote and digital work to be substantially higher than before the pandemic. We are working very actively to prepare for the new situation.

If

Claims cost for 2020 was negatively impacted from travel insurance policies primarily following imposed travel restrictions from governments due to COVID-19. At the end of the reporting period, the total number of reported claims amounted to approximately 50,000 claims corresponding to a gross claims cost of EUR 35 million, mostly in BA Private and Norway. For this event, If had a reinsurance cover with a net retention of approximately EUR 10 million.

Government restrictions and in general low activity level, especially during the second quarter, had a positive effect on claims frequency. The situation varied somewhat during the third and fourth quarter, but positive effects continued throughout the year, affecting especially motor insurance. The effect of COVID-19 on If's risk ratio was approximately 4 percentage points positive in the fourth quarter and approximately 3 percentage points for the full year. Going forward repair costs might increase due to a lack of material, delays in transportation of material or shortage of personnel following implemented government travel restrictions.

During the fourth quarter premium volume was slightly impacted by the COVID-19 situation, primarily by travel insurance in Private business and with continued negative impact related to decommissioning of vehicles and lower sums insured in the Commercial segment, but as a whole the effects were not very significant. There is still some uncertainty with regard to possible lagging effects to premiums through, for example, lower insurable sums and lower turnover in the corporate segments.

Topdanmark

Topdanmark has reported on the impacts of the COVID-19 pandemic in its announcement of 2020 annual results published on 22 January 2021. The report is available at **www.topdanmark.com**.

Hastings

Overall, motor claims frequencies reduced during the year, reflecting reduced motor vehicle usage following national and local restrictions resulting from COVID-19. Claim severities increased due to interruptions in the repair networks and supply of parts caused by COVID-19 and increased car rental costs, with repairs typically taking longer than anticipated.

Hastings does not provide insurance for any business lines which have been negatively impacted by COVID-19, such as travel or business interruption.

Significant actions have been taken to support customers, colleagues and the community throughout the pandemic, including premium reductions, the waiving of fees and charitable donations. The Group has continued to employ all colleagues on full salaries during the pandemic.

Mandatum Life

The COVID-19 virus created a short-term shock in capital markets in March 2020. The unusual situation caused Mandatum Life to change its focus from new sales to existing customers for several months starting from spring and this, together with the uncertain capital market situation, was reflected in the premium income in 2020 as premiums did not quite meet the record level of the comparison year.

The volatility of claims costs did not differ from the normal level. All in all, looking at the entire year of 2020, the COVID-19 related impacts on the company's business remained small.

Investment Activities

A strong sell-off took place in the capital markets after the outbreak of the pandemic crisis in March and resulted in negative returns across asset classes. Listed equities and high yield credit were the worst hit asset classes. However, swift monetary responses by central banks and governments helped to stabilize the financial markets during the second quarter. Leading equity indices rebounded strongly and credit spreads on bonds narrowed.

Sampo Group companies have enjoyed good investment returns since the second quarter of 2020 and as the market did not expect any major shocks in the third quarter, Sampo Group achieved a positive investment return by the end of the summer.

In the fourth quarter, particularly in November and December, good news about the COVID-19 vaccines and continued central bank stimulus sparked strong increases in equity values. While equity portfolios brought the best investment returns, fixed income investments also generated a solid return in the fourth quarter, which gave Sampo a good opportunity to cautiously repatriate investment profits. Looking at the Group's total investment result reported for 2020, a significant portion of the very good returns came during the last few months of the year.

Solvency Positions

The solvency positions of Sampo Group and its subsidiaries were strong at the end of 2020. More information is available in the section **Solvency**.

Business Areas

If

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

The profit before taxes for 2020 for the If segment amounted to EUR 901 million (884). The total comprehensive income for the period after tax was EUR 866 million (836).

The combined ratio for 2020 improved to 82.1 percent (84.5) and the risk ratio to 60.7 per cent (62.7). The cost ratio was 21.5 per cent (21.8). The effect of COVID-19 on the combined ratio was approximately 3 percentage points positive in January-December 2020 and 4 percentage points in the fourth quarter.

In 2020 EUR 186 million (190) was released from the technical reserves relating to prior year claims. The return on equity was 33.3 per cent (33.4) and the fair value reserve on 31 December 2020 amounted to EUR 557 million (457).

Results

If, 2020

EURm	2020	2019	Change, %
Premiums, net	4,589	4,475	3
Net income from investments	126	229	-45
Other operating income	103	33	208
Claims incurred	-2,720	-2,751	-1
Change in insurance liabilities	-105	-87	20
Staff costs	-576	-558	3
Other operating expenses	-498	-443	12
Finance costs	-18	-16	11
Share of associates' profit/loss	0	1	-
Profit before taxes	901	884	2

Key figures	2020	2019	Change
Combined ratio, %	82.1	84.5	-2.4
Risk ratio, %	60.7	62.7	-2.0
Cost ratio, %	21.5	21.8	-0.3
Expense ratio, %	15.8	16.1	-0.3
Return on equity, %	33.3	34.5	-1.2
Average number of staff (FTE)	7,182	6,865	317

The technical result amounted to EUR 811 million (685) and the insurance margin (technical result in relation to net premiums earned) was 18.2 per cent (15.9).

	Combined ratio, %			Risk ratio, %		
	2020	2019	Change	2020	2019	Change
Private	76.0	82.0	-6.0	54.2	60.3	-6.1
Commercial	85.8	88.3	-2.5	64.2	65.9	-1.7
Industrial	109.0	89.3	19.7	91.0	69.8	21.2
Baltic	86.6	87.0	-0.4	58.4	58.4	0
Sweden	72.3	76.5	-4.2	52.6	57.3	-4.7
Norway	86.6	88.4	-1.8	65.6	66.7	-1.3
Finland	88.0	87.4	0.6	66.2	64.7	1.5
Denmark	92.3	94.1	-1.8	64.9	66.0	-1.1

Large claims were EUR 88 million worse than expected in 2020. In BA Commercial, they were EUR 3 million worse and in BA Industrial EUR 85 million worse than expected. The claims related to the landslide in Gjerdrum, Norway, at the end of December 2020 amounted to EUR 18 million.

The Swedish discount rate for the annuity reserves was -0.72 per cent (-0.77) at the end of 2020 and had a positive effect of EUR 5 million on the full-year results. The discount rate used in Finland, was lowered to 0.75 per cent in the third quarter and had a negative impact of EUR 51 million.

Gross written premiums amounted to EUR 4,823 million (4,675) in 2020. Excluding the currency effects, premiums grew 4.7 per cent (5.7) in January – December 2020. Premiums grew in all markets and business areas.

Within business areas, the growth was highest in BA Industrial, at 10.4 per cent, followed by BA Commercial at 4.2 per cent. In BA Private, the growth was 3.7 per cent. Geographically, premiums grew 10.6 per cent in Denmark, 5.0 per cent in Norway, 4.4 per cent in Sweden and 2.5 per cent in Finland.

Customer retention continued to be high and stable across all business areas. The number of customers increased in all countries.

On 31 December 2020, the total investment assets of If amounted to EUR 11.0 billion (10.8), of which fixed income investments constituted 85 per cent (86), money market 3 per cent (2) and equity 12 per cent (12). Net income from investments amounted to EUR 126 million (229). Investment return marked-to-market for the full-year 2020 was 2.3 per cent (5.0). Duration for interest bearing assets was 1.4 years (1.3) and average maturity 2.8 years (2.8). Fixed income running yield without taking into account the FX hedging cost as at 31 December 2020 was 1.5 per cent (1.8).

If's solvency position is described in the section **Solvency**.

Topdanmark

Topdanmark is Denmark's second largest non-life insurance company and it is also one of the country's major life insurance companies. Topdanmark has a 16 per cent market share in non-life insurance and a 11 per cent market share in life insurance in Denmark. Topdanmark focuses on the private, agricultural, and SME markets. The company is listed on the Nasdaq Copenhagen.

At the end of 2020 Sampo plc held 41,997,070 Topdanmark shares, corresponding to 46.7 per cent of all shares and 48.0 per cent of related voting rights in the company. The market value of the holding was EUR 1,491 million on 31 December 2020.

The Board of Directors of Topdanmark will recommend to the AGM on 25 March 2021 that a dividend of DKK 1,035 million will be distributed for 2020, representing DKK 11.5 per share. In addition, the Board of Directors will recommend to the AGM that the remaining dividend of DKK 8.5 per share (DKK 765 million) for 2019 will be distributed as an extraordinary dividend. Given the AGM approval, the total dividend distributed in connection with the AGM will be DKK 1,800 million or DKK 20 per share.

Topdanmark's profit before taxes for 2020 amounted in Sampo Group's profit and loss account to EUR 167 million (238). The combined ratio amounted to 85.2 per cent (82.1) in 2020. The expense ratio was 16.2 per cent (16.0). The increase in expense ratio is impacted by high sales through new distribution partner Nordea, and COVID-19 related expenses.

Results

Topdanmark, 2020

EURm	2020	2019	Change, %
Premiums, net	2,709	2,677	1
Net income from investments	677	1,037	-35
Other operating income	2	3	-27
Claims incurred	-1,592	-1,223	30
Change in insurance liabilities	-1,201	-1,864	-36
Staff costs	-293	-272	8
Other operating expenses	-134	-131	2
Finance costs	-14	-10	-32
Share of associates' profit/loss	12	22	-44
Profit before taxes	167	238	-30

Key figures	2020	2019	Change
Combined ratio, %	85.2	82.1	3.1
Loss ratio, %	69.0	66.2	2.8
Expense ratio, %	16.2	16.0	0.2
Average number of staff (FTE)	2,428	2,322	64

The following text is based on Topdanmark's full-year 2020 result release published on 22 January 2021.

The profit after tax was better than assumed in the latest model profit forecast in the third quarter report. The profit improvement was mainly due to a higher investment return, run-off profits and a lower level of weather-related claims in the fourth quarter of 2020 than assumed.

On motor insurance, the claims trend, adjusted for the COVID-19 effect, improved due to higher average premiums. The development on motor improved the claims trend by 0.8 percentage points.

Topdanmark's premiums increased by 3.6 per cent in non-life insurance and decreased by 1.1 per cent in life insurance in 2020. The private segment accounted for a 1.3 per cent increase, and the SME segment accounted for a 6.2 per cent increase. Adjusted for a change in segmentation, premium growth was 2.1 per cent and 5.3 per cent in the private segment and SME segment respectively.

On 1 October, Sydbank terminated the distribution agreement with Topdanmark. The termination of the agreement became effective by the end of 2020. As Topdanmark has good momentum in new sales and low churn rates, the terminated distribution agreement with Sydbank only has a marginal negative impact on the premium growth in 2021.

Topdanmark's solvency position is described in the section **Solvency**.

Further information on Topdanmark A/S and its January-December 2020 result is available at **www.topdanmark.com**.

Hastings

Sampo plc owns 70 per cent of the shares of Hastings and the Group started to consolidate the UK insurance group as a subsidiary as of 16 November 2020. In Sampo Group's consolidated accounts Hastings is reported as a separate segment. Hastings profit and loss items are recognized line-by-line in the Group's consolidated financial statements.

During the next seven and half years the annual amortization of intangibles will amount to approximately EUR 40 million, i.e. EUR 10 million per quarter. The short period consolidated in 2020 also contains items which are not recurring.

Hastings' agility and digital capability has enabled operations to continue with minimal interruption despite the unprecedented disruption to UK society and the economy as a result of COVID-19. Progress continues on its strategic initiatives, delivering profitable growth, with the total number of customer policies growing 8 per cent to 3.1 million. The growth in customer policies has been supported by continued strong retention rates throughout 2020. Home insurance customer policies also continue to grow, up 28 per cent to 0.3 million.

The full year 2020 loss ratio reduced compared to 2019 due to a reduction of claims frequencies resulting from the lockdown restrictions, partially offset by inflation in the cost of claims. The reserving position as at 31 December 2020 reflects the increased claims uncertainties caused by the pandemic.

Hastings continues to build on its digital capabilities, resulting in more customers choosing to make contact through the Mobile App. This has had over 1.2 million downloads to date and customer engagement and feedback on the App continue to be positive. Hastings' claims transformation initiatives continue to develop and progress, with initiatives spanning accidental damage, third party property damage and bodily injury.

Nordea

Nordea is a leading Nordic universal bank. Nordea shares are listed on the Nasdaq exchanges in Stockholm, Helsinki, and Copenhagen. In the context of Sampo Group's financial reporting, Nordea is treated as an associated company and it is included in the segment entitled 'Holding'.

On 31 December 2020 Sampo plc held 642,924,782 Nordea shares corresponding to a holding of 15.87 per cent. Sampo's holding decreased 4 percentage points after Sampo successfully sold 162 million Nordea shares in an accelerated book-build offering to institutional investors on 10 November 2020.

The average purchase price per share amounted to EUR 6.46. Nordea's book value in the Group accounts is, after the impairment, EUR 7.50 per share. As disclosed on 11 February 2021, the book value was impaired from EUR 8.90 per share by a decision by Sampo's Board based on management judgement. Nordea's closing price as at 31 December 2020 was EUR 6.67.

Sampo's share of Nordea's 2020 profit before taxes, excluding the accounting impacts of the sale of Nordea shares on 10 November 2020 and the impairment of the holding in Sampo Group's consolidated accounts 2020, amounted to EUR 429 million (290).

On 4 February, Nordea's Board proposed a dividend of EUR 0.39 per share for 2020. In addition, the Board will decide on 18 February to distribute EUR 0.07 per share as the first instalment of the delayed 2019 dividend of EUR 0.40 per share. The Board also proposes that the Annual General Meeting authorise it to pay out the remaining part of the 2019 dividend (EUR 0.33 per share) and the 2020 dividend (EUR 0.39 per share) – a total of EUR 0.72 per share – after September 2021, in line with the European Central Bank recommendation.

Further information on Nordea's full-year results is available at **www.nordea.com**.

Mandatum Life

Mandatum Life Group comprises Mandatum Life Insurance Company Ltd., a wholly-owned subsidiary of Sampo plc, operating in Finland, Estonia, Latvia and Lithuania, and its subsidiaries. The parent company, Mandatum Life, is responsible for sales functions and all the functions required by the Insurance Companies Act. The operating subsidiaries are Mandatum Life Services Ltd, Mandatum Life Investment Services Ltd. and Mandatum Life Fund Management S.A.

The profit before taxes for Mandatum Life in 2020 amounted to EUR 154 million (280). The total comprehensive income for the period after tax reflecting the changes in market value of assets, was EUR 213 million (308). The return on equity amounted to 14.4 per cent (23.5).

The expense result increased to EUR 27 million (24). The risk result increased to EUR 38 million (35).

Premium income on own account was EUR 1,051 million (1,596), of which unit-linked premiums were EUR 960 million (1,476). In 2019 both premium income and claims paid included around EUR 400 million one-off items caused by changes in the tax treatment of life insurance products.

Results

Mandatum Life, 2020

EURm	2020	2019	Change, %
Premiums written	1,051	1,596	-34
Net income from investments	587	1,267	-54
Other operating income	26	23	12
Claims incurred	-1,089	-1,492	-27
Change in liabilities for inv. and ins. contracts	-272	-971	-72
Staff costs	-53	-52	2
Other operating expenses	-82	-81	1
Finance costs	-12	-9	35
Profit before taxes	154	280	-45

Key figures	2020	2019	Change
Expense ratio, %	82.5	83.8	-1.3
Return on equity, %	14.4	23.5	-9.1
Average number of staff (FTE)	576	563	13

The net investment income, excluding income on unit-linked contracts amounted to EUR 189 million (358). The net income from unit-linked contracts was EUR 397 million (908). During 2020 the fair value reserve increased to EUR 534 million (438).

The total technical reserves of Mandatum Life Group increased to EUR 12.3 billion (12.0). The unit-linked reserves increased to highest ever EUR 8.8 billion (8.1) at the end of 2020. The unit-linked reserves corresponded to 72 per cent (67) of total technical reserves.

The with-profit reserves decreased as planned during 2020 and amounted to EUR 3.5 billion (3.9) on 31 December 2020. The with-profit reserves related to the higher guarantees of 4.5 and 3.5 per cent decreased by EUR 268 million to EUR 1.9 billion at the end of 2020.

Mandatum Life has overall supplemented its technical reserves with a total of EUR 218 million (230). The figure does not take into account the reserves relating to the segregated fund. The discount rate used for 2021 - 2023 is 0.25 per cent. The new discount rates for years 2022 and 2023 had a negative impact of EUR 77 million on the result.

The discount rate of segregated liabilities is 0.0 per cent and the discount rate reserve of the segregated liabilities amounted to EUR 232 million (263).

The assets covering Mandatum Life's original with-profit liabilities at the end of 2020 amounted to EUR 4.6 billion (4.7) at market values. 49 per cent (46) of the assets were in fixed income instruments, 9 per cent (15) in money market, 28 per cent (25) in equities and 14 per cent (14) in alternative investments. The investment return marked-to-market for 2020 was 6.5 per cent (9.2). The duration of fixed income assets at the end of 2020 was 2.7 years (2.8) and average maturity 2.9 years (2.9). Fixed income running yield without taking into account the FX hedging cost was 2.8 per cent (2.4) on 31 December 2020.

The assets covering the segregated fund amounted to EUR 0.9 billion (1.0), of which 80 per cent (68) was in fixed income, 9 per cent (13) in money market, 6 per cent (13) in equities and 5 per cent (4) in alternative investments. Segregated fund's investment return marked-to-market was 1.5 per cent (6.4). On 31 December 2020 the duration of fixed income assets was 3.1 years (2.8) and average maturity 3.6 years (3.2). Fixed income running yield without taking into account the FX hedging cost was 2.1 per cent (1.9).

Mandatum Life's solvency position is described in the section **Solvency**.

Holding

Sampo plc owns and controls its subsidiaries engaged in P&C and life insurance. In addition, Sampo plc held on 31 December 2020 approximately 15.9 per cent of the share capital of Nordea, the largest bank in the Nordic countries. Nordea is an associated company to Sampo plc. As of March 2018 Sampo plc has also treated Nordax Holding AB (formerly NDX Intressenter AB), of which Sampo plc owns 36.25 per cent, as an associate.

Holding segment's profit before taxes for January - December 2020 decreased to EUR -826 million (139), including two Nordea-related one-off items of EUR 1,161 million. The comparison period includes a EUR -155 million valuation loss incurred in connection with distribution of Nordea shares as dividends to Sampo shareholders in the third quarter of 2019.

After the impairment, Sampo plc's holding in Nordea was booked in the consolidated balance sheet on 31 December 2020 at EUR 4.8 billion, i.e. EUR 7.50 per share. The market value of the holding was EUR 4.3 billion, i.e. EUR 6.67 per share, on 31 December 2020.

Results

Holding, 2020

EURm	2020	2019	Change, %
Net investment income	4	-2	-
Other operating income	17	16	2
Staff costs	-17	-15	12
Other operating expenses	-28	-13	118
Finance costs	-79	10	-
Share of associates' profit	439	298	47
Valuation/Sales loss associate shares	-262	-155	-
Impairment loss on Nordea shares	-899	-	-
Profit before taxes	-826	139	-

Key figures	2020	2019	Change
Average number of staff (FTE)	67	63	4

Including the impairment loss and the sales loss on Nordea shares, Sampo's share of profits of associated companies Nordea and Nordax Holding for January – December 2020 amounted to, EUR -722 million. The one-off items excluded, the share of the profits of the associates was EUR 439 million (298), of which Nordea's share was EUR 427 million (290) and Nordax's share was EUR 12 million (8).

Other Developments

Disposal of Nordea Shares

On 10 November 2020, Sampo sold 162 million Nordea shares, 4.0 per cent of the outstanding shares, in an accelerated bookbuild offering to institutional investors. The transaction price was EUR 7.25 per share, resulting in gross proceeds of EUR 1,174 million.

After the transaction, Sampo held 642,924,782 Nordea shares, corresponding to 15.9 per cent of all shares and voting rights in Nordea.

Sampo incurred a reported loss of EUR 262 million from the transaction for the last quarter of 2020. Nordea's status as an associated company of Sampo remained unchanged.

In connection with the offering, Sampo entered into a lock-up undertaking, under which it has, subject to certain exceptions, agreed not to sell any Nordea shares for a period ending at 9 May 2021.

Hastings Acquisition

Sampo and Rand Merchant Investment Holdings (RMI) announced on 5 August 2020 that they had made a recommended cash offer, through a jointly owned company, to acquire all issued and to be issued shares in Hastings Group Holdings Plc not already owned by Sampo and RMI.

The offer price was GBp 250 for each Hastings share, valuing Hastings' share capital at approximately GBP 1.66 billion or approximately EUR 1.84 billion. The offer price represents a premium of approximately 37.5 per cent to the volume-weighted average price of GBp 182 per Hastings share for the three-month period ended 28 July 2020, the last business day before Hastings announced it had received an approach from Sampo and RMI.

Sampo and RMI formed a new jointly-owned company for the purposes of acquiring Hastings. Following completion of the offer, Sampo and RMI own and control 70 per cent and 30 per cent respectively of the shares and votes in the jointly-owned company. Sampo and RMI have entered into a long-term partnership in relation to Hastings. The governance of the company reflects the relative shareholdings of Sampo and RMI, recognizing Sampo's controlling position, but protecting RMI's interest with customary minority protections. The shareholders agreement includes customary exit arrangements for joint investments of this type.

The size of Sampo's investment, based on its 70 per cent stake, was GBP 1.16 billion or EUR 1.29 billion valued at the offer price. Sampo funded the acquisition costs with EUR 1 billion of hybrid Tier 2 capital issued on 3 September 2020 with the residual amount coming from existing cash resources.

Strategic Rationale for Acquisition

Sampo has a strategic ambition to expand further into non-life insurance, a segment where it has extensive experience and expertise. As part of this strategy, and in the context of its leading market positions in the Nordic markets, Sampo has been considering a geographic expansion beyond its current footprint. Sampo believes that the UK, as one of the largest retail P&C markets in Europe, offers an attractive scale opportunity.

In this context, the acquisition of Hastings represents an attractive opportunity for Sampo to advance its strategy and accelerate its repositioning towards retail P&C insurance. Hastings is a leading motor insurer in the UK and has recently been diversifying into other non-life insurance products including home insurance. Both motor and home insurance represent large markets in the UK with growth potential for the Hastings business.

The acquisition of Hastings provides an attractively positioned platform in one of the most digitally advanced markets globally. The UK is characterized by its high levels of digital distribution and Hastings is one of the leading distributors of motor insurance policies in this market. Sampo believes that, under its ownership together with that of RMI, Hastings will be able to further develop its agile and digital business model to create long-term value.

Sampo and RMI intend for Hastings to continue to be operated on a standalone but unlisted basis and the current management is expected to continue in their position after the closing of the deal. Sampo believes that a private partnership with RMI provides an optimal structure for Hastings to fulfil its potential and build long-term value for its stakeholders. As a private company, Sampo believes Hastings will benefit from a more long-term approach to decision making.

Sampo and RMI believe with their experience and under private ownership there are a number of areas of Hastings' operations that can be improved, including claims handling sophistication, expansion into home insurance, customer retention and the reinsurance strategy.

Financial Impact of an Acquisition on Sampo Group

The Sampo Board expects the acquisition of Hastings to be accretive to earnings per share and RoE from the first full year following completion. Sampo estimates the transaction will have a positive impact on earnings per share in the mid-single digits (%).

Both S&P and Moody's have maintained Sampo's credit ratings with stable outlook. The Sampo Board does not expect the acquisition to impact Sampo's dividend policy in the short-term but is expected to enhance the dividend potential in the long-term.

Timetable for Transaction and Consolidation

The offer was recommended by Hastings' independent directors. The offer was being implemented by way of a court-sanctioned scheme of arrangement under English law, which was approved by the requisite majorities at the Hastings shareholder meetings on 29 September 2020. All of the conditions relating to regulatory and antitrust approvals were satisfied by 27 October 2020 and the scheme was effective following completion of the Court Hearing procedure held on 13 November 2020.

The jointly-owned company of Sampo and RMI, currently known as Hastings Group (Consolidated) Limited, became Sampo plc's subsidiary and formed a separate segment in the Group's financial reporting as of 16 November 2020. Hastings's profit and loss items were recognized line-by-line in the Group's consolidated financial statements.

Group Structure

31 December 2020

SAMPO GROUP

Sampo plc
Finland

- 100% — **If P&C Insurance Holding Ltd (publ)**, Sweden
  - 100% — **If P&C Insurance Ltd (publ)**, Sweden
  - 100% — **If P&C Insurance AS**, Estonia
  - 100% — **If Livförsäkring AB**, Sweden
- 100% — **Mandatum Life Insurance Company Ltd**, Finland
  - 100% — **Mandatum Life Services Ltd**, Finland
  - 100% — **Mandatum Life Investment Services Ltd**, Finland
  - 100% — **Mandatum Life Fund Management S.A.**, Luxembourg
- 70% — **Hastings Group (Consolidated) Ltd**, United Kingdom
  - 100% — **Hastings Group Holdings Ltd**, United Kingdom
    - 100% — **Hastings Group (Finance) plc**, United Kingdom
      - 100% — **Hastings Group Ltd**, United Kingdom
        - 100% — **Hastings Insurance Services Ltd**, United Kingdom
        - 100% — **Advantage Insurance Company Ltd**, Gibraltar
- 46.7% — **Topdanmark A/S**, Denmark
  - 100% — **Topdanmark Kapitalforvaltning A/S**, Denmark
  - 100% — **Topdanmark Forsikring A/S**, Denmark
    - 100% — **Topdanmark Liv Holding A/S**, Denmark
      - 100% — **Topdanmark Livsforsikring A/S**, Denmark
- 15.9% — **Nordea Bank Abp**, Finland

Governance and Related Issues

Changes in Group Management

Torbjörn Magnusson took over as the Group CEO and President as of 1 January 2020, after **Kari Stadigh** retired. Magnusson was previously CEO of If P&C.

On the same date **Ricard Wennerklint** started as Chief of Strategy in Sampo Group. He has held various positions in Sampo Group since 2002.

After the end of the reporting year on 20 January 2021 **Ivar Martinsen** left his position as Head of BA Commercial and the membership of Sampo Group Executive Committee.

Organization

31 December 2020

SAMPO GROUP

Group CEO and President
Torbjörn Magnusson

- If — Morten Thorsrud
  - **Private** — Ingrid Janbu Holthe
  - **Commercial** — Ivar Martinsen
  - **Industrial** — Poul Steffensen
  - **Baltic** — Andris Morozovs
- MANDATUM LIFE — Petri Niemisvirta
- **Group Finance** — Knut Arne Alsaker
- **Investments** — Patrick Lapveteläinen
- **Strategy** — Ricard Wennerklint
  - Hastings — Toby van der Meer
  - Topdanmark — Peter Hermann
- **Risk Management** — Kai Sotamaa
- **Investor Relations and Group Communications** — Jarmo Salonen
- **Human Resources** — Johan Börjesson

Governance

During 2020 Sampo complied in full with the Finnish Corporate Governance Code 2020 approved by the Securities Market Association on 19 September 2019, effective from 1 January 2020 (the "CG Code 2020").

Acting in compliance with the Corporate Governance Code, Sampo publishes a separate Corporate Governance Statement on its website in fulfillment of the requirement referred to in the Finnish Securities Markets Act (746/2012), chapter 7, section 7.

The statement will be available at **www.sampo.com/statement** and **www.sampo.com/year2020**.

Annual General Meeting

The Board of Directors of Sampo plc decided on 25 March 2020 to postpone the Annual General Meeting that was scheduled to be held on 23 April 2020. The postponement was made in order to ensure the safety and well-being of Sampo's shareholders, Sampo's employees, and other stakeholders, in light of the COVID-19 outbreak and the related health threat.

On 6 May 2020 Sampo Board decided to cancel the previous dividend proposal of EUR 2.20 per share and announce a new proposal of EUR 1.50 per share. The Annual General Meeting, held on 2 June 2020, decided to distribute the proposed dividend of EUR 1.50 per share for 2019. The record date for dividend payment was 4 June 2020 and the dividend was paid on 11 June 2020. The Annual General Meeting adopted the financial accounts for 2019 and discharged the Board of Directors and the CEO from liability for the financial year.

The Annual General Meeting elected eight members to the Board of Directors. The following members were re-elected to the Board: **Christian Clausen**, **Fiona Clutterbuck**, **Jannica Fagerholm**, **Johanna Lamminen**, **Risto Murto**, **Antti Mäkinen** and **Björn Wahlroos**. **Georg Ehrnrooth** was elected as a new member of the Board. The Members of the Board were elected for a term continuing until the close of the next Annual General Meeting.

At its organizational meeting, the Board elected Björn Wahlroos as Chair of the Board and Jannica Fagerholm as Vice Chair. Christian Clausen, Risto Murto, Antti Mäkinen and Björn Wahlroos (Chair) were elected to the Nomination and Remuneration Committee. Fiona Clutterbuck, Georg Ehrnrooth, Jannica Fagerholm (Chair) and Johanna Lamminen were elected to the Audit Committee.

All the proposed Board members have been determined to be independent of the company and its major shareholders under the rules of the Finnish Corporate Governance Code 2020. The curriculum vitaes of the Board Members are available at **www.sampo.com/board**.

The Annual General Meeting decided to pay the following fees to the members of the Board of Directors until the close of the 2021 Annual General Meeting: the Chair of the Board will be paid an annual fee of EUR 180,000 and other members of the Board will be paid EUR 93,000 each. Furthermore, the members of the Board and its Committees will be paid the following annual fees: the Vice Chair of the Board EUR 26,000, the Chair of the Audit Committee EUR 26,000 and the member of the Audit Committee EUR 6,000. A Board member shall in accordance with the resolution of the Annual General Meeting acquire Sampo plc's A shares at the price paid in public trading for 50 per cent of his/her annual fee excluding taxes and similar payments.

The Annual General Meeting accepted Sampo plc's Remuneration Policy for Governing Bodies. The resolution on the Remuneration Policy was advisory.

Ernst & Young Oy was elected as Auditor. The Auditor will be paid a fee determined by an invoice approved by Sampo. Kristina Sandin, APA, will act as the principally responsible auditor.

At the general meeting 320,359,477 shares (57.7 per cent of shares) and 325,159,477 votes (58.0 per cent of all votes) were represented, including advance voting and a proxy representation.

The minutes of the Annual General Meeting are available for viewing at **www.sampo.com** and at Sampo plc's head office at Fabianinkatu 27, Helsinki, Finland.

Corporate Responsibility

Sampo plc and its subsidiaries are committed to integrating corporate responsibility into Group's governance and business operations. Simultaneously, the aim is to develop related performance measurement and reporting. This is in the interests of, and expected, by the Group's various internal and external stakeholders.

During 2020, Sampo continued to work on corporate responsibility in line with the Group's corporate responsibility themes: Responsible Business Management and Practices, Responsible Corporate Culture, Responsible Investment Management and Operations, and Responsibility in Communities.

Business Management and Practices: During 2020, a group-wide project regarding further integration of environmental, social, and governance (ESG) considerations in insurance underwriting and product development was initiated. Individual Group companies work towards a common group-level goal of establishing more systematic processes and improved disclosure in terms of sustainable products and services. The work continues in 2021.

In addition, a group-wide climate risk project was started during the year. The project aims to analyze how climate-related risks are incorporated in Sampo Group companies' governance structures, strategy, risk management, and overall business operations. The aim is to understand the current state of climate risk management, identify gaps and development areas, create an action plan based on the findings, and improve the disclosure and prepare to report according to possible future regulatory requirements and the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). The current state analysis and gap analysis were conducted during 2020. The work will continue during 2021 according to plan.

Corporate Culture: In 2020, Sampo focused on developing group-level key performance indicators to improve group-level reporting, for example, in terms of employment, diversity and equality, and competence development. This is to better measure and report group-level performance in these areas. The results of this work will be available later in the Sampo Group Corporate Responsibility Report, where a number of new group-level indicators are reported.

Investment Management and Operations: During 2020, Sampo Group companies strengthened their investment policies by adding further instructions on how to take the ESG issues into account in their investment processes. Particularly climate risk related considerations were in focus during the year and, for example, additional screening and reporting on fossil fuels was initiated from 2021 onward. Sampo Group also reported to the UN Principles for Responsible Investment (PRI) for the first time in 2020. The first reporting round was voluntary for the Group. In 2021, reporting continues with mandatory and public reporting according to the updated reporting framework of the PRI.

Communities: In 2020, Sampo continued to integrate the UN Sustainable Development Goals (SDGs) further into the Group companies' operations and improve the reporting on the underlying targets. In addition, Sampo Group developed its community engagement work by creating a group-level community engagement framework. The framework has three themes: Climate and Environment, Health and Well-being, and Safety and Education. The themes guide the Group's stakeholder engagement and dialogue, donations and other humanitarian efforts, and the related reporting. Benefits of the framework include, among other things, better allocation of efforts to the most important themes from the Group's perspective, and better measurement and reporting on a group-level.

Towards the end of the year, Sampo started the integration of Hastings into the Group's corporate responsibility work. The integration continues during 2021.

Sampo Group will issue a report on non-financial information in accordance with Chapter 3a, Section 5 of the Accounting Act. The report, **Sampo Group Corporate Responsibility Report 2020**, will be separate from the Board of Directors' Report and published in May 2021 at **www.sampo.com/year2020**.

In addition to the group-level report, further information on **If**, **Topdanmark**, **Hastings**, and **Mandatum Life's** corporate responsibility activities can be found in their **respective reports**. All the reports are available at **www.sampo.com/year2020**.

Personnel

The average number of Sampo Group's employees (FTE) in 2020 amounted to 13,227 (9,813).

If is Sampo Group's largest business area and employed on average 54 per cent of the personnel. Topdanmark employed 18 per cent, Hastings employed 22 and Mandatum Life approximately 4 per cent of the personnel. The parent company Sampo plc employed 0.5 per cent of the work force. Hastings is included in the personnel calculations as of 1 November 2020.

In geographical terms Denmark had 23 per cent of the personnel, United Kingdom 22 per cent, Finland 17 per cent, Sweden 17 per cent and Norway 12 per cent. The share of other countries was 8 per cent.

The total number of staff in If increased 4 per cent. As of 31 December 2020, If employed 7,120 persons.

Topdanmark employed 2,456 persons at the end of the year and the total number of staff increased 4 per cent.

Hastings employed 2,965 persons as of 31 December 2020. Hastings became Sampo plc's subsidiary and formed a separate segment in the Group's financial reporting as of 16 November 2020.

The total number of staff in Mandatum Life decreased 1 per cent. As of 31 December 2020 Mandatum Life employed 568 persons.

The total number of staff in Sampo plc increased 8 per cent and it employed 69 persons at the end of 2020.

At the end of the year, the total number of staff in Sampo Group totaled 13,178 persons.

More detailed information on personnel in Sampo Group is available in Sampo **Group Corporate Responsibility Report 2020** to be published in May 2021 at **www.sampo.com/year2020**.

Remuneration

Sampo plc's Board of Directors has established the Sampo Group Remuneration Principles, which apply to all Sampo Group companies. The Remuneration Principles are available at **www.sampo.com/remuneration**. Sampo Group's remuneration strategy determines its responsibility towards employees and shareholders. This means that the long-term financial stability and value creation of Sampo Group shall guide the remuneration design.

The different forms of remuneration used in Sampo Group are the following:

(a) Fixed Compensation
(b) Variable Compensation
(c) Pension
(d) Other Benefits

The starting point of any compensation mechanism shall be to encourage and stimulate employees to do their best and surpass their targets. Remuneration packages shall be designed to reward fairly for prudent and successful performance. At the same time, however, in order to safeguard the interest of other stakeholders, compensation mechanisms shall not generate conflicts of interest and shall not entice or encourage employees to excessive or unwanted risk taking. Thus, compensation mechanisms cannot be separated from risk management objectives and practices.

The relative proportions of fixed and variable compensation reflect the responsibilities of individual executives and employees. Fixed salary shall represent a sufficiently high share of the total remuneration. Variable compensation may be based on the contribution to the company's profitability and on individual performance or linked to committing employees to Sampo Group.

The decision on payout of variable compensation shall be based on the assessment of the incurred risk exposure and the fulfillment of solvency capital requirements. Furthermore, the payment of a certain portion of the variable compensation payable to the Senior Executive Management and to certain key persons shall be deferred for a defined period of time as required in the regulatory framework applicable to each Sampo Group company. After the deferral period, a retrospective risk adjustment review shall be carried out and the Board of Directors of each Sampo Group company shall decide whether the deferred variable compensation shall be paid/released in full, partly or cancelled in whole. In 2020, a total of EUR 3.3 million (10.5) of short-term and long-term incentives has been deferred.

The Board of Directors decides on the launch of long-term incentive schemes based on financial instruments of Sampo plc to the management and other key employees of Sampo Group. On 5 August 2020, the Board of Directors decided to adopt a new long-term incentive scheme 2020 for the management (including the Group CEO) and other key employees of Sampo Group. The Sampo Board members are not included in the scheme. The total number of participants in the long-term incentive scheme is 113 and a total of 3,876,500 units out of a maximum of 4,500,00 were allocated in August to September 2020. Remaining incentive units may be allocated in 2021 and 2022 and may be allocated to new recruits or current employees with materially changed circumstances or holding a position of increased strategic importance. The scheme will vest in three instalments starting from three years from the allocation of the units.

In the long-term incentive scheme 2017, a total of 2,723,300 allocated incentive units remain and will vest during 2021–2023.

The value of one incentive unit is calculated as the difference between the trade-weighted average price of the Sampo A share at the time of payment and the dividend-adjusted starting price. In addition to the share price development, the calculation of the value of one incentive unit takes into account the performance of the insurance margin of If P&C and/or the return on capital at risk as further specified in the terms of the respective incentive scheme. Both incentive schemes contain a cap for maximum payout. The terms and conditions of the incentive schemes are available at **www.sampo.com/incentiveterms**.

A deferral rule applies to incentive rewards paid to the Senior Executive Management and to certain key persons. Persons subject to the deferral rule shall at payout from the schemes acquire Sampo A shares with a certain part of the installment after deducting income tax and other comparable charges. The shares are subject to disposal restrictions for three years, after which the Board of Directors shall decide on the possible release.

In 2020, a total of EUR 50 million (41), including social costs, was paid as short-term incentives. During the same period, a total of EUR 6 million (18), including social costs, was paid from long-term incentive schemes. The results impact of the long-term incentive schemes in force in 2020 was EUR 2 million (12).

The General Meeting resolved, in accordance with the voting result, to accept the Remuneration Policy. The resolution was advisory.

Sampo Group will in March 2021 publish the **Remuneration Report** for Governing Bodies for the financial year 2020 at **www.sampo.com/year2020**. The Remuneration Report for Governing Bodies provides information on the remuneration paid to the Board of Directors and the Group CEO during the previous financial period and has been prepared in accordance with the Corporate Governance Code 2020 issued by the Securities Market Association, effective as of 1 January 2020. The Corporate Governance Code 2020 can be viewed in full on the website of the Securities Market Association at **www.cgfinland.fi/en**.

Risk Management

As dividends are Sampo plc's major source of income, its primary target for every sub-group is to maintain a healthy balance between profits, risks and capital to facilitate a steady stream of dividend payments in the long term.

In addition to monitoring capitalization in the sub-groups, Sampo manages key financial strength metrics for the consolidated group and the parent company. Sampo prefers low leverage and adequate liquidity buffers to be able to generate liquidity as needed. Group level capitalization is managed by setting targets for Group solvency. To the extent possible Group level risk concentrations are proactively managed by strategic decisions.

Sampo Group companies operate in business areas where specific features of value creation are the pricing of risks and the active management of risk portfolios in addition to sound customer services. Successful management of underwriting risks and investment portfolio market risks is the main source of earnings for Sampo Group companies.

In Sampo Group the risks associated with business activities fall into three main categories: business risks associated with external drivers affecting the competitive environment or resulting from lack of internal operational flexibility, reputational risk associated with the company's business practices or associations and risks inherent in business operations.

A more detailed description of Sampo Group's risk management activities, governance, risks and capitalization is available in the **Risk Management Report 2020** at **www.sampo.com/year2020**.

Shares, Share Capital and Shareholders

Shares and Share Capital

As at 31 December 2020, Sampo plc had 555,351,850 shares, which were divided into 554,151,850 A shares and 1,200,000 B shares. The total number of votes attached to the shares is 560,151,850. Each A share entitles the holder to one vote and each B share entitles the holder to five votes at the General Meeting of Shareholders. According to the company's Articles of Association, A shares must number at least 179,000,000 and no more than 711,200,000. Meanwhile, B shares must number at least zero and no more than 4,800,000. As at 31 December 2020 Sampo plc's share capital amounted to EUR 98 million (98) and the equity capital in total to EUR 11,418 million (12,542).

Sampo plc's Articles of association contain a redemption obligation (16§) according to which a shareholder whose holding of all shares or of all votes relating to the shares reaches or exceeds 33 1/3 per cent or 50 per cent, is obliged to redeem, at the presentation of claims by other shareholders, their shares and the documents giving entitlement to the shares, as stipulated in the Finnish Companies Act, in the manner prescribed in the Article. The Article contains further provisions on calculating the shareholder's holding and redemption price.

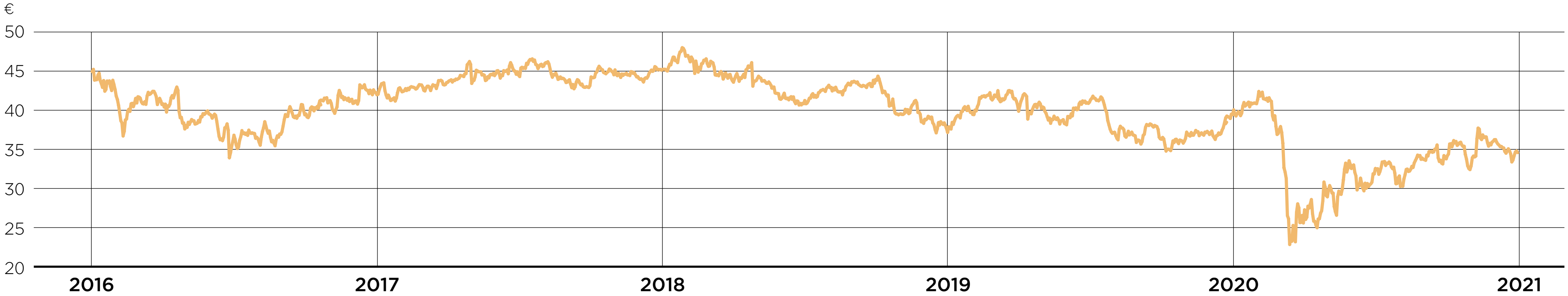
Shareholders by the Number of Shares Held

Sampo plc, 31 December 2020

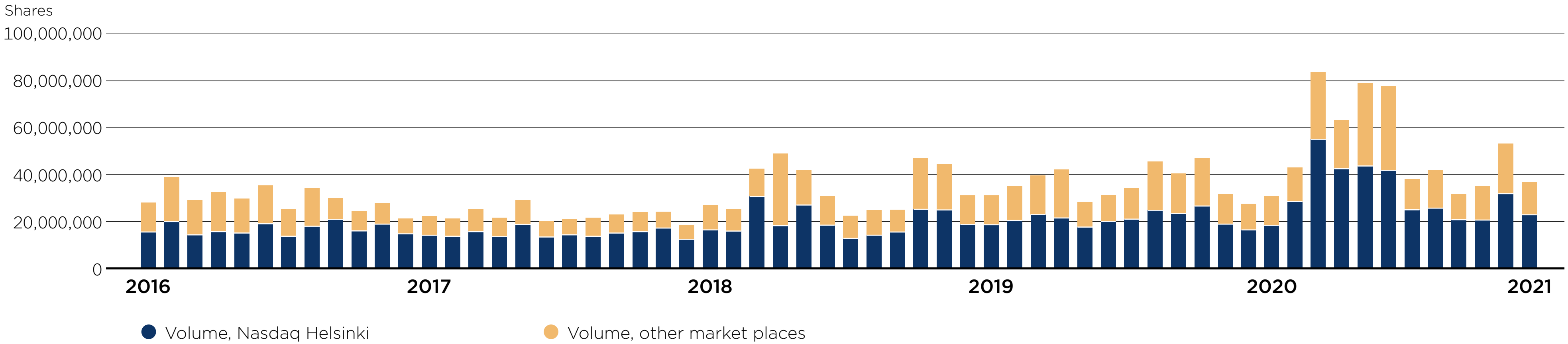
Number of shares	Shareholders, number	Share-holders, %	Shares, number	Shares, %	Voting rights, number	Voting rights, %
1–100	84,035	49.98	3,861,840	0.70	3,861,840	0.69
101–500	57,111	33.96	13,999,647	2.52	13,999,647	2.50
501–1,000	13,087	7.78	9,840,321	1.77	9,840,321	1.76
1,001–5,000	11,637	6.92	24,496,187	4.41	24,496,187	4.37
5,001–10,000	1,244	0.74	8,776,192	1.58	8,776,192	1.57
10,001–50,000	828	0.49	16,189,889	2.92	16,189,889	2.89
50,001–100,000	99	0.06	7,368,175	1.33	7,368,175	1.32
100,001–500,000	72	0.04	14,567,343	2.62	14,567,343	2.60
500,001–	39	0.02	456,252,256	82.16	461,052,256	82.31
Total	**168,152**	**100**	**555,351,850**	**100**	**560,151,850**	**100**
of which nominee registered	12		343,683,219	61.89	343,683,219	61.36
On waiting list, total	-		-	-	-	-
Total number of shares issued			555,351,850	100	560,151,850	100

Sampo A shares have been quoted on the main list of the Nasdaq Helsinki since 1988 and all of the B shares are held by Kaleva Mutual Insurance Company. B shares can be converted into A shares at the request of the holder. At the end of the financial year, neither Sampo plc nor its Group companies held any Sampo A shares.

Share Price Performance
Sampo plc, 2016–2020



Monthly Trading Volume
Sampo plc, 2016–2020



Authorizations Granted to the Board

The Annual General Meeting authorized the Board to repurchase a maximum of 50,000,000 Sampo A shares. The price paid for the shares repurchased under the authorization shall be based on the current market price of Sampo A shares on the securities market. The authorization will be valid until the close of the next Annual General Meeting, nevertheless not more than 18 months after AGM's decision.

Sampo plc made no repurchases during 2020 and has not purchased its own shares after the end of the reporting period.

Shareholders

The number of Sampo plc's shareholders increased during 2020 by 40,628 holders to 168,152 as at 31 December 2020. The holdings of nominee-registered and foreign shareholders decreased to 63.0 per cent (64.6) of the shares and 62.5 per cent of the votes (64.1).

Shareholders
Sampo plc, 31 December 2020

A and B shares	Number of shares	% of share capital	% of votes
Solidium Oy	44,278,580	7.97	7.90
Varma Mutual Pension Insurance Company	22,248,420	4.01	3.97
Ilmarinen Mutual Pension Insurance Company	8,022,673	1.44	1.43
Elo Mutual Pension Insurance Company	4,394,897	0.79	0.78
State Pension Fund	3,950,000	0.71	0.71
Kaleva Mutual Insurance Company*)	2,672,719	0.48	1.33
Oy Lival Ab	2,416,181	0.44	0.43
OP-Finland Fund	2,394,883	0.43	0.43
Schweizerische Nationalbank	2,235,946	0.40	0.40
Nordea Alfa	1,882,522	0.34	0.34
Svenska Litteratursällskapet I Finland r.f.	1,617,950	0.29	0.29
OP Life Assurance Company Ltd.	1,491,454	0.27	0.27
Danske Invest Finnish Equity Fund	1,490,000	0.27	0.27
Nordea Nordic Fund	1,456,049	0.26	0.26
Nordea Swedish Stars	1,158,528	0.21	0.21
Nordea Pro Finland Fund	1,142,123	0.21	0.20
Nordea Life Assurance Finland Ltd.	979,824	0.18	0.17
Seligson & Co OMX Helsinki 25 UCITS ETF	921,515	0.17	0.16
Åbo Akademi University Foundation	906,550	0.16	0.16
Sigrid Jusélius Foundation	766,150	0.14	0.14
Foreign and nominee registered total	350,098,824	63.04	62.50
Other	98,826,062	17.79	17.65
Total	**555,351,850**	**100**	**100**

*) *1,472,719 A shares and 1,200,000 B shares.*

Shareholders by Sector

Sampo plc (A and B shares), 31 December 2020

Sector	Number of shares	%
Corporations	61,546,873	11.08
Financial institutions and insurance corporations	21,754,870	3.92
Public institutions	41,004,330	7.39
Non-profit institutions	13,411,642	2.42
Households	67,535,311	12.16
Foreign ownership and nominee registered	350,098,824	63.04
Total	**555,351,850**	**100**

On 31 December 2020, the total number of Sampo A shares owned directly, indirectly or through financial instruments by BlackRock Inc. (tax ID 32-0174421) and its funds was over 5 per cent of Sampo's total stock. The total number of voting rights attached to Sampo A shares was below 5 per cent of Sampo's total voting rights.

During 2020 Sampo plc received altogether 9 notifications of change in holding pursuant to Chapter 9, Section 5 of the Securities Markets Act, according to which the total number of Sampo A shares or related voting rights owned by BlackRock, Inc. and its funds directly or through financial instruments had decreased below 5 per cent or increased above 5 per cent.

After the end of the reporting period Sampo plc had received 4 notifications of change in holding pursuant to Chapter 9, Section 5 of the Securities Markets Act, from BlackRock, Inc.

The details of the notifications are available at **www.sampo.com/flaggings**.

Holdings of the Board and Executive Management

The following table presents the Board's and Group Executive Committee's holdings of Sampo A shares. At the end of 2020, members of Sampo plc's Board of Directors and their close family members owned either directly or indirectly 5,096,526 (4,969,859) Sampo A shares. Their combined holdings constituted 0.9 per cent (1.2) of the share capital and related votes.

Members of the Group Executive Committee and their close family members owned either directly or indirectly 586,030 (888,544) Sampo A shares representing 0.1 per cent (0.2) of the share capital and related votes.

Shares owned by the Board of Directors and the Group Executive Committee

Sampo plc, 31 December 2020 and 31 December 2019

Board of Directors	31 Dec 2020	31 Dec 2019
Wahlroos	4,948,564	4,946,969
Fagerholm	5,778	4,701
Clausen	2,779	2,129
Clutterbuck	1,545	753
Ehrnrooth*)	127,287	
Lamminen	1,453	711
Mattila**)		6,870
Murto	3,292	2,595
Mäkinen	5,828	5,131
Total	**5,096,526**	**4,969,859**
Board of Directors ownership of shares, %	0.9	0.9
Board of Directors share of votes, %	0.9	0.9

Group Executive Committee	31 Dec 2020	31 Dec 2019
Stadigh***)		317,514
Magnusson	46,460	46,460
Alsaker	33,844	33,844
Janbu Holthe	0	0
Lapveteläinen	269,549	254,549
Martinsen	54,060	54,060
Niemisvirta	86,879	86,879
Thorsrud	55,524	55,524
Wennerklint	39,714	39,714
Total	**586,030**	**888,544**
Group Executive Committee's ownership of shares, %	0.1	0.2
Group Executive Committee's share of votes, %	0.1	0.2

*) *Member of the Board of Directors of Sampo plc since 2 June 2020.*

**) *Member of the Board of Directors of Sampo plc from 7 April 2009 to 2 June 2020.*

***) *Group CEO and President until 31 December 2019.*

Financial Standing

Internal Dividends

Sampo plc, Sampo Group's parent company, received EUR 648 million in dividends from its subsidiaries during 2020.

Mandatum Life and Nordea paid no dividends during 2020 because of the COVID-19 situation and the related regulations from the authorities. The following dividend payments were received:

- Topdanmark; EUR 48 million in April 2020 and
- If; SEK 6.3 billion (EUR 600 million) in December 2020.

On 4 February 2021, Nordea's Board proposed a dividend of EUR 0.39 per share for 2020. In addition, the Board will decide on 18 February to distribute EUR 0.07 per share as the first instalment of the delayed 2019 dividend of EUR 0.40 per share. The Board also proposes that the Annual General Meeting authorize it to pay out the remaining part of the 2019 dividend (EUR 0.33 per share) and the 2020 dividend (EUR 0.39 per share) – a total of EUR 0.72 per share – after September 2021, in line with the European Central Bank recommendation. Sampo plc's share of the proposed dividends is EUR 508 million.

Following the Danish FSA's recommendation, Topdanmark's Board of Directors decided on 23 March 2020 to postpone paying out half of the planned dividend for 2019 until the AGM on 25 March 2021. On 22 January 2021 Topdanmark's Board of Directors recommended to the AGM that a dividend of DKK 1,035 million will be distributed for 2020, representing DKK 11.5 per share. The Board of Directors also recommended to the AGM that the remaining dividend for 2019 of DKK 765 million will be distributed as an extraordinary dividend. Given the AGM approval, the total dividend distributed in connection with the AGM will be DKK 1,800 million or DKK 20 per share. If the AGM approves the proposals, Sampo plc's share of the dividends amounts to EUR 113 million.

Mandatum Life's Board proposes a dividend of EUR 200 million to Sampo plc in February 2021.

If normally pays its dividend towards the end of the calendar year.

Ratings

Relevant ratings for Sampo Group companies on 31 December 2020 are presented in the table below.

In addition, Hastings Group (Finance) plc has an outstanding senior bond of GBP 250 million for which Fitch has an Issuer Default Rating (IDR) of A- and a stable outlook.

	Moody's		Standard & Poor's	
Rated company	**Rating**	**Outlook**	**Rating**	**Outlook**
Sampo plc – Issuer Credit Rating	A3	Stable	A	Stable
If P&C Insurance Ltd – Insurance Financial Strength Rating	A1	Stable	A+	Stable
If P&C Insurance Holding Ltd (publ) – Issuer Credit Rating	-	-	A	Stable
Mandatum Life Insurance Company Ltd – Issuer Credit Rating	-	-	A+	Stable

Solvency

Group Solvency

Sampo Group calculates its group solvency under the Solvency II rules. In this calculation Nordea is treated as an equity investment. According to the Solvency II directive, Sampo Group's solvency ratio amounted to 176 per cent (174) at the end of December 2020.

Solvency Position in the Subsidiaries

The insurance subsidiaries apply Solvency II rules in their regulatory solvency calculations. If Group companies use either partial internal models or standard model for calculation of their solo solvency position. Mandatum Life reports in accordance with standard formula for Solvency II. Topdanmark uses a partial internal model to report its stand-alone solvency position.

Hastings is fully consolidated into the Sampo Group's own funds and SCR. As a stand-alone entity AICL, Hastings' underwriting company, calculates its solo solvency position according to Solvency II rules.

If Group has an A+ rating from S&P which will continue to require significantly more capital than the standard formula and therefore the use of standard formula has no practical implications on If Group's capital position. On 31 December 2020 If Group's Solvency II capital requirement under standard formula amounted to EUR 1,916 million (1,890) and own funds to EUR 3,623 million (3,592). The solvency ratio amounted to 189 per cent (196).

The S&P A+ rating capital requirement for If Group amounted to EUR 3,083 million (3,083) on 31 December 2020 and the capital base was EUR 3,234 million (3,151).

Topdanmark calculates most of its non-life and health risks and their respective solvency capital requirement by applying a partial internal model approved by the DFSA. Other risks are calculated by the Solvency II SCR standard formula. Topdanmark's solvency ratio under the partial internal model was 170 per cent (177) at the end of December 2020.

Mandatum Life's solvency ratio after transitional measures amounted to 188 per cent (194) on 31 December 2020. Own funds were EUR 2,308 million (2,290) and the Solvency Capital Requirement (SCR) was EUR 1,230 million (1,182). Without transitional measures, own funds would have amounted to EUR 1,977 million (1,929) and the solvency capital requirement would have amounted to EUR 1,245 million (1,212), leading to a solvency ratio of 159 per cent (159).

Debt Financing

Sampo plc's debt financing on 31 December 2020 amounted to EUR 3,934 million (3,908) and interest bearing assets to EUR 1,529 million (1,725). Interest bearing assets include bank accounts, fixed income instruments and EUR 324 million (359) of hybrid capital and subordinated debt instruments issued by the subsidiaries and associated companies.

At the end of 2020 the interest bearing net debt of Sampo plc amounted to EUR 2,405 million (2,183). The net debt calculation takes into account interest bearing assets and liabilities. Gross debt to Sampo plc's equity was 53 per cent (51) and financial leverage 34 per cent (34).

On 28 May 2020 Sampo plc repaid SEK 3,000 million senior notes maturing on that date.

On 3 September 2020 Sampo plc issued 32-nc-12 Tier 2 notes of EUR 1,000 million maturing on 3 September 2032.

On 1 December Sampo plc redeemed EUR 655 million outstanding senior notes maturing on 18 September 2023, 16 September 2021, 23 May 2022 and 30 May 2025 in a cash tender offer.

On 31 December 2020 financial liabilities in Sampo plc's balance sheet consisted of issued senior bonds and notes of EUR 2,448 million (3,414). In addition, Sampo plc has issued subordinated notes of EUR 1,486 million (494).

The amount of subordinated notes increased due to the financing of the acquisition of Hastings. No CPs were outstanding (0). The average interest, net of interest rate swaps, on Sampo plc's debt as of 31 December 2020 was 1.6 per cent (1.2).

More information on Sampo Group's outstanding debt issues is available at **www.sampo.com/debtfinancing**.

To balance the risks on the Group level Sampo plc's debt is mainly tied to short-term interest rates and issued in euro or Swedish krona. Interest rate swaps are used to obtain the desired characteristics for the debt portfolio.

These derivatives are valued at fair value in the profit and loss account although economically they are related to the underlying bonds. As a result Sampo plc maintains the flexibility to adjust the derivative position if needed but this comes at the cost of increased volatility in the Holding segment's net finance costs.

The underlying objective of Sampo plc is to maintain a well-diversified debt structure, relatively low leverage and strong liquidity in order for the company to be able to arrange financing for strategic projects if needed. Strong liquidity and the ability to acquire financing are essential factors in maintaining Sampo Group's strategic flexibility.

Outstanding Debt Instruments

Sampo plc, 31 December 2020

Instrument & Nominal	Coupon	Swap	Effective Rate	Maturity
Senior Bond 360 EURm	1.50%	---	1.59%	16 September 2021
Senior Bond 118 SEKm	0.88%	Euribor 6M + 0.38%	-0.14%	23 May 2022
Senior Bond 250 SEKm	Stibor 3M + 0.55%	Euribor 6M + 0.39%	-0.12%	23 May 2022
Senior Bond 522 EURm	1.000%	---	1.01%	18 September 2023
Senior Bond 373 EURm	1.250%	Euribor 6M + 0.74%	0.23%	20 May 2025
Senior Bond 500 EURm	1.625%	---	0.85%	21 February 2028
Senior Bond 1,000 NOKm	3.100%	Euribor 6M + 0.77%	0.32%	7 September 2028
Hybrid Tier2 Bond under separate documentation 500 EURm	3.375%	---	3.48%	23 May 2029
Senior Bond 500 EURm	2.25%	---	1.49%	27 September 2030
Hybrid Tier2 Bond 1,000 EURm	2.50%	---	2.55%	3 September 2032
Public debt instruments 3,887 EURm			**1.6%**	
Private placements 73 EURm			0.69%	
Total debt 3,960 EURm			**1.6%**	

Outlook

Outlook for 2021

Sampo Group's insurance businesses are expected to report good insurance technical results for 2021, although the mark-to-market component of investment returns will be significantly influenced by capital markets' developments, particularly in life insurance.

If P&C is expected to reach a combined ratio of below 85 per cent in 2021.

With regard to Topdanmark, reference is made to the profit forecast model that the company publishes on a quarterly basis.

Hastings remains well positioned and expects to further improve its loss ratio and overall results, despite some market uncertainty from COVID-19, regulatory reform and Brexit.

Nordea continues to focus on creating great customer experiences, growing income and improving operational efficiency. The results are progressing well towards 2022 targets.

The Major Risks and Uncertainties for the Group in the Near-term

In its current day-to-day business activities Sampo Group is exposed to various risks and uncertainties, mainly through its separately managed major business units.

Major risks affecting the Group companies' profitability and its variation are market, credit, insurance and operational risks that are quantified independently by the major business units. At the group level, sources of risks are the same, although they are not directly additive due to the effects of diversification.

Uncertainties in the form of major unforeseen events may have an immediate impact on the Group's profitability. The identification of unforeseen events is easier than the estimation of their probabilities, timing, and potential outcomes. Currently, the COVID-19 pandemic and the measures taken to contain the virus are causing significant negative effects on economies and uncertainties on capital market development. There are also a number of widely identified macroeconomic, political and other sources of uncertainty which can, in various ways, affect the financial services industry in a negative manner.

Other sources of uncertainty are unforeseen structural changes in the business environment and already identified trends and potential wide-impact events. These external drivers may have a long-term impact on how Sampo Group's business will be conducted. Examples of identified trends are technological developments in areas such as artificial intelligence and digitalization, demographic changes, and sustainability issues that may also have profound effects on companies within the financial sector.

Dividends

Dividend Proposal

The parent company's distributable capital and reserves totaled EUR 7,250,153,463.79 of which profit for the financial year 2020 was EUR 699,633,592.61.

The Board proposes to the Annual General Meeting a dividend of EUR 1.70 per share to the company's 555,351,850 shares. The dividends to be paid are EUR 944,098,145.00 in total. The remainder of the funds are left in the equity.

The dividend will be paid to the shareholders registered in the Register of Shareholders held by Euroclear Finland Ltd as the record date of 21 May 2021. The Board proposes that the dividend be paid on 28 May 2021.

No significant changes have taken place in the company's financial position since the end of the financial year. The impairment of Nordea shares had no impact on Sampo plc's distributable capital and reserves. The company's liquidity position is good and in the view of the Board, the proposed distribution does not jeopardize the company's ability to fulfill its obligations.

SAMPO PLC
Board of Directors

Key Figures

Group key figures		**2020**	**2019**	**2018**	**2017**	**2016**
Profit before taxes	EURm	380	1,541	2,094	2,482	1,871
Return on equity (at fair values)	%	3.1	12.0	7.5	17.1	15.0
Return on assets (at fair values)	%	2.3	5.5	3.2	7.6	7.3
Equity/assets ratio	%	20.2	23.0	25.1	26.1	31.5
Group solvency [1)]	EURm	4,308	4,513	2,942	3,945	3,895
Group solvency ratio [1)]	%	176	174	140	156	155
Average number of staff		13,227	9,813	9,509	9,364	6,780

If		**2020**	**2019**	**2018**	**2017**	**2016**
Premiums written before reinsurers' share	EURm	4,823	4,675	4,502	4,525	4,458
Premiums earned	EURm	4,484	4,388	4,290	4,293	4,286
Profit before taxes	EURm	901	884	848	818	824
Return on equity (at fair values)	%	33.3	34.5	11.2	21.3	25.3
Risk ratio [2)]	%	60.7	62.7	63.3	63.3	62.3
Cost ratio [2)]	%	21.5	21.8	21.9	22.0	22.1
Claims ratio [2)]	%	66.4	68.4	68.8	68.9	67.8
Expense ratio [2)]	%	15.8	16.1	16.4	16.4	16.6
Combined ratio	%	82.1	84.5	85.2	85.3	84.4
Average number of staff		7,182	6,865	6,603	6,367	6,180

Topdanmark [*)]		**2020**	**2019**	**2018**	**2017**	**2016**
Premiums written before reinsurers' share, life insurance	EURm	1,473	1,487	1,357	294	-
Premiums written before reinsurers' share, P&C insurance	EURm	1,315	1,272	1,235	210	-
Premiums earned, P&C insurance	EURm	1,227	1,178	1,144	281	-
Profit before taxes	EURm	167	238	199	848	-
Claims ratio [2)]	%	69.0	66.2	66.0	64.0	-
Expense ratio [2)]	%	16.2	16.0	16.3	16.4	-
Combined ratio	%	85.2	82.1	82.3	80.5	-
Average number of staff		2,428	2,322	2,314	2,412	-

Hastings		16 Nov–31 Dec 2020	2019	2018	2017	2016
Premiums written before reinsurers' share	EURm	103	-	-	-	-
Premiums earned	EURm	63	-	-	-	-
Profit before taxes	EURm	-16	-	-	-	-
Average number of staff		2,974	-	-	-	-

Mandatum		2020	2019	2018	2017	2016
Premiums written before reinsurers' share	EURm	1,059	1,603	1,082	967	1,122
Profit before taxes	EURm	154	280	450	236	210
Return on equity (at fair values)	%	14.4	23.5	8.7	13.3	15.9
Expense ratio	%	96.1	98.7	92.1	94.7	100.5
Average number of staff		576	563	531	525	543

Holding		2020	2019	2018	2017	2016
Profit before taxes	EURm	-826	139	618	576	778
Average number of staff		67	63	61	60	57

Per share key figures		2020	2019	2018	2017	2016
Earnings per share	EUR	0.07	2.04	3.04	3.96	2.95
Earnings per share without extraordinary items related to associate Nordea [3)]	EUR	2.16	2.31	-	-	-
Earnings per share, incl. items in other comprehensive income	EUR	0.65	2.63	1.70	3.79	3.14
Equity per share	EUR	20.56	21.44	22.30	23.14	21.31
Net asset value per share	EUR	19.82	20.71	20.60	25.37	24.86
Dividend per share [4)]	EUR	1.70	1.50	2.85	2.60	2.30
Dividend per earnings [3)]	%	78.7	73.5	93.8	65.7	78.0
Effective dividend yield	%	4.9	3.9	7.4	5.7	5.4
Price/earnings ratio [3)]		16.0	19.1	12.6	11.6	14.4
Adjusted number of shares at 31 Dec.	1,000	555,352	555,352	555,352	555,352	560,000
Average adjusted number of shares	1,000	555,352	555,352	555,352	559,873	560,000
Weighted average number of shares, incl. dilutive potential shares	1,000	555,352	555,352	555,352	559,873	560,000
Market capitalisation	EURm	19,199	21,609	21,331	24,858	23,850

A shares		2020	2019	2018	2017	2016
Adjusted number of shares at 31 Dec.	1,000	554,152	554,152	554,152	554,152	558,800
Average adjusted number of shares	1,000	554,152	554,152	554,152	554,152	558,800
Weighted average number of shares, incl. dilutive potential shares	1,000	554,152	554,152	554,152	554,152	558,800
Weighted average share price	EUR	32.35	39.15	43.11	44.76	40.35
Adjusted share price, high	EUR	42.46	43.38	48.92	47.46	46.56
Adjusted share price, low	EUR	21.34	34.45	37.61	41.53	34.42
Adjusted closing price	EUR	34.57	38.91	38.41	45.80	42.59
Share trading volume during the financial year	1,000	376,964	250,282	239,051	179,568	203,996
Relative share trading volume	%	68.0	45.2	43.1	32.4	36.5

B shares		2020	2019	2018	2017	2016
Adjusted number of shares at 31 Dec.	1,000	1,200	1,200	1,200	1,200	1,200
Average adjusted number of shares	1,000	1,200	1,200	1,200	1,200	1,200

*) *In the comparison year 2017 Topdanmark was consolidated as an associate between January - September 2017. The key figures are from October - December 2017 when the company was first consolidated as a subsidiary.*

1) *From 2016 on, the group solvency for Sampo has been calculated according to the consolidation method defined in the Solvency II Directive (2009/138/EC) and the Finnish Insurance Companies Act (521/2008). As Sampo plc is the ultimate parent of the Solvency II group, the solvency is calculated at the group level.*

2) *Key figures for P&C insurance are based on activity based costs and cannot, therefore, be calculated directly from the consolidated income statement.*

3) *Will be used as basis for setting dividends in accordance with the dividend policy. For 2020, the dividend per share and PE ratios have also been calculated on the basis of adjusted EPS.*

4) *The Board of Director's proposal to the Annual General Meeting for the accounting period 2020.*

In calculating the key figures the tax corresponding to the result for the accounting period has been taken into account. The valuation differences, adjusted with the deferred tax liability, on the investment property have been taken into account in return on assets, return on equity, equity/assets ratio and net asset value per share. Additionally, the items in the other comprehensive income have been taken into account in return on assets and return on equity. In the net asset value per share, the Group valuation difference on associate Nordea and listed subsidiary Topdanmark have also been taken into account.

Calculation of the Key Figures

The key figures have been calculated in accordance with the decree issued by the Ministry of Finance and the specifying regulations and instructions of the Financial Supervisory Authority. The Group solvency is calculated according to the consolidation method defined in the Solvency II Directive (2009/138/EC) and Insurance Companies Act (521/2008).

Additional information on the Group's alternative performance measures on the Group's website.

Group Key Figures

Profit before taxes

Property & casualty insurance profit before taxes
+ life insurance profit before taxes
+ holding business profit before taxes
± Group elimination items with result impact

Property & Casualty and Life Insurance
+ insurance premiums written
+ net income from investments
+ other operating income
- claims incurred
- change in liabilities for investment and insurance contracts
- staff costs
- other operating expenses
- finance costs
+/- share of associates' profit/loss

Holding
+ net income from investments
+ other operating income
- staff costs
- other operating expenses
- finance costs
+/- share of associates' profit/loss

Return on equity (at fair values), %

+ total comprehensive income attributable to parent company equity holders
± change in valuation differences on investments less deferred tax

divided by

+ total equity attributable to parent company equity holders (average of values on 1 Jan. and 31 Dec.)
± valuation differences on investments less deferred tax (average of values on 1 Jan. and 31 Dec.)

X 100%

Return on assets (at fair values), %

+ operating profit
± other comprehensive income before taxes
- profit attributable to non-controlling interests
+ interest and other financial expense
+ calculated interest on technical provisions
± change in valuation differences on investments

divided by

+ total balance sheet (average of values on 1 Jan. and 31 Dec.)
- technical provisions relating to unit-linked insurance (average of values on 1 Jan. and 31 Dec.)
± valuation differences on investments (average of values on 1 Jan. and 31 Dec.)

X 100%

Equity/assets ratio (at fair values), %

+ total equity (attributable to parent company's equity holders)
± valuation differences on investments less deferred tax

divided by

+ balance sheet total
± valuation differences on investments

X 100%

Average number of staff

Average of month-end figures, adjusted for part-time staff

Property & Casualty Insurance Key Figures

Risk ratio, %

$$\frac{+\ \text{claims incurred}\ -\ \text{claims settlement expenses}}{\text{premiums earned}} \times 100\%$$

Cost ratio, %

$$\frac{+\ \text{operating expenses}\ +\ \text{claims settlement expenses}}{\text{premiums earned}} \times 100\%$$

Loss ratio, %

$$\frac{\text{claims incurred}}{\text{premiums earned}} \times 100\%$$

Expense ratio, %

$$\frac{\text{operating expenses}}{\text{premiums earned}} \times 100\%$$

Combined ratio, %

Loss ratio + expense ratio

Life Insurance Key Figures

Expense ratio, %

$$\frac{+\ \text{operating expenses before change in deferred acquisition costs}\ +\ \text{claims settlement expenses}}{\text{expense charges}} \times 100\%$$

Per Share Key Figures

Earnings per share

$$\frac{\text{profit for the financial period attributable to the parent company's equity holders}}{\text{adjusted average number of shares}}$$

Earnings per share, incl. change in fair value reserve

$$\frac{\text{total comprehensive income for the financial period attributable to the parent company's equity holders}}{\text{adjusted average number of shares}}$$

Equity per share

$$\frac{\text{equity attributable to the parent company's equity holders}}{\text{adjusted number of shares at balance sheet date}}$$

Net asset value per share

$$\frac{+\ \text{equity attributable to the parent company's equity holders}\ \pm\ \text{valuation differences on listed associate in the Group}\ \pm\ \text{valuation differences on investments less deferred tax}}{\text{adjusted number of shares at balance sheet date}}$$

Dividend per share, %

$$\frac{\text{dividend for the accounting period}}{\text{adjusted number of shares at balance sheet date}} \times 100\%$$

Dividend per earnings, %

$$\frac{\text{dividend per share}}{\text{earnings per share}} \times 100\%$$

Effective dividend yield, %

$$\frac{\text{dividend per share}}{\text{adjusted closing share price at balance sheet date}} \times 100\%$$

Price/earnings ratio

$$\frac{\text{adjusted closing share price at balance sheet date}}{\text{earnings per share}}$$

Market capitalisation

number of shares at balance sheet date
x closing share price at balance sheet date

Relative share trading volume, %

$$\frac{\text{number of shares traded through the stock exchange}}{\text{adjusted average number of shares}} \times 100\%$$

GROUP'S IFRS FINANCIAL STATEMENTS

Group's IFRS Financial Statements

Statement of Profit and Other Comprehensive Income, IFRS

EURm	Note	1-12/2020	1-12/2019
Insurance premiums written	1	8,375	8,749
Net income from investments	2, 9	1,383	2,515
Other operating income		155	60
Claims incurred	3	-5,443	-5,466
Change in liabilities for insurance and investment contracts	4	-1,554	-2,919
Staff costs	5	-960	-897
Other operating expenses	6	-754	-653
Finance costs	9	-112	-13
Share of associates' profit/loss	13	451	321
- Valuation loss on disposal of Nordea shares	13	-262	-155
- Impairment loss on Nordea shares	13	-899	-
Profit before taxes		**380**	**1,541**
Taxes	21, 22, 23	-267	-304
Profit for the period		**112**	**1,237**

EURm	Note	1-12/2020	1-12/2019
Other comprehensive income for the period			
Items reclassifiable to profit or loss	23, 24		
Exchange differences		74	-39
Available-for-sale financial assets		259	566
Share of associate's other comprehensive income		40	-30
Taxes		-50	-123
Total items reclassifiable to profit or loss, net of tax		**322**	**373**
Items not reclassifiable to profit or loss			
Actuarial gains and losses from defined pension plans		0	-58
Taxes		0	13
Total items not reclassifiable to profit or loss, net of tax		**0**	**-45**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**434**	**1,565**
Profit attributable to			
Owners of the parent		37	1,130
Non-controlling interests		75	107
Total comprehensive income attributable to			
Owners of the parent		359	1,458
Non-controlling interests		75	107
Earnings per share (EUR)	8	**0.07**	**2.04**

Consolidated Balance Sheet, IFRS

EURm	Note	12/2020	12/2019
Assets			
Property, plant and equipment	10	371	302
Investment property	11	666	679
Intangible assets	12	3,761	2,151
Investments in associates	13	5,370	7,217
Financial assets	9, 14, 15, 16, 17, 18, 19	24,420	23,443
Investments related to unit-linked insurance contracts	20	14,837	12,975
Tax assets	21	49	19
Reinsurers' share of insurance liabilities	26	1,821	289
Other assets	25	2,714	2,185
Cash and cash equivalents		2,520	2,677
Total assets		**56,529**	**51,939**
Liabilities			
Liabilities for insurance and investment contracts	26	19,956	18,041
Liabilities for unit-linked insurance and investment contracts	27	16,285	14,368
Subordinated debt	9, 15, 17, 28	2,158	1,202
Other financial liabilities	9, 15, 17, 28	2,935	3,592
Tax liabilities	21	717	587
Provisions	29	20	20
Employee benefits	30	98	99
Other liabilities	31	2,102	1,489
Total liabilities		**44,271**	**39,396**

EURm	Note	12/2020	12/2019
Equity	33		
Share capital		98	98
Reserves		1,530	1,530
Retained earnings		9,282	10,062
Other components of equity		508	217
Equity attributable to owners of the parent		**11,418**	**11,908**
Non-controlling interests		840	635
Total equity		**12,258**	**12,542**
Total equity and liabilities		**56,529**	**51,939**

Statement of Changes in Equity, IFRS

EURm	Share capital	Legal reserve	Invested unrestricted equity	Retained earnings [1]	Translation of foreign operations [2]	Available for sale financial assets [3]	Total	Non-controlling interests	Total
Equity at 1 January 2019	**98**	**4**	**1,527**	**10,944**	**-780**	**594**	**12,386**	**628**	**13,014**
Changes in equity									
Dividends				-1,583[4]			-1,583	-90	**-1,672**
Extra dividend in Nordea shares				-319			-319		**-319**
Share-based payments				1			1		**1**
Share of associate's other changes in equity				-43			-43		**-43**
Other changes in equity				8			8	-10	**-2**
Profit for the period				1,130			1,130	107	**1,237**
Other comprehensive income for the period				-75	-37	440	328		**328**
Equity at 31 December 2019	**98**	**4**	**1,527**	**10,062**	**-817**	**1,034**	**11,908**	**635**	**12,542**
Changes in equity									
Business acquisitions				-5		6	1	188	**189**
Dividends				-833[4]			-833	-52	**-885**
Share-based payments				-3			-3		**-3**
Share of associate's other changes in equity				-19			-19		**-19**
Other changes in equity				6			6	-6	**0**
Profit for the period				37			37	75	**112**
Other comprehensive income for the period				37	67	217	322	0	**322**
Equity at 31 December 2020	**98**	**4**	**1,527**	**9,282**	**-749**	**1,257**	**11,418**	**840**	**12,258**

[1] *IAS 19 Pension benefits had a net effect of EURm 2 (-90) on retained earnings.*

[2] *The total comprehensive income includes also the share of the associate Nordea's other comprehensive income, in accordance with the Group's share holding. The retained earnings thus include EURm 38 (-30) of Nordea's actuarial gains/losses The exchange differences include the share of Nordea's exchange differences EURm 6 (3). Respectively, available-for-sale financial assets include EURm 8 (-3) of Nordea's valuation differences on assets at fair value through p/l. Nordea adopted the new IFRS 9 Financial instruments standard from 1 January 2018 on.*

[3] *The amount recognised in equity from available-for-sale financial assets for the period totalled EURm 263 (718). The amount transferred to p/l amounted to EURm -49 (-255). EURm 1 (-21) was transferred to the Segregated Suomi portfolio. EURm 6 from business acquisitions has been recognised directly in the opening balance of the fair value reserve.*

[4] *Dividend per share 1.50 (2.85) euro.*

The amounts included in the translation and available-for-sale reserves represent other comprehensive income for each component, net of tax.

Statement of Cash Flows, IFRS

EURm	2020	2019
Operating activities		
Profit before taxes	380	1,541
Adjustments:		
Depreciation and amortisation	122	78
Unrealised gains and losses arising from valuation	-129	-637
Realised gains and losses on investments	-241	-500
Change in liabilities for insurance and investment contracts	1,127	2,775
Other adjustments	730	66
Adjustments total	**1,608**	**1,783**
Change (+/-) in assets of operating activities		
Investments *)	-998	-1,526
Other assets	44	37
Total	**-954**	**-1,489**
Change (+/-) in liabilities of operating activities		
Financial liabilities	8	-2
Other liabilities	155	88
Paid taxes	-440	-390
Total	**-277**	**-305**
Net cash from operating activities	**757**	**1,530**
Investing activities		
Investments in Group and associated undertakings	72	594
Net investment in equipment and intangible assets	-160	-64
Net cash used in investing activities	**-88**	**530**

EURm	2020	2019
Financing activities		
Dividends paid	-833	-1,588
Issue of debt securities	1,191	496
Repayments of debt securities in issue	-1,199	-647
Net cash used in financing activities	**-841**	**-1,739**
Total cash flows	**-172**	**322**
Cash and cash equivalents at 1 January	2,677	2,361
Effects of exchange rate changes	14	-5
Cash and cash equivalents at 31 December	2,520	2,677
Net change in cash and cash equivalents	**-172**	**322**

Additional information to the cash flow statement:	**2020**	**2019**
Interest income received	464	543
Interest expense paid	-146	-189
Dividend income received	139	216
Total out-going cashflows from leases	-45	-34

*) *Investments include investment property, financial assets and investments related to unit-linked insurance contracts.*

The items of the statement of cash flows cannot be directly concluded from the balance sheets due to e.g. exchange rate differences, and acquisitions and disposals of subsidiaries during the period.

Cash and cash equivalents include cash at bank and in hand EURm 2,520 (2,662) and short-term deposits (max 3 months) EURm 162 (15).

Business acquisitions 2020

On 5 August 2020, Sampo and Rand Merchant Investment Holdings Limited (RMI) announced a recommended cash offer to acquire all issued and to be issued shares in Hastings not currently owned or controlled by Sampo and RMI. The transaction was completed in November 2020 and Sampo became the majority share holder with 70% ownership. The net cash flow arising from the acquisition was EUR - 1,126 million, including cash and cash equivalents EUR 193 million of the acquired company at the acquisition date.

GROUP'S NOTES TO THE ACCOUNTS

Group's Notes to the Accounts

Summary of Significant Accounting Policies

Sampo Group has prepared the consolidated financial statements for 2020 in compliance with the International Financial Reporting Standards (IFRSs). In preparing the financial statements, Sampo has applied all the standards and interpretations relating to its business, adopted by the commission of the EU and effective at 31 December, 2020.

The annual improvements or other amendments to the standards, adopted at the beginning of 2020, had no material impact on the Group's financial statements reporting.

In preparing the notes to the consolidated financial statements, attention has also been paid to the Finnish accounting and company legislation and applicable regulatory requirements.

The financial statements have for the most part been prepared under the historical cost convention. Exceptions are i.e. financial assets and liabilities at fair value through p/l, financial assets available-for-sale, hedged items in fair value hedges and share-based payments settled in equity instruments measured at fair value.

The consolidated financial statements are presented in euro (EUR), rounded to the nearest million, unless otherwise stated.

The Board of Directors of Sampo plc accepted the financial statements for issue on 11 February 2021.

Consolidation

Subsidiaries

The consolidated financial statements combine the financial statements of Sampo plc and all its subsidiaries. Entities qualify as subsidiaries if the Group has the controlling power. The Group exercises control if its shareholding is more than 50 per cent of the voting rights or it otherwise has the power to exercise control over the financial and operating policies of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and cease to be consolidated from the date that control ceases.

The acquisition method of accounting is used for the purchase of subsidiaries. The cost of an acquisition is allocated to the identifiable assets, liabilities and contingent liabilities, which are measured at the fair value of the date of the acquisition. Possible non-controlling interest of the acquired entity is measured either at fair value or at proportionate interest in the acquiree's net assets. The acquisition-specific choice affects both the amount of recognised goodwill and non-controlling interest. The excess of the aggregate of consideration transferred, non-controlling interest and possibly previously held equity interest in the acquiree, over the Group's share of the fair value of the identifiable net assets acquired, is recognised as goodwill.

The accounting policies used throughout the Group for the purposes of consolidation are consistent with respect to similar business activities and other events taking place in similar conditions. All intra-group transactions and balances are eliminated upon consolidation.

Associates

Associates are entities in which the Group has significant influence, but no control over the financial management and operating policy decisions. Unless otherwise demonstrated, this is generally presumed when the Group holds in excess of 20 per cent, but no more than 50 per cent, of the voting rights of an entity. Correspondingly, even when the Group holds less than 20 per cent of the voting power, it can be treated as an associate, if the significant influence can be otherwise clearly demonstrated as described in IAS 28 *Investments in Associates and Joint Ventures*.

Investments in associates are treated by the equity method of accounting, in which the investment is initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the associate. If the Group's share of the associate's loss exceeds the carrying amount of the investment, the investment is carried at zero value, and the loss in excess is consolidated only if the Group is committed to fulfilling the obligations of the associate. Goodwill arising on the acquisition is included in the cost of the investment. Unrealised gains (losses) on transactions are eliminated to the extent of the Group's interest in the entity.

The share of associates' profit or loss, equivalent to the Group's holding, is presented as a separate line in the income statement. The Group's share of associate's changes in other comprehensive income is presented in the Group's other comprehensive income items.

If there is any indication that the value of the investment may be impaired, the consolidated carrying amount is tested by comparing it with its recoverable amount. The recoverable amount is the higher of its value in use or its fair value less costs to sell. If the recoverable amount is less than its consolidated carrying amount, the carrying amount is reduced to its recoverable amount by recognising an impairment loss in the profit/loss. If the recoverable amount later increases and is greater than the carrying amount, the impairment loss is reversed through profit and loss.

Foreign currency translation

The consolidated financial statements are presented in euro, which is the functional and reporting currency of the Group and the parent company. Items included in the financial statements of each of the Group entities are measured using their functional currency, being the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of transactions or the average rate for a month. The balance sheet items denominated in foreign currencies are translated into the functional currency at the rate prevailing at the balance sheet date.

Exchange differences arising from translation of transactions and monetary balance sheet items denominated in foreign currencies into functional currency are recognised as translation gains and losses in profit or loss. Exchange differences arising from equities classified as available-for-sale financial assets are included directly in the fair value reserve in equity.

The income statements of Group entities whose functional currency is other than euro are translated into euro at the average rate for the period, and the balance sheets at the rates prevailing at the balance sheet date. The resulting exchange differences are included in equity and their change in other comprehensive income. When a subsidiary is divested entirely or partially, the cumulative exchange differences are included in the income statement under sales gains or losses.

Goodwill and fair value adjustments arising from an acquisition of a foreign entity are treated as if they were assets and liabilities of the foreign entity. Exchange differences resulting from the translation of these items at the exchange rate of the balance sheet date are included in equity and their change in other comprehensive income.

The following exchange rates were applied in the consolidated financial statements:

1 euro (EUR) =	Balance sheet date	Average exchange rate
Swedish krona (SEK)	10.0343	10.4882
Danish krona (DKK)	7.4409	7.4544
Pound sterling (GBP)	0.8990	0.8892

Segment reporting

The Group's segmentation is based on business areas whose risks and performance bases as well as regulatory environment differ from each other. The control and management of business and management reporting are organised in accordance with the business segments. The Group's business segments are If, Topdanmark, Hastings, Mandatum and Holding (including Nordea).

Geographical information has been given on income from external customers and non-current assets. The reported segments are Finland, Sweden, Norway, Denmark, Great Britain and the Baltic countries.

In the inter-segment and inter-company pricing, for both domestic and cross border transactions, market-based prices are applied. The pricing is based on the Code of conduct on Transfer Pricing Documentation in the EU and OECD guidelines.

Inter-segment transactions, assets and liabilities are eliminated in the consolidated financial statements.

Interest and dividends

Interest income and expenses are recognised in the income statement using the effective interest rate method. This method recognises income and expenses on the instrument evenly in proportion to the amount outstanding over the period to maturity. Dividends on equity securities are recognised as revenue when the right to receive payment is established.

Fees and commissions

The fees and transaction costs of financial instruments measured at fair value through profit or loss are recognised in profit or loss when the instrument is initially recognised.

The costs of acquiring new and renewed insurance business are treated as deferred acquisition costs in the P&C insurance. In the life insurance business, the acquisition costs are treated as fee and commission expense under 'Other operating expenses'.

Other fees and commissions paid for investment activities are included in 'Net income from investments'.

Insurance premiums

Insurance premiums in the income statement consist of premiums written for P&C insurance and life insurance.

P&C insurance contracts are primarily of short duration, so that premiums written are recognised at the inception of risk coverage in line with the insurance contract. When the premium for the insurance period is divided into several instalments, the entire premium amount is still recognised at the beginning of the period. As an exception, Hastings recognises insurance premiums proportionally over the period of cover provided.

At the date of financial statements, the premiums written are adjusted by a change in the provision for unearned premiums i.e. by the proportion of the insurance premium income that, based on the period covered by the insurance contract, belongs to the following financial year.

In the life insurance business, liabilities arising from insurance and investment contracts count as long-term liabilities. Therefore, the insurance premium and related claims are usually not recognised in the same accounting period. Depending on the type of insurance, premiums are primarily recognised in premiums written when the premium has been paid. In group pension insurance, a part of the premiums is recognised already when charged.

The change in the provision for unearned premiums is presented as an expense under 'Change in insurance and investment contract liabilities'.

Revenue from contracts with customers

The subsidiary Hastings has revenue from broker activities in accordance with IFRS 15 *Revenue from Contracts with Customers*. The revenue consists principally of fees and commissions relating to the arrangement of third party underwritten insurance contracts and ancillary products.

Revenue from insurance brokerage activities is recognised at the point of sale to the customer and revenue from other retail income is recognised when the ad hoc service has been completed. Revenue arising from insurance broking activities is measured on an agency basis, net of cost, at the fair value of the income receivable after adjusting for any allowance for expected future cancellation refunds. Hastings may also provide contracts for the provision of other ad hoc, point in time services to customers. Such income is recognised when the performance obligation has been satisfied at the expected value of consideration.

In the consolidated financial statements, the fees and commissions from broker activities are included in 'Other income' or 'Other operating expenses'.

Financial assets and liabilities

Based on the measurement practice, financial assets and liabilities are classified in the following categories upon the initial recognition: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through profit or loss, and other liabilities.

According to the Group's risk management policy, investments are managed at fair value in order to have the most realistic and real-time picture of investments, and they are reported to the Group key management at fair value. Investments comprise debt and equity securities. They are mainly classified as financial assets available-for-sale or at fair value through p/l.

A large majority of Sampo Group's financial assets are valued at fair value. The valuation is based on either published price quotations or valuation techniques based on market observable inputs, where available. For a limited amount of assets the value needs to be determined using other techniques. The financial instruments measured at fair value have been classified into three hierarchy levels in the notes, depending on e.g. if the market for the instrument is active, or if the inputs used in the valuation technique are observable.

On level 1, the measurement of the instrument is based on quoted prices in active markets for identical assets or liabilities.

On level 2, inputs for the measurement of the instrument include also other than quoted prices observable for the asset or liability, either directly or indirectly by using valuation techniques.

On level 3, the measurement is based on other inputs rather than observable market data. The majority of Sampo Group's level 3 assets are private equity and alternative funds.

For private equity funds the valuation of the underlying investments is conducted by the fund manager who has all the relevant information required in the valuation process. The valuation is usually updated quarterly based on the value of the underlying assets and the amount of debt in the fund. There are several valuation methods, which can be based on, for example, the acquisition value of the investments, the value of publicly traded peer companies, the multiple based valuation or the cashflows of the underlying investments. Most private equity funds follow the International Private Equity and Venture Capital (IPEV) guidelines which give detailed instructions on the valuation of private equity funds.

For alternative funds the valuation is also conducted by the fund managers. Alternative funds often have complicated structures and the valuation is dependent on the nature of the underlying investments. There are many different valuation methods that can be used, for example, the method based on the cashflows of the underlying investments. The operations and valuation of alternative funds are regulated for example by the Alternative Investment Fund Managers Directive (AIFMD), which determines the principles and documentation requirements of the valuation process.

In the life insurance business, IFRS 4 *Insurance Contracts* provides that insurance contracts with a discretionary participation feature are measured in accordance with national valuation principles rather than at fair value. These contracts and investments made to cover shareholders' equity are managed in their entirety and are classified mainly as available-for-sale financial assets. An exception to the rule are investments related to unit-linked insurance, valued at fair value thru p/l and shown as a separate line item in the balance sheet. The corresponding liability is also shown as a separate line item.

Recognition and derecognition

Purchases and sales of financial assets at fair value through profit or loss and available-for-sale financial assets are recognised and derecognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when the Group has a legally enforceable right to set off the recognised amounts and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expired.

Financial assets and financial liabilities at fair value through profit or loss

In Sampo Group, financial assets and liabilities at fair value through profit of loss comprise financial assets held for trading and financial assets designated as at fair value through profit or loss.

Financial assets held for trading

Financial asset that is held for the purpose of selling or buying in the short term, or belongs to a portfolio that is managed together or is repeatedly used for short-term profit taking, is classified as an asset held for trading. Gains and losses arising from changes in fair value, or realised on disposal, together with related interest income and dividend, are recognised in the income statement.

Also derivative instruments that are not designated as hedges and do not meet the requirements for hedge accounting are classified as financial assets for trading purposes.

Financial derivatives held for trading are initially recognised at fair value. Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative instruments are recognised at fair value, and gains and losses arising from changes in fair value together with realised gains and losses are recognised in the income statement.

Financial assets designated as at fair value through profit or loss

Financial assets designated as at fair value through profit or loss are assets which, at inception, are irrevocably designated as such. They are initially recognised at their fair value. They are recognised in the income statement and balance sheet accordingly with above-explained assets held for trading.

Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the short term. The category also comprises cash and balances with banks.

Loans and receivables are initially recognised at their fair value, including transaction costs directly attributable to the acquisition of the asset. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial investments that are designated as available for sale and or are not categorised into any other category. Available-for-sale financial assets comprise debt and equity securities.

Available-for-sale financial assets are initially recognised fair value, including direct and incremental transaction costs. They are subsequently remeasured at fair value, and the changes in fair value are recorded in other comprehensive income and presented in the fair value reserve, taking the tax effect into account. Interest income and dividends are recognised in profit or loss. When the available-for-sale assets are sold, the cumulative change in the fair value is transferred from equity and recognised together with realised gains or losses in profit or loss. The cumulative change in the fair value is also transferred to profit or loss when the assets are impaired and the impairment loss is recognised. Exchange differences due to available-for-sale monetary balance sheet items are always recognised directly in profit or loss.

Other financial liabilities

Other financial liabilities comprise debt securities in issue and other financial liabilities.

Other financial liabilities are recognised when the consideration is received and measured to amortised cost, using the effective interest rate method.

If debt securities issued are redeemed before maturity, they are derecognised and the difference between the carrying amount and the consideration paid at redemption is recognised in profit or loss.

Fair value

The fair value of financial instruments is determined primarily by using quoted prices in active markets. Instruments are measured either at a bid price or at the last trade price, if there is an auction policy in the stock market of the price source. An exception are the syndicated loans which are measured at a mid-price because of the lower liquidity. The financial derivatives are also measured at the last trade price. If the financial instrument has a counter-item that will offset its market risk, the same price source is used in assets and liabilities to that extent. If a published price quotation does not exist for a financial instrument in its entirety, but active markets exist for its component parts, the fair value is determined on the basis of the relevant market prices of the component parts.

If a market for a financial instrument is not active, or the instrument is not quoted, the fair value is established by using generally accepted valuation techniques including recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

If the fair value of a financial asset cannot be determined, historical cost is deemed to be a sufficient approximation of fair value. The amount of such assets in the Group balance sheet is immaterial.

Impairment of financial assets

Sampo assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than those at fair value through p/l, may be impaired. A financial asset is impaired and impairment losses are incurred, if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset, and if that event has an impact, that can be reliably estimated, on the estimated future cash flows of the financial asset.

Financial assets carried at amortised cost

There is objective evidence of impairment, if an issuer or debtor e.g. encounters significant financial difficulties that will lead to insolvency and to estimation that the customer will probably not be able to meet the obligations to the Group. Objective evidence is first assessed for financial assets that are individually significant, and individually and collectively for financial assets not individually significant.

When there is objective evidence of impairment of a financial asset carried at amortised cost, the amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. The difference is recognised as an impairment loss in profit or loss. The impairment is assessed individually.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can objectively be related to an event occurring after the impairment was recognised (e.g. the default status is removed), the previously recognised impairment loss shall be reversed through profit or loss.

Available-for-sale financial assets

Whether there is objective evidence of an impairment of available-for-sale financial assets, is evaluated in a separate assessment, which is done if, for example, there are changes in credit rating of debt instrument issuer, the issuer is placed on a watch list, or there is a default or delinquency in payments of principal or interests. For equity instruments objective evidence may exist, if there is a significant or prolonged decline in the fair value of an equity instrument below its original acquisition cost.

The decision on whether the impairment is significant or prolonged requires an assessment of the management. The assessment is done case by case and with consideration paid not only to qualitative criteria but also historical changes in the value of an equity as well as time period during which the fair value of an equity instrument has been lower than the acquisition cost. In Sampo Group, the impairment is normally assessed to be significant, if the fair value of a listed equity or participation decreases below the average acquisition cost by 20 per cent and prolonged, when the fair value has been lower than the acquisition cost for over 12 months.

As there are no quoted prices available in active markets for unquoted equities and participations, the aim is to determine their fair value with the help of generally accepted valuation techniques available in the markets. The most significant share of unquoted equities and participations comprise the private equity and venture capital investments. They are measured in accordance with the generally accepted common practice, International Private Equity and Venture Capital Guidelines (IPEV).

The significance and prolongation of the impairment in the last-mentioned cases is assessed case by case, taking into consideration special factors and circumstances related to the investment. Sampo invests in private equity and venture capital in order to keep them to the end of their life cycle, so the typical lifetime is 10 – 12 years. In general, a justifiable assessment of a potential impairment may only be done towards the end of the life cycle. However, if additionally there is a well-founded reason to believe that an amount equivalent to the acquisition cost will not be recovered when selling the investment, an impairment loss is recognised.

An impairment on equity funds is recognised in line with the principles above when the starting year of the fund is at least 10 years old and both the carrying amount and fair value of the fund is maximum EUR 500,000. In these cases both the fair value and the carrying amount are booked to zero. An impairment is only performed to those funds for which the benchmarks are met in all Sampo Group companies' portfolios.

In the case of debt securities, the amount of the impairment loss is assessed as the difference between the acquisition cost, adjusted with capital amortisations and accruals, and the fair value at the review time, reduced by possibly in profit or loss previously recognised impairment losses. At the same time, the cumulative loss recognised in other comprehensive income is transferred from equity and recognised in p/l as an impairment loss. Any additional impairment losses are also recognised thru p/l.

If, in a subsequent period, the fair value of a debt security increases and the increase can objectively be related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through p/l, but only up until the carrying amount is the same it would have been, had no impairment losses been recognised in the first place.

Impairment losses for available-for-sale equity instruments are recognised thru p/l, by transferring the cumulative loss recognised in other comprehensive from equity to p/l. If the fair value subsequently increases, the increase is recognised in other comprehensive income. If the value keeps decreasing below the book value, an impairment loss is recognised through profit or loss, even if the decline is less than 20 per cent.

Derivative financial instruments and hedge accounting

Derivative financial instruments are classified as those held for trading and those held for hedging, including interest rate derivatives, credit risk derivatives, foreign exchange derivatives, equity derivatives and commodity derivatives. Derivative instruments are measured initially at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivatives held for trading

Derivative instruments that are not designated as hedges and embedded derivatives separated from a host contract are treated as held for trading. They are measured at fair value and the change in fair value, together with realised gains and losses and interest income and expenses, is recognised in profit or loss.

If derivatives are used for hedging, but they do not qualify for hedge accounting as required by IAS 39, they are treated as held for trading.

Hedge accounting

Sampo Group may hedge its operations against interest rate risks, currency risks and price risks through fair value hedging and cash flow hedging. Cash flow hedging is used as a protection against the variability of the future cash flows, while fair value hedging is used to protect against changes in the fair value of recognised assets or liabilities. During the financial year, fair value hedging has been applied in Mandatum and cash flow hedging in Hastings.

Hedge accounting applies to hedges that are effective in relation to the hedged risk and meet the hedge accounting requirements of IAS 39. The hedging relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for under-taking the hedge, are documented at the inception of the hedge. In addition, the effectiveness of a hedge is assessed both at inception and on an ongoing basis, to ensure that it is highly effective throughout the period for which it was designated. Hedges are regarded as highly effective in offsetting changes in fair value or the cash flows attributable to a hedged risk within a range of 80-125 per cent.

Cash flow hedging

Cash flow hedging is used to hedge the interest cash flows of individual floating rate debt securities or other floating rate assets or liabilities. The hedging instruments used during the financial year were mainly currency forwards. Derivative instruments which are designated as hedges and are effective as such are measured at fair value. The effective part of the change in fair value is recognised in other comprehensive income. The remaining ineffective part is recognised in profit or loss.

The cumulative change in fair value is transferred from equity and recognised in profit or loss in the same period that the hedged cash flows affect profit or loss.

When a hedging instrument expires, is sold, terminated, or the hedge no longer meets the criteria for hedge accounting, the cumulative change in fair value remains in equity until the hedged cash flows affect profit or loss.

Fair value hedging

In accordance with the Group's risk management principles, fair value hedging is used to hedge changes in fair values resulting from changes in price, interest rate or exchange rate levels. The hedging instruments used include foreign exchange forwards, interest rate swaps, interest rate and cross currency swaps and options, approved by the managements of the Group companies.

Changes in the fair value of derivative instruments that are documented as fair value hedges and are effective in relation to the hedged risk are recognised in profit or loss. In addition, the hedged assets and liabilities are measured at fair value during the period for which the hedge was designated, with changes in fair value recognised in profit or loss.

Leases

Group as lessee

All lease contracts are primarily recognised in the balance sheet in accordance with IFRS 16 *Leases*. The only optional exemptions include certain short-term or low-value contracts for which the lease payments can be recognised as an expense on a straight-line basis over the lease term.

Right-of-use assets related to lease contracts (right to use an underlying asset) are recognised in the asset side as part of Property, Plant and Equipment and the corresponding lease liabilities in the liability side as part of Other liabilities. Right-of-use asset is recognised at the commencement date of the lease and measured at cost that includes the amount of the initial measurement of the liability and potential prepaid rents to the lessor. Lease liability is also recognised at the commencement date, and measured at the present value of the lease payments.

Depreciations on right-of-use assets and interests on the lease liabilities are recognised in the p/l.

Group as lessor

Leases are included in 'Investment property' in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment, and the impairment losses are recognised on the same basis as for these items. Rental income is recognised on a straight-line basis over the lease term in profit or loss.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition (made after 1 January 2004) over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Goodwill on acquisitions before 1 January 2004 is accounted for in accordance with the previous accounting standards and the carrying amount is used as the deemed cost in accordance with the IFRS.

Goodwill is measured at historical cost less accumulated impairment losses. Goodwill is not amortised. Instead, it is tested at least annually for impairment.

Other intangible assets

IT software and other intangible assets, whether procured externally or internally generated, are recognised in the balance sheet as intangible assets with finite useful lives, if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. The cost of internally generated intangible assets is determined as the sum of all costs directly attributable to the assets. Research costs are recognised as expenses in profit or loss as they are incurred. Costs arising from development of new IT software or from significant improvement of existing software are recognised only to the extent they meet the above-mentioned requirements for being recognised as assets in the balance sheet.

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and impairment losses. Intangible assets are amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful lives by asset class are as follows:

IT software	3–10 years
Other intangible assets	3–10 years

Intangible assets with an indefinite useful life, such as brands and trademarks acquired in business combinations, are not amortised. Instead they are tested at least annually for impairment.

Property, plant and equipment

Property, plant and equipment comprise properties occupied for Sampo's own activities, office equipment, fixtures and fittings, and furniture. Classification of properties as those occupied for own activities and those for investment activities is based on the square metres in use. If the proportion of a property in Sampo's use is no more than 10 per cent, the property is classified as an investment property.

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses, except for Topdanmark and Hastings where the carrying amount is based on revaluation i.e. fair value less accumulated depreciation and impairment losses.

Improvement costs are added to the carrying amount of a property when it is probable that the future economic benefits that are attributable to the asset will flow to the entity. Costs for repairs and maintenance are recognised as expenses in the period in which they were incurred.

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. In most cases, the residual value is estimated at zero. Land is not depreciated. Estimates of useful life are reviewed at financial year-ends and the useful life is adjusted if the estimates change significantly. The estimated useful lives by asset class are as follows:

Buildings	20–50 years
Components of buildings	15–20 years
Property and leasehold improvements	4–10 years
IT equipment and motor vehicles	2–5 years
Other equipment	3–15 years

Depreciation of property, plant or equipment will be discontinued, if the asset in question is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Impairment of intangible assets and property, plant and equipment

At each reporting date the Group assesses whether there is any indication that an intangible asset or an item of property, plant or equipment may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the asset. In addition, goodwill, intangible assets not yet available for use and intangible assets with an indefinite useful life will be tested for impairment annually, independent of any indication of impairment. For impairment testing the goodwill is allocated to the cash-generating units of the Group from the date of acquisition. In the test the carrying amount of the cash-generating unit, including the goodwill, is compared with its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is calculated by estimating future net cash flows expected to be derived from an asset or a cash-generating unit, and by discounting them to their present value using a pre-tax discount rate. If the carrying amount of an asset is higher than its recoverable amount, an impairment loss is recognised in profit or loss. In conjunction with this, the impaired asset's useful life will be re-determined.

If there is any indication that an impairment loss recognised for an asset in prior periods may no longer exist or may have decreased, the recoverable amount of the asset will be estimated. If the recoverable amount of the asset exceeds the carrying amount, the impairment loss is reversed, but no more than to the carrying amount which it would have been without recognition of the impairment loss. Impairment losses recognised for goodwill are not reversed.

Investment property

Investment property is held to earn rentals and for capital appreciation. The investment property is measured the same way as property, plant and equipment. The depreciation periods and methods and the impairment principles are also the same as those applied to corresponding property occupied for own activities. The investment property of the associate Nordea is measured at fair value and included in the Holding segment's investments in associates.

The fair value of investment property is estimated using a method based on estimates of future cash flows and a comparison method based on information from actual sales in the market. The fair value of investment property is presented in the Notes.

The valuation takes into account the characteristics of the property with respect to location, condition, lease situation and comparable market information regarding rents, yield requirements and unit prices. During the financial year, the valuations were conducted by the Group's internal resources.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the Group can reliably estimate the amount of the obligation. If it is expected that some or all of the expenditure required to settle the provision will be reimbursed by another party, the reimbursement will be treated as a separate asset only when it is virtually certain that the Group will receive it.

Insurance and investment contracts

Insurance contracts are treated, in accordance with IFRS 4, either as insurance or investment contracts. Under the standard, insurance contracts are classified as insurance contracts if significant insurance risk is transferred between the policyholder and the insurer. If the risk transferred on the basis of the contract is essentially financial risk rather than significant insurance risk, the contract is classified as an investment contract. Classification of a contract as an insurance contract or investment contract determines the measurement principle applied to it.

Sampo treats the liabilities arising from contracts in the first phase of the standard according to the national accounting standards.

The risks involved in insurance and investment contracts are widely elaborated in the Group's note 40.

Reinsurance contracts

A reinsurance contract is a contract which meets the IFRS 4 requirements for insurance contracts and on the basis of which Sampo Group (the cedant) may receive compensation from another insurer (the reinsurer), if it becomes liable for paying compensation based on other insurance contracts it has issued. Such compensation received on the basis of reinsurance contracts is included in the balance sheet under 'Reinsurers' share of insurance liabilities' and 'Other assets'. The former item includes the reinsurers' share of the provisions for unearned premiums and claims outstanding in the Group's reinsured insurance contracts, while the latter includes short-term receivables from reinsurers.

When the Group itself has to pay compensation to another insurer on the basis of a reinsurance contract, the liability is recognised in the item 'Other liabilities'. Receivables and liabilities related to reinsurance are measured uniformly with the cedant's receivables and liabilities. Reinsurance receivables are tested annually for impairment. Impairment losses are recognised through profit or loss, if there is objective evidence indicating that the Group (as the cedant) will not receive all amounts of money it is entitled to on a contractual basis.

In addition, the Group companies have contracts where they share the insurance risk with a co-insurance partner. Where the Group is the secondary co-insurer, the Group only recognises its share of the premium as an insurance receivable and related claims liability. Where the Group acts as the lead co-insurer, the gross premium is recognised as an insurance receivable, with a related co-insurance payable to the co-insurer.

P&C insurance business

Classification of insurance contracts

In classifying insurance contracts and examining their related risks, embedded contracts are interpreted as one contract.

Other than insurance contracts, i.e. contracts where the risk is not transferred, include Captive contracts in which an insurance company underwrites a company's direct business and reinsures the same risk in an insurance company in the same group as the policyholder. There are also contracts in P&C insurance (Reverse Flow Fronting contracts) in which the insurance company grants insurance and then transfers the insurance risk to the final insurer. For both the above types of contract, only the net effect of the contract relationship is recognised in the income statement and balance sheet (instead of the gross treatment, as previously). The prerequisite for net treatment is that the net retention recognised on the contract is zero.

There are also contracts in P&C insurance in which the insurance risk is eliminated by a retrospective insurance premium, i.e. the difference between forecast and actual losses is evened out by an additional premium directly or in connection with the annual renewal of the insurance. The net cash flow from these contracts is recognised directly in the balance sheet, without recognising it first in the income statement as premiums written and claims incurred.

Insurance liabilities

Insurance liabilities are the net contractual obligations which the insurer has on the basis of insurance contracts. Insurance liabilities, consisting of the liability for unearned premiums and unexpired risks and for claims outstanding, correspond to the obligations under insurance contracts.

The liability for unearned premiums is intended to cover anticipated claims costs and operating expenses during the remaining term of insurance contracts in force. In P&C insurance and reinsurance, the liability for unearned premiums is normally calculated on a strictly proportional basis over time, i.e. on a pro rata temporis basis. If premiums are judged to be insufficient to cover anticipated claims costs and operating expenses, the liability for unearned premiums must be augmented by a provision for unexpired risks. Calculation of the liability for unexpired risks must also take into account instalment premiums not yet due.

The liability for claims outstanding is intended to cover the anticipated future payments of all claims incurred, including claims not yet reported to the company; i.e. the IBNR (incurred but not reported) provision. The liability for claims outstanding includes claims payments plus all estimated costs of claim settlements.

The liability for claims outstanding in direct P&C insurance and reinsurance may be calculated by statistical methods or through individual assessments of individual claims. Often a combination of the two methods is used, meaning large claims are assessed individually while small claims and claims incurred but not reported (the IBNR provision) are calculated using statistical methods.

In If, the liability for claims outstanding is not discounted to present value, with the exception of provisions for vested annuities. Topdanmark discounts the whole liability. In Hastings, the liability is not discounted, except for claims that have to do with certain large bodily injury. Mandatum does not discount anything.

Premiums written for P&C insurance and reinsurance are recognised in the income statement when the annual insurance premium is due for payment.

Liability adequacy test

A liability adequacy test is performed separately for both the provision for claims outstanding and the provision for unearned premiums. The provision for claims outstanding is based on estimates of future cash flows. The estimates are made by using well-established actuarial methods.

The provision for unearned premiums is, for the most part, calculated on a strictly proportional basis over time (so called pro rata temporis principle). The adequacy of the provision for unearned premiums is tested by calculating a provision for unexpired risks for each company per business area and line of business. If the provisions are judged to be insufficient, the provision for unearned premiums is augmented by recognising a provision for unexpired risks.

Deferred acquisition costs

In the P&C insurance business, acquisition costs clearly relating to the writing of insurance contracts and extending beyond the financial year are recognised as assets in the balance sheet. Acquisition costs include operating expenses directly or indirectly attributable to writing insurance contracts, fees and commissions, marketing expenses and the salaries and overheads of sales staff. Acquisition costs are amortised in the same way as provisions for unearned premiums, usually in 12 months at the maximum.

Life insurance business

Classification of insurance contracts

Policies issued by the life insurance business are classified as either insurance contracts or investment contracts. Insurance contracts are contracts that carry significant insurance risk or contracts in which the policyholder has the right to change the contract by increasing the risk. As capital redemption contracts do not carry insurance risk, these contracts are classified as investment contracts.

The discretionary participation feature (DPF) of a contract is a contractual right held by a policyholder to receive additional benefits, as a supplement to the guaranteed minimum benefits. The supplements are bonuses based on the reserves of policies credited to the policy reserve, additional benefits in the case of death, or lowering of insurance premiums. In Mandatum, the principle of fairness specifies the application of this feature. In unit-linked contracts the policyholder carries the investment risk by choosing the investment funds linked to the contracts.

Measurement of insurance and investment contracts

In Mandatum, national accounting standards in accordance with IFRS 4 Insurance contracts are applied to all insurance contracts and investment contracts with DPF.

All contracts, except unit-linked contracts and the assumed reinsurance, include DPF. In those unit-linked contracts which are not insurance contracts, the policyholder has the possibility to transfer the return on savings from unit-linked schemes to guaranteed interest with DPF. Thus, the same standard is applied to these contracts as to contracts with DPF.

The surrender right, guaranteed interest and the unbundling of the insurance component from the deposit component and similar features are not separated and measured separately.

In Mandatum, regarding the group pension portfolio transferred from Suomi Mutual (=segregated portfolio), a so-called shadow accounting is applied, as permitted in IFRS 4.30, by adjusting the equity with the amount of unrealised gains and losses of the agreement. The equity is adjusted with an amount that unrealised gains or losses would have affected the Segregated Portfolio in accordance with the profit distribution policy of the Segregated Portfolio, if the gains or losses had been realised at the balance sheet date.

In Topdanmark unit-linked contracts include both insurance and investment contracts. Insurance contracts are measured in accordance with IFRS 4. Investment contracts, on the other hand, are measured in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. Investment contracts do not include discretionary participation feature.

All unit-linked contracts insurance are payable on demand at market value. In case of death, 101 per cent of the amount is payable. This feature is considered an insignificant insurance risk, and the contracts are categorized and measured as investment contracts. There are no other surrender rights and values to take into consideration.

Insurance and investment contract liabilities and reinsurance assets

Liabilities arising from insurance and investment contracts consist of provisions for unearned premiums and outstanding claims. In the life insurance business, various methods are applied in calculating liabilities which involve assumptions on matters such as mortality, morbidity, the yield level of investments, future operating expenses and the settlement of claims.

Changes in the liabilities of reinsurance have been calculated at variable rates of exchange.

In direct insurance, the insurance liability is calculated by policy, while in reinsurance it is calculated on the basis of the reports of the ceding company or the company's own bases of calculation.

The interest rate used in discounting liabilities is, at most, the maximum rate accepted by the authorities in each country.

The provision for claims outstanding is intended to cover the anticipated future payments of all claims incurred, including claims not yet reported to the company (the "IBNR" provision). The provision for claims outstanding includes claim payments plus all costs of claim settlements.

The amounts of short- and long-term liabilities in technical provisions are determined annually.

Liability adequacy test

A liability adequacy test is applied to all portfolios and the need for augmentation is checked, company by company, on the basis of the adequacy of the whole technical provisions. The test includes all the expected contractual cash flows for non-unit-linked liabilities. The expected contractual cash flows include expected premiums, claims, bonuses and expenses. The claims have been estimated including surrenders and other insurance transactions based on historical data. The amounts of claims include the guaranteed interest and an estimation of future bonuses. The present values of the cash flows have been discounted to the balance sheet date.

For the unit-linked business, the present values of the insurance risk and expense results are calculated correspondingly. If the aggregate amount of the liability for the unit-linked and other business presumes an augmentation, the liability is increased by the amount shown by the test and recognised in profit or loss.

Principle of fairness

According to Chapter 13, Section 2 of the Finnish Insurance Companies' Act, the Principle of Fairness must be observed in life insurance and investment contracts with a discretionary participation feature. If the solvency requirements do not prevent it, a reasonable part of the surplus has to be returned to these policies as bonuses. Mandatum aims at giving a total return before charges and taxes on the original insurance portfolio's policyholders' savings in contracts with DPF that is at least the yield of those long term bonds, which are considered to have lowest risk. The total return consists of the guaranteed interest rate and bonuses determined annually. Continuity is pursued in the level of bonuses.

Employee benefits

Post-employment benefits

Post-employment benefits include pensions and life insurance.

Sampo has defined benefit plans in Sweden and Norway, and defined contribution plans in other countries.
The most significant defined contribution plan is that arranged through the Employees' Pensions Act (TyEL) in Finland.

In the defined contribution plans, the Group pays fixed contributions to a pension insurance company and has no legal or constructive obligation to pay further contributions. The obligations arising from a defined contribution plan are recognised as an expense in the period that the obligation relates to.

In the defined benefit plans, the company still has obligations after paying the contributions for the financial period and bears their actuarial and/or investment risk. The obligation is calculated separately for each plan using the projected unit credit method. In calculating the amount of the obligation, actuarial assumptions are used. The pension costs are recognised as an expense for the service period of employees.

Defined benefit plans are both funded and unfunded. The amounts reported as pension costs during a financial year consist of the actuarially calculated earnings of old-age pensions during the year, calculated straight-line, based on pensionable income at the time of retirement. The calculated effects in the form of interest expense for crediting/appreciating the preceding years' established pension obligations are then added. The calculation of pension costs during the financial year starts at the beginning of the year and is based on assumptions about such factors as salary growth and price inflation throughout the duration of the obligation and on the current market interest rate adjusted to take into account the duration of the pension obligations.

The current year pension cost and the net interest of the net liability is recognised thru p/l in pension costs. The actuarial gains and losses and the return of the plan assets (excl. net interest) are recognised as a separate item in other comprehensive income.

The fair value of the plan assets covered by the plan is deducted from the present value of future pension obligations and the remaining net liability (net asset) is recognised separately in the balance sheet.

The Group has also certain voluntary defined benefit plans. These are intra-Group and have no material significance.

Termination benefits

An obligation based on termination of employment is recognised as a liability when the Group is verifiably committed to terminate the employment of one or more persons before the normal retirement date or to grant benefits payable upon termination as a result of an offer to promote voluntary redundancy. As no economic benefit is expected to flow to the employer from these benefits in the future, they are recognised immediately as an expense. Obligations maturing more than 12 months later than the balance sheet date are discounted. The benefits payable upon termination at Sampo are the monetary and pension packages related to redundancy.

Share-based payments

During the financial year, Sampo had four valid share-based incentive schemes settled in cash (the long-term incentive schemes 2014 II, 2017 I, 2017 II and 2020 I for the management and key employees). Topdanmark had one mainly share-settled incentive scheme for the executive board and senior executives during the financial year. At the time of joining the Group, Hastings had equity-settled share-based incentive schemes that were offered to be replaced by cash-settled schemes upon the acquisition.

More information on the different incentive schemes of the Group companies in note 35 Incentive schemes.

The schemes have been measured at fair value at the grant date and at every reporting date thereafter.

In the schemes settled in cash, the valuation is recognised as a liability and changes recognised through profit or loss.

In the schemes settled in shares, the strike amounts received on the exercise of the options are recognised in the shareholder's equity.

The fair value of the schemes has to a large extent been determined using the Black-Scholes-pricing model. The fair value of the market-based part of the incentive takes into consideration the model's forecast concerning the number of incentive units to be paid as a reward. The effects of non-market based terms are not included in the fair value of the incentive; instead, they are taken into account in the number of those incentive units that are expected to be exercised during the vesting period. In this respect, the Group will update the assumption on the estimated final number of incentive units at every interim or annual balance sheet date.

Income taxes

Item Tax expenses in the income statement comprise current and deferred tax. Tax expenses are recognised through profit or loss, except for items recognised directly in equity or other comprehensive income, in which case the tax effect will also be recognised those items. Current tax is calculated based on the valid tax rate of each country. Tax is adjusted by any tax related to previous periods.

Deferred tax is calculated on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax is not recognised on non-deductible goodwill impairment, and nor is it recognised on the undistributed profits of subsidiaries to the extent that it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated by using the enacted tax rates prior to the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which a temporary difference can be utilised.

Share capital

The incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are included in equity as a deduction, net of tax, from the proceeds.

Dividends are recognised in equity in the period when they are approved by the Annual General Meeting. When the parent company or other Group companies purchase the parent company's equity shares, the consideration paid is deducted from the equity as treasury shares until they are cancelled. If such shares are subsequently sold or reissued, any consideration received is included in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits (3 months).

Sampo presents cash flows from operating activities using the indirect method in which the profit (loss) before taxation is adjusted for the effects of transactions of a non-cash nature, deferrals and accruals, and income and expense associated with investing or financing cash flows.

In the cash flow statement, interest received and paid is presented in cash flows from operating activities. In addition, the dividends received are included in cash flows from operating activities. Dividends paid are presented in cash flows from financing.

Accounting policies requiring management judgement and key sources of estimation uncertainties

Preparation of the accounts in accordance with the IFRS requires management estimates and assumptions that affect the revenue, expenses, assets, liabilities and contingent liabilities presented in the financial statements. Judgement is needed also in the application of accounting policies. The estimates made are based on the best information available at the balance sheet date. The estimation is based on historical experiences and most probable assumptions concerning the future at the balance sheet date. The actual outcome may deviate from results based on estimates and assumptions. Any changes in the estimates will be recognised in the financial year during which the estimate is reviewed and in all subsequent periods.

Sampo's main assumptions concerning the future and the key uncertainties related to balance sheet estimates are related, for example, to assumptions used in actuarial calculations, determination of fair values of non-quoted financial assets and liabilities and investment property and determination of the impairment of financial assets and intangible assets. From Sampo's perspective, accounting policies concerning these areas require most significant use of estimates and assumptions.

Actuarial assumptions

Evaluation of insurance liabilities always involves uncertainty, as technical provisions are based on estimates and assumptions concerning future claims costs. The estimates are based on statistics on historical claims available to the Group on the balance sheet date. The uncertainty related to the estimates is generally greater when estimating new insurance portfolios or portfolios where clarification of a loss takes a long time because complete claims statistics are not yet available. In addition to the historical data, estimates of insurance liabilities take into consideration other matters such as claims development, the amount of unpaid claims, legislative changes, court rulings and the general economic situation.

A substantial part of the Group's P&C insurance liabilities concerns statutory accident and traffic insurance. The most significant uncertainties related to the evaluation of these liabilities are assumptions about inflation, mortality, discount rates and the effects of legislative revisions and legal practices.

The actuarial assumptions applied to life insurance liabilities are discussed in more detail under 'Insurance and investment contract liabilities and reinsurance assets'.

Defined benefit plans as intended in IAS 19 are also estimated in accordance with actuarial principles. As the calculation of a pension plan reserve is based on expected future pensions, assumptions must be made not only of discount rates, but also of matters such as mortality, employee turnover, price inflation and future salaries.

Determination of fair value

The fair value of any non-quoted financial assets is determined using valuation methods that are generally accepted in the market. These methods are discussed in more detail above under 'Fair value'.

Fair values of investment property have been determined internally during the financial year on the basis of comparative information derived from the market. They include management assumptions concerning market return requirements and the discount rate applied.

Impairment tests

Goodwill, intangible assets not yet available for use, and intangible assets with an indefinite useful life are tested for impairment at least annually. The recoverable amounts from cash-generating units have mainly been determined using calculations based on the value in use. These require management estimates on matters such as future cash flows, the discount rate, and general economic growth and inflation.

Application of new or revised IFRSs and interpretations

The Group will apply the following new or amended standards and interpretations related to the Group's business in later financial years when they become effective, or if the effective date is other than the beginning of the financial year, during the financial year following the effective date.

The amendments to IFRS 9 *Financial Instruments* (effective for annual periods beginning on 1 Jan 2018 or after) supersede IAS 39 *Financial Instruments: Recognition and Measurement*. Sampo is going to utilise the temporary exception option, outlined in the next chapter, and apply the standard on the annual period beginning on 1 Jan 2023. The new standard changes the classification and measurement of financial assets and includes a new impairment model based on expected credit losses. The hedge accounting will continue to have three different hedging relationships.

IFRS 17 *Insurance Contracts* (effective for annual periods beginning on 1 Jan 2023 or after) superseding IFRS 4, will have an impact on the insurance liabilities valuation, and as a result, the insurance companies have been given additional options regarding the adoption of IFRS 9. If certain preconditions regarding the insurance liabilities are met, the company may apply the so-called temporary exception option and defer the implementation until the adoption of IFRS 17 standard, at the latest on annual period beginning on 1 Jan 2023. The temporary exemption may be applied, if the Group's amount of insurance liabilities is greater than 90 per cent of the total amount of liabilities. The application is also possible, if the ratio is greater than 80 per cent, and the Group does not engage in a significant activity unconnected with insurance. Another allowed option is to apply IFRS 9 from 1 Jan 2018 on, but to remove some of the accounting mismatches, caused by the different valuation methods of assets and liabilities, from the income statement and transfer them to other comprehensive income.

The Group has analyzed the preconditions for applying the temporary exemption, and stated that they are met. Therefore, the Group will apply the exemption and apply IFRS 9 standard at the same time with the upcoming IFRS 17 standard. The Group has started analyzing the effects of applications in all the other areas as well, as the new standards will have a significant impact on the Group's financial statements.

The Group's associate Nordea has applied IFRS 9 standard in its financial statements from 1 January 2018 on.

European Commission had not at the balance sheet date endorsed IFRS 17 standard to be adopted in the EU.

Segment Information

Geographical information has been disclosed about income from external customers and non-current assets. The reported areas are Finland, Sweden, Norway, Denmark, UK and the Baltic countries.

Segment information has been produced in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements. The segment revenue, expense, assets and liabilities, either directly attributable or reasonably allocable, have been allocated to the segments. Inter-segment pricing is based on market prices. The transactions, assets and liabilities between the segments are eliminated in the consolidated financial statements on a line-by-line basis.

Depreciation and amortisation by segment are disclosed in notes 10 - 12 and investments in associates in note 13.

Consolidated Income Statement by Business Segment for year ended 31 December 2020

EURm	If	Topdanmark	Hastings 16 Nov–31 Dec	Mandatum	Holding	Elimination	Group
Insurance premiums written	4,589	2,709	27	1,051	-	0	8,375
Net income from investments	126	677	1	587	4	-12	1,383
Other operating income	103	2	39	26	17	-31	155
Claims incurred	-2,720	-1,592	-53	-1,089	-	12	-5,443
Change in liabilities for insurance and investment contracts	-105	-1,201	36	-272	-	-12	-1,554
Staff costs	-576	-293	-22	-53	-17	-	-960
Other operating expenses	-498	-134	-43	-82	-28	31	-754
Finance costs	-18	-14	-1	-12	-79	12	-112
Share of associates' profit/loss	0	12	-	0	439	-	451
- Valuation loss on disposal of Nordea shares	-	-	-	-	-262	-	-262
- Impairment loss on Nordea shares	-	-	-	-	-899	-	-899
Profit before taxes	**901**	**167**	**-16**	**154**	**-826**	**0**	**380**
Taxes	-195	-38	3	-37	0	-	-267
Profit for the year	**706**	**129**	**-13**	**117**	**-826**	**0**	**112**

EURm	If	Topdanmark	Hastings 16 Nov–31 Dec	Mandatum	Holding	Elimination	Group
Other comprehensive income for the period							
Items reclassifiable to profit or loss							
Exchange differences	59	5	-1	-	10	-	74
Available-for-sale financial assets	124	-	2	120	13	-	259
Share of associate's other comprehensive income	-	-	-	-	40	-	40
Taxes	-23	-	-	-24	-3	-	-50
Total items reclassifiable to profit or loss, net of tax	**160**	**5**	**1**	**96**	**60**	**-**	**322**
Items not reclassifiable to profit or loss							
Actuarial gains and losses from defined pension plans	0	-	-	-	-	-	0
Taxes	0	-	-	-	-	-	0
Total items not reclassifiable to profit or loss, net of tax	**0**	**-**	**-**	**-**	**-**	**-**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**866**	**134**	**-13**	**213**	**-766**	**-**	**434**
Profit attributable to							
Owners of the parent							37
Non-controlling interests							75
Total comprehensive income attributable to							
Owners of the parent							359
Non-controlling interests							75

Consolidated Income Statement by Business Segment for year ended 31 December 2019

EURm	If	Topdanmark	Mandatum	Holding	Elimination	Group
Insurance premiums written	4,475	2,677	1,596	-	-	8,749
Net income from investments	229	1,037	1,267	-2	-15	2,515
Other operating income	33	3	23	16	-15	60
Claims incurred	-2,751	-1,223	-1,492	-	-	-5,466
Change in liabilities for insurance and investment contracts	-87	-1,864	-971	-	3	-2,919
Staff costs	-558	-272	-52	-15	-	-897
Other operating expenses	-443	-131	-81	-13	15	-653
Finance costs	-16	-10	-9	10	12	-13
Share of associates' profit/loss	1	22	0	298	-	321
- Valuation loss on dividend distribution of associate shares	-	-	-	-155	-	-155
Profit before taxes	**884**	**238**	**280**	**139**	**0**	**1,541**
Taxes	-192	-53	-58	-1	-	-304
Profit for the year	**692**	**185**	**222**	**138**	**0**	**1,237**

EURm	If	Topdanmark	Mandatum	Holding	Elimination	Group
Other comprehensive income for the period						
Items reclassifiable to profit or loss						
Exchange differences	-33	-2	-	-4	-	-39
Available-for-sale financial assets	285	-	114	147	20	566
Share of associate's other comprehensive income	-	-	-	-30	-	-30
Taxes	-63	-	-27	-29	-4	-123
Total items reclassifiable to profit or loss, net of tax	**189**	**-2**	**87**	**83**	**16**	**373**
Items not reclassifiable to profit or loss						
Actuarial gains and losses from defined pension plans	-58	-	-	-	-	-58
Taxes	13	-	-	-	-	13
Total items not reclassifiable to profit or loss, net of tax	**-45**	**-**	**-**	**-**	**-**	**-45**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**836**	**183**	**308**	**222**	**16**	**1,565**
Profit attributable to						
Owners of the parent						1,130
Non-controlling interests						107
Total comprehensive income attributable to						
Owners of the parent						1,458
Non-controlling interests						107

Consolidated Balance Sheet by Business Segment at 31 December 2020

EURm	If	Topdanmark	Hastings	Mandatum	Holding	Elimination	Group
Assets							
Property, plant and equipment	183	127	25	30	6	-	371
Investment property	2	529	-	135	-	-	666
Intangible assets	654	1,420	1,526	160	1	-	3,761
Investments in associates	22	234	-	1	5,113	-	5,370
Financial assets	10,786	7,113	778	4,839	6,290	-5,387	24,420
Investments related to unit-linked insurance contracts	-	6,047	-	8,805	-	-16	14,837
Tax assets	22	4	27	-	-	-4	49
Reinsurers' share of insurance liabilities	283	73	1,464	1	-	-	1,821
Other assets	1,833	275	467	107	60	-28	2,714
Cash and cash equivalents	405	114	198	682	1,120	-	2,520
Total assets	**14,189**	**15,937**	**4,485**	**14,760**	**12,591**	**-5,434**	**56,529**
Liabilities							
Liabilities for insurance and investment contracts	8,833	5,339	2,263	3,521	-	-	19,956
Liabilities for unit-linked insurance and investment contracts	-	7,536	-	8,765	-	-16	16,285
Subordinated debt	408	235	-	349	1,486	-320	2,158
Other financial liabilities	44	136	299	3	2,452	-	2,935
Tax liabilities	281	161	118	139	17	-	717
Provisions	20	-	-	-	-	-	20
Employee benefits	98	-	-	-	-	-	98
Other liabilities	1,002	465	326	247	90	-28	2,102
Total liabilities	**10,685**	**13,872**	**3,007**	**13,024**	**4,045**	**-364**	**44,271**

EURm	Group
Equity	
Share capital	98
Reserves	1,530
Retained earnings	9,282
Other components of equity	508
Equity attributable to parent company's equity holders	**11,418**
Non-controlling interests	840
Total equity	**12,258**
Total equity and liabilities	**56,529**

Consolidated Balance Sheet by Business Segment at 31 December 2019

EURm	If	Topdanmark	Mandatum	Holding	Elimination	Group
Assets						
Property, plant and equipment	153	127	14	8	-	302
Investment property	2	540	138	-	-	679
Intangible assets	544	1,443	162	2	-	2,151
Investments in associates	14	223	1	6,979	-	7,217
Financial assets	10,726	6,916	4,671	5,168	-4,039	23,443
Investments related to unit-linked insurance	-	4,832	8,170	-	-27	12,975
Tax assets	19	3	-	0	-4	19
Reinsurers' share of insurance liabilities	210	78	1	-	-	289
Other assets	1,759	239	137	58	-9	2,185
Cash and cash equivalents	331	74	952	1,321	-	2,677
Total assets	**13,759**	**14,476**	**14,247**	**13,535**	**-4,079**	**51,939**
Liabilities						
Liabilities for insurance and investment contracts	8,778	5,337	3,926	-	-	18,041
Liabilities for unit-linked insurance and investment contracts	-	6,278	8,117	-	-27	14,368
Subordinated debt	396	234	349	494	-271	1,202
Other financial liabilities	25	100	15	3,452	-	3,592
Tax liabilities	281	171	121	15	-	587
Provisions	20	-	-	-	-	20
Employee benefits	99	-	-	-	-	99
Other liabilities	908	320	197	73	-9	1,489
Total liabilities	**10,506**	**12,440**	**12,724**	**4,034**	**-308**	**39,396**

EURm	Group
Equity	
Share capital	98
Reserves	1,530
Retained earnings	10,062
Other components of equity	217
Equity attributable to parent company's equity holders	**11,908**
Non-controlling interests	635
Total equity	**12,542**
Total equity and liabilities	**51,939**

Geographical Information

EURm	Finland	Sweden	Norway	Denmark	UK	Baltic	Total
2020							
Revenue from external customers	1,998	1,590	1,352	3,216	102	170	**8,429**
Non-current assets	5,262	809	211	2,330	1,551	4	**10,168**
2019							
Revenue from external customers	2,515	1,510	1,382	3,162	-	176	**8,744**
Non-current assets	7,149	770	73	2,350	-	7	**10,350**

The revenue includes insurance premiums according to the underwriting country, consisting of premiums earned for P&C insurance and premiums written for life insurance, and net investment income and other operating income in the holding segment. For Hastings, income from broker activities has been included as well.

Non-current assets comprise of intangible assets, investments in associates, property, plant and equipment, and investment property.

Material Partly-Owned Subsidiaries

Name	Country	Equity interest held by non-controlling interests 2020	2019
Topdanmark A/S	Denmark	52.0	51.8
Hastings Group (Consolidated) Limited	UK	30.0	-
Accumulated balances of material non-controlling interests			
Topdanmark A/S		650	635
Hastings Group Holdings Plc		189	-

The summarised financial information.

Figures are before inter-company eliminations.

Summarised statement of profit or loss

EURm	2020 Hastings	2020 Topdanmark	2019 Topdanmark
Insurance premiums written	8	1,408	1,386
Net income from investments	0	352	537
Other operating income	12	1	1
Claims incurred	-16	-828	-633
Change in liabilities for insurance and investment contracts	11	-624	-965
Staff costs	-6	-152	-143
Other operating expenses	-11	-56	-52
Finance costs	0	-7	-5
Share of associates' profit/loss	-	6	11
Profit before taxes	**-3**	**101**	**137**
Taxes	0	-23	-30
Profit for the year attributable to non-controlling interests	**-3**	**78**	**107**

Share of non-controlling interests of the balance sheet

EURm	2020 Hastings	2020 Topdanmark	2019 Topdanmark
Assets			
Property, plant and equipment	8	66	66
Investment property	-	275	279
Intangible assets	204	314	357
Investments in associates	-	122	116
Financial assets	233	3,699	3,580
Investments related to unit-linked insurance	-	3,145	2,501
Tax assets	8	2	2
Reinsurers' share of insurance liabilities	439	38	41
Other assets	140	143	124
Cash and cash equivalents	59	59	38
Total assets	**1,091**	**7,863**	**7,103**
Liabilities			
Liabilities for insurance and investment contracts	679	2,776	2,762
Liabilities for unit-linked insurance and investment contracts	-	3,918	3,250
Subordinated debt	-	122	121
Other financial liabilities	90	71	52
Tax liabilities	36	83	118
Other liabilities	98	242	166
Total liabilities	**902**	**7,212**	**6,469**
Total equity attributable to non-controlling interests	**189**	**650**	**635**

Business Combinations

Year 2020

Hastings Group (Consolidated) Ltd

Sampo and South-African investment holding company, Rand Merchant Investment Holdings Limited (RMI), announced in August 2020, a recommended cash offer to acquire all issued and to be issued shares in Hastings Group Holdings plc not currently owned or controlled by Sampo and RMI.

The offer price was GBp 250 for each Hastings share, valuing Hastings' entire issued and to be issued share capital at approximately GBP 1.66 billion or approximately EUR 1.84 billion. The acquisition price for Sampo amounted to EUR 1,299 million.

Sampo funded its part of the acquisition costs with EUR 1 billion of hybrid Tier 2 capital issued on 3 September 2020 with the residual coming from existing cash resources.

On 27 October 2020, Sampo announced that all regulatory approvals for the transaction had been received. On 16 November 2020, following the completion of the Court Hearing procedure, the transaction became effective and 16 November 2020 became the acquisition date of the acquired business.

Sampo and RMI formed a new jointly-owned company for the purposes of acquiring Hastings, Hastings Group (Consolidated) Ltd. Following completion of the offer, Sampo owns and controls 70 per cent and 30 per cent respectively of the shares and votes.

In the financial statements 2020, Hastings' balance sheet has been consolidated line by line. The p/l items have been consolidated since 16 November, 2020. Hastings is presented as its own segment both in the income statement and balance sheet by segments.

If the acquisition had taken place at the beginning of 2020, revenue in the Group from Hastings for 1 January to 15 November 2020 would have been approximately EUR 755 million and profit (without the transaction costs) approximately EUR 90 million.

The acquisition related costs of approximately EUR -21 million were recognised in other operating expenses, of which EUR -13 in the Holding segment and EUR -8 million in Hastings' segment.

EURm	
Cash flow on acquisition	
Acquisition price, paid in cash	-1,299
Transactions costs	-21
Cash and cash equivalents in acquired company	193
Net cash flow arising on acquisition	**-1,126**

Hastings, founded in 1996, is one of the leading property and casualty insurance providers to the UK market, with approximately 3 million live customer policies and employing over 3,500 people. Hastings provides products and services to UK car, bike, van and home insurance customer with around 90 percent of policies directly underwritten by Hasting' Gibraltar-based underwriting business, Advantage Insurance Company Limited.

Sampo has a strategic ambition to expand further into non-life insurance, a segment where it has extensive experience and expertise. Sampo has leading market positions in the Nordic markets and geographical expansion is a part of the strategy. Sampo believes that the UK offers an attractive opportunity for this. In addition, the acquisition of Hastings offers an interesting platform in one of the most digitally advanced markets globally.

The preliminary fair values of consolidated assets and liabilities as of 16 November 2020 are disclosed below.

EURm	
Assets	
Property, plant and equipment	27
Intangible assets	681
Financial assets	760
Tax assets	32
Reinsurers' share of insurance liabilities	1,508
Other assets	491
Cash and cash equivalents	193
Total assets	**3,692**
Liabilities	
Liabilities for insurance and investment contracts	2,297
Financial liabilities	300
Tax liabilities	121
Other liabilities	330
Total liabilities	**3,048**
Non-controlling interests	193
Net assets total	**451**
Acquisition cost	1,299
Goodwill	**848**

At the acquisition, total of EUR 578 million was allocated to intangible assets, of which EUR 257 million to customer relations and EUR 163 million to software platforms. Customer relations will be amortised over a period of 8 years and software platforms 7 years. Sampo's share of annual amortisations totals about EUR 39 million. EUR 158 million was allocated to brand. The brand will not be amortised, but instead tested for an impairment at least once a year.

Viking Assistance Group AS

In January 2020, the Group's subsidiary If P&C Insurance Holding Ltd (publ) acquired the whole capital stock of Norwegian road assistance company Viking Redningstjeneste Topco AS (from December 2020 on Viking Assistance Group AS).

The acquisition price was about EUR 30 million (MNOK 322). The acquisition related insignificant costs were recognised in other operating expenses.

Acquired net assets, including assumed net debt, were negative. Recognised goodwill from the acquisition amounted to EUR 95 million. The goodwill includes the synergy effects in the form of more efficient processes and expansion opportunities.

The acquired company has been consolidated in the Group as of 1 January, 2020. The company's revenue amounted to EUR 82 million and operating profit to EUR 2 million.

Year 2019

Vertikal Helseassistanse AS

In December 2019, the Group's subsidiary If Insurance Holding Ltd (publ) acquired the whole capital stock of a Norwegian Vertikal Helseassistanse AS. The purchase price was EURm 33 and the acquired net assets EURm 7. The acquisition had no material impact on Sampo Group's financial reporting.

Notes to the Income Statement 1–40

1 Insurance premiums written

EURm	2020	2019
P&C insurance	6,242	5,947
Life insurance		
Insurance contracts	1,815	2,060
Investment contracts	716	1,030
Insurance premiums written, gross	**8,773**	**9,037**
Reinsurers' share		
P&C insurance	-390	-281
Life insurance, insurance contracts	-8	-7
Reinsurers' share, total	**-398**	**-288**
Group insurance premiums written total, net [1]	**8,375**	**8,749**

[1] *The change in unearned premiums is presented in note 4, The change in insurance and investment liabilities.*

2 Net income from investments

If

EURm	2020	2019
Financial assets		
Derivative financial instruments		
Gains/losses	-7	-15
Loans and receivables		
Interest income	10	9
Financial assets available-for-sale		
Debt securities		
Interest income	148	162
Impairment losses	-69	0
Gains/losses	-4	10
Exchange differences	-3	0
Equity securities		
Gains/losses	110	92
Impairment losses	-44	-20
Dividend income	29	40
Total	**167**	**286**
Total from financial assets	**170**	**279**
Other assets		
Investment properties		
Gains/losses	0	2
Expense on other than financial liabilities	-4	-6
Effect of discounting annuities	-22	-29
Fee and commission expenses		
Asset management	-17	-18
If insurance, total	**126**	**229**

Included in gains/losses from financial assets available-for-sale is a net gain of EURm -12 (84) transferred from the fair value reserve.

Topdanmark

EURm	2020	2019
Financial assets		
Derivative financial instruments		
Gains/losses	139	44
Financial assets for trading		
Debt securities		
Interest income	92	103
Gains/losses	-36	-27
Equity securities		
Gains/losses	9	146
Dividend income	11	23
Total	**76**	**244**
Investments related to unit-linked contracts		
Debt securities		
Interest income	86	82
Gains/losses	-102	-35
Equity securities		
Gains/losses	199	627
Dividend income	48	87
Derivatives		
Interest income	-21	-44
Gains/losses	346	158
Other financial assets		
Gains/losses	22	55
Total	**580**	**929**
Loans and receivables		
Interest income	-8	3
Total from financial assets	**786**	**1,221**

EURm	2020	2019
Net income from investment properties	31	48
Pension tax return	-83	-147
Effect of discounting annuities, insurance liabilities	-50	-82
Other expenses related to investment activities	-7	-3
Topdanmark, total	**677**	**1,037**

Hastings

EURm	16 Nov–31 Dec 2020	2019
Financial assets at fair value thru p/l		
Gains/losses	0	-
Financial assets available-for-sale		
Debt securities		
Interest income	1	-
Gains/losses	0	-
Total	**1**	**-**
Hastings, total	**1**	**-**

Mandatum

EURm	2020	2019
Financial assets		
Derivative financial instruments		
Gains/losses	26	-63
Investments related to unit-linked contracts		
Debt securities		
Interest income	8	39
Gains/losses	8	51
Equity securities		
Gains/losses	316	752
Dividend income	49	59
Loans and receivables		
Interest income	-1	-1
Gains/losses	-1	0
Other financial assets		
Gains/losses	18	8
Total	**397**	**908**

EURm	2020	2019
Loans and receivables		
Interest income	2	2
Exchange differences	-4	2
Total	**-2**	**4**
Financial assets available-for-sale		
Debt securities		
Interest income	72	71
Gains/losses	7	-3
Impairment losses	4	0
Exchange differences	-9	18
Equity securities		
Gains/losses	122	235
Impairment losses	-90	-15
Dividend income	50	106
Total	**156**	**410**
Total financial assets	**577**	**1,259**
Other assets		
Investment properties		
Gains/losses	0	2
Net fee income		
Asset management	-14	-19
Fee income	23	25
Total	**9**	**6**
Mandatum, total	**587**	**1,267**

Included in gains/losses from financial assets available-for-sale is a net gain of EURm 94 (236) transferred from the fair value reserve.

Holding

EURm	2020	2019
Financial assets		
Derivative financial instruments		
Gains/losses	3	-32
Loans and receivables	-1	-15
Financial assets available-for-sale		
Debt securities		
Interest income	19	27
Exchange differences	-10	8
Equity securities		
Gains/losses	24	1
Impairment losses	-36	-
Dividend income	6	8
Total	**3**	**44**
Total financial assets	**5**	**-3**
Other assets	0	1
Holding, total	**4**	**-2**

Included in gains/losses from financial assets available for-sale is a net gain of EURm -14 (0) transferred from the fair value reserve.

EURm	2020	2019
Elimination items between segments	-12	-15
Group net investment income, total	**1,383**	**2,515**

Other income and expenses comprise rental income, maintenance expenses and depreciation of investment property. All the income and expenses arising from investments are included in Net income from investments. Gains/losses include realised gains/losses on sales and unrealised and realised changes in fair values. Unrealised fair value changes for financial assets available-for-sale are recorded in other comprehensive income and presented in the fair value reserve in equity. The changes in the fair value reserve are disclosed in the Statement of changes in equity. The effect of discounting annuities in P&C insurance is disclosed separately. The provision for annuities is calculated in accordance with actuarial principles taking anticipated inflation and mortality into consideration, and discounted to take the anticipated future return on investments into account. To cover the costs for upward adjustment of annuity provisions required for the gradual reversal of such discounting, an anticipated return on investments is added to annuity results.

3 Claims incurred

EURm	2020	2019
Claims paid		
P&C insurance	-3,743	-3,831
Life insurance		
Insurance contracts	-1,479	-1,543
Investment contracts	-487	-607
Claims paid, gross	**-5,709**	**-5,982**
Reinsurers' share		
P&C insurance	625	146
Life insurance, insurance contracts	2	1
Reinsurers's share, total	**627**	**147**
Claims paid total, net	**-5,082**	**-5,835**
Change in claims provision		
P&C insurance	-9	280
Life insurance, insurance contracts	29	104
Change in claims provision, gross	**20**	**384**
Reinsurers' share		
P&C insurance	-382	-16
Life insurance, insurance contracts	0	0
Reinsurers's share, total	**-381**	**-16**
Change in claims provision, net	**-361**	**369**
Group claims incurred, total	**-5,443**	**-5,466**

4 Change in liabilities for insurance and investment contracts

EURm	2020	2019
Change in unearned premium provision		
P&C insurance	-88	-98
Life insurance		
Insurance contracts	-1,073	-2,142
Investment contracts	-406	-685
Total change in liabilities, gross	**-1,568**	**-2,926**
Reinsurers' share		
P&C insurance	14	7
Group change in liabilities for insurance and investment contracts total, net	**-1,554**	**-2,919**

5 Staff costs

EURm	2020	2019
Wages and salaries	-707	-650
Cash-settled share-based payments	-5	-10
Share-settled share-based payments	-9	-8
Pension costs		
- defined contribution plans	-87	-85
- defined benefit plans (Note 30)	-15	-15
Other social security costs	-136	-128
Group staff costs, total	**-960**	**-897**

More information on share-based payments in note 35 Incentive schemes.

6 Other operating expenses

EURm	2020	2019
IT costs	-198	-171
Other staff costs	-47	-28
Marketing expenses	-57	-55
Depreciation and amortisation	-95	-58
Depreciation on leases	-25	-24
Rental expenses *)	-36	-44
Change in deferred acquisition costs	-8	6
Direct insurance comissions	-154	-154
Comissions of reinsurance assumed	-1	0
Commissions on reinsurance ceded	31	30
Other	-163	-154
Group other operating expenses, total	**-754**	**-653**

*) *From leases not recognised in the balance sheet*

Item Other includes e.g. expenses related to communication, external services and other administrative expenses.

7 Result analysis of If

EURm	2020	2019
Insurance premiums earned	4,484	4,388
Claims incurred	-2,975	-3,000
Operating expenses	-708	-706
Other insurance technical income and expense	-7	-13
Allocated investment return transferred from the non-technical account	17	16
Technical result	**811**	**685**
Net investment income account	130	242
Allocated investment return transferred to the technical account	-39	-44
Other income and expense	-2	2
Operating result	**901**	**884**

Specification of activity-based operating expenses included in the income statement

EURm	2020	2019
Claims-adjustment expenses (claims paid)	-255	-249
Acquisition expenses (operating expenses)	-489	-501
Joint administrative expenses for insurance business (operating expenses)	-226	-227
Administrative expenses pertaining to other technical operations (operating expenses)	-110	-45
Asset management costs (investment expenses)	-17	-18
Total	**-1,097**	**-1,039**

8 Earnings per share

EURm	2020	2019
Earnings per share		
Profit or loss attributable to the equity holders of the parent company	37	1 130
Weighted average number of shares outstanding during the period	555	555
Earnings per share (EUR per share)	0.07	2.04

9 Financial assets and liabilities

Financial assets and liabilities have been categorised in accordance with IAS 39.9. In the table are also included interest income and expenses, realised and unrealised gains and losses recognised in P/L, impairment losses and dividend income arising from those assets and liabilities. The financial assets in the table include balance sheet items Financial assets and Cash and cash equivalents.

2020					
EURm	**Carrying amount**	**Interest inc./exp.**	**Gains/ losses**	**Impairment losses**	**Dividend income**
FINANCIAL ASSETS					
Financial assets at fair value through p/l					
Derivative financial instruments	255	16	144	-	-
Financial assets for trading	1,200	92	-26	-	11
Loans and receivables	3,416	16	-17	-	-
Financial assets available-for-sale	22,068	229	236	-236	85
Group financial assets, total	**26,940**	**353**	**337**	**-236**	**96**
FINANCIAL LIABILITIES					
Financial liabilities at fair value through p/l					
Derivative financial instruments	184	-	-		
Other financial liabilities	4,910	-134	22		
Group financial liabilities, total	**5,094**	**-134**	**22**		

2019					
EURm	**Carrying amount**	**Interest inc./exp.**	**Gains/ losses**	**Impairment losses**	**Dividend income**
FINANCIAL ASSETS					
Financial assets at fair value through p/l					
Derivative financial instruments	82	20	-87	-	-
Financial assets for trading	6,522	103	118	-	23
Loans and receivables	3,226	14	-5	-	-
Financial assets available-for-sale	16,291	247	361	-35	154
Group financial assets, total	**26,121**	**384**	**387**	**-35**	**178**
FINANCIAL LIABILITIES					
Financial liabilities at fair value through p/l					
Derivative financial instruments	168	-	-		
Other financial liabilities	4,625	-89	77		
Group financial liabilities, total	**4,794**	**-89**	**77**		

10 Property, plant and equipment

EURm	2020 Right-of-use assets [1]	Land and buildings	Plant and equipment [2]	Total
At 1 January				
Cost	165	119	136	420
Accumulated depreciation	-24	-4	-90	-118
Net carrying amount at 1 January	**141**	**115**	**46**	**302**
Carrying amount at 1 January	**141**	**115**	**46**	**302**
Business acquisitions	21	9	4	34
Additions	78	0	18	96
Disposals	-20	0	-2	-23
Depreciation	-25	0	-15	-41
Exchange differences	2	0	1	3
Carrying amount at 31 December	**196**	**125**	**50**	**371**
At 31 December				
Cost	245	129	155	530
Accumulated depreciation	-49	-4	-105	-159
Net carrying amount at 31 December	**196**	**125**	**50**	**371**

EURm	2019 Right-of-use assets [1]	Land and buildings	Plant and equipment [2]	Total
At 1 January				
Cost	-	121	121	242
Accumulated depreciation	-	-4	-77	-80
Net carrying amount at 1 January	**-**	**117**	**44**	**162**
Net carrying amount at 1 January	**-**	**117**	**44**	**162**
IFRS 16 transition	140	-	-	140
Additions	23	1	17	42
Disposals	-	-3	-2	-5
Depreciation	-24	0	-14	-38
Exchange differences	2	0	-1	1
Net carrying amount at 31 December	**141**	**115**	**46**	**302**
At 31 December				
Cost	165	119	136	420
Accumulated depreciation	-24	-4	-90	-118
Net carrying amount at 31 December	**141**	**115**	**46**	**302**

[1] *The Group acts as a lessee in various leases of office premises, vehicles and office equipment. Right-of-use assets relate to lease contracts for large office premises.*

The Group leases premises mainly for its own use. The expected lease term varies from 2 to 12 years. Most contracts include an option to extend the contract at the term end. Some lease contracts have an option to terminate the contract before the term end.

Variable lease payments are generally linked to consumer price indexes.

If has signed three office lease contracts that have not yet commenced and therefore are not recognized in the balance sheet. Lease terms vary from 7 to 14 years. The new premises will subsequently replace currently leased premises included into the right-of-use assets.

More information on leases in note 31 Other liabilities.

[2] *Equipment in different segments comprise IT equipment and furniture.*

11 Investment property

EURm	2020	2019
At 1 January		
Cost	790	771
Accumulated depreciation	-78	-75
Accumulated impairment losses	-33	-32
Net carrying amount at 1 January	**679**	**665**
Net carrying amount at 1 January	**679**	**665**
Additions	59	121
Disposals	-72	-101
Depreciation	-3	-3
Impairment losses	0	-1
Exchange differences	3	-1
Net carrying amount at 31 December	**666**	**679**
At 31 December		
Cost	780	790
Accumulated depreciation	-82	-78
Accumulated impairment losses	-32	-33
Net carrying amount at 31 December	**666**	**679**
Rental income from investment property	54	50
Property rented out under operating lease		
Non-cancellable minimum rental		
- not later than one year	43	46
- later than one year and not later than five years	57	59
- later than five years	17	24
Total	**117**	**129**

EURm	2020	2019
Expenses arising from investment property		
- direct operating expenses arising from investment property generating rental income during the period	-17	-22
- direct operating expenses arising from investment property not generating rental income during the period	-3	-2
Total	**-20**	**-23**
Fair value of investment property at 31 December	**884**	**833**

Fair values for the Group's investment property are entirely determined by the Group based on the market evidence. The determination and hierarchy of financial assets and liabilities at fair value are disclosed in note 17. Based on the principles of this determination, the investment property falls under levels 2 and 3.

The premises in investment property for different segments are leased on market-based, irrevocable contracts. The lengths of the contracts vary from those for the time being to those for several years.

12 Intangible assets

EURm	2020 Goodwill	Customer relations and trademark	Other intangible assets	Total
At 1 January				
Cost	1,471	581	303	2,354
Accumulated amortisation	-	-54	-148	-202
Net carrying amount at 1 January	**1,471**	**526**	**154**	**2,151**
Net carrying amount at 1 January	1,471	526	154	2,151
Business acquisitions	938	437	270	1,645
Additions	-	-27	61	33
Disposals	-	0	-25	-25
Depreciation	-	-35	-24	-59
Exchange differences	16	-1	0	15
Net carrying amount at 31 December	**2,425**	**901**	**436**	**3,761**
At 31 December				
Cost	2,425	989	609	4,023
Accumulated amortisation	-	-89	-173	-261
Net carrying amount at 31 December	**2,425**	**901**	**436**	**3,761**

EURm	2019 Goodwill	Customer relations and trademark	Other intangible assets	Total
At 1 January				
Cost	1,454	602	247	2,303
Accumulated amortisation	-	-27	-133	-160
Net carrying amount at 1 January	**1,454**	**575**	**115**	**2,143**
Net carrying amount at 1 January	1,454	575	115	2,143
Business acquisitions	26	7	10	43
Additions	-	-	46	46
Disposals	-	-28	0	-28
Depreciation	-	-27	-15	-43
Exchange differences	-9	0	0	-9
Net carrying amount at 31 December	**1,471**	**526**	**154**	**2,151**
At 31 December				
Cost	1,471	581	303	2,354
Accumulated amortisation	-	-54	-148	-202
Net carrying amount at 31 December	**1,471**	**526**	**154**	**2,151**

Goodwill is split between the segments as follows:	2020	2019
If	611	507
Topdanmark	814	810
Hastings	847	-
Mandatum	153	153
Total	**2,425**	**1,471**

At the business acquisitions of Hastings and Topdanmark, EUR 253 million has been allocated to trademark. The useful life of trademark is deemed indefinite and it will not be amortised.

Other intangible assets in all segments comprise mainly IT software.

Depreciation and impairment losses are included in the income statement item Other operating expenses.

Testing goodwill for impairment

Goodwill is tested for impairment in accordance with IAS 36 *Impairment of assets*. No impairment losses have been recognised based on these tests.

For the purpose of testing goodwill for impairment, Sampo determines the recoverable amount of its cash-generating units, to which goodwill has been allocated, on the basis of value in use. Sampo has defined these cash-generating units as If Group, Topdanmark Group and Mandatum Life Insurance Company Ltd (Mandatum hereafter).

The recoverable amounts for If and Mandatum have been determined by using a discounted cash flow model. The model is based on Sampo's management's best estimates of both historical evidence and economic conditions such as volumes, interest rates, margins, capital structure and income and cost development. The value in use model for Mandatum is greatly influenced by the long-term development of insurance liabilities, affecting e.g. the required solvency capital and thus the recoverable amount. That is why the forecast period is longer for Mandatum, 10 years. The derived cash flows were discounted at the pre-tax rates of the cost of equity which for If was 9.2 per cent and for Mandatum Life 9.8 per cent. The cost of equity is used as the cost of capital as neither company has principal outstanding.

Forecasts for If, approved by the management, cover years 2021–2023. The cash flows beyond that have been extrapolated using a 2 per cent growth rate. A 2 per cent growth rate for years beyond 2030 has been used for the for Mandatum Life as well, as it is believed to be close to the anticipated inflation in both cases.

In Mandatum Life, the recoverable amount exceeds its carrying amount by some EUR 320 million. With the calculation method used, e.g. an increase of about 1 per cent point in the cost of equity combined with a long term 0 per cent growth rate could lead to a situation where the recoverable amount of the entity would equal its carrying amount.

As for the If Group, the management believes that any reasonably possible change in any of these key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

IAS 36 permits determing the recoverable amount by using the fair value less costs to sell. For Topdanmark, the valuation of goodwill has been tested on the balance sheet date by using that method. The fair value of Topdanmark EUR 1,491 million on the balance sheet date exceeds its carrying amount in the Group.

13 Investments in associates

Associates that have been accounted for by the equity method at 31 December 2020

EURm Name	Domicile	Carrying amount	Fair value*)	Interest held %
Nordea Bank Abp	Finland	4,822	4,290	15.87
Nordax Holding AB	Sweden	291		36.25
Precast Holding Oy	Finland	3		24.31
CAP Group AB	Sweden	4		21.98
Svithun Assurance AS	Norway	1		33.00
Digiconsept AS	Norway	1		34.00
Boalliansen AS	Norway	1		34.00
SOS International A/S	Denmark	16		30.11
Viking Veihjelp A/S	Denmark	0		50.00
Viking Assistance AS	Norway	0		50.00
Bornholms Brandforsikring A/S	Denmark	10		27.00
Komplementarselskabet Margretheholm ApS	Denmark	0		50.00
Komplementarselskabet Havneholmen ApS	Denmark	0		50.00
Margretheholm P/S	Denmark	49		50.00
Havneholmen P/S	Denmark	79		50.00
P/S Ejendomsholding Banemarksvej	Denmark	7		40.00
Komplementarselskabet Banemarksvej ApS	Denmark	0		40.00
Carlsberg Byen P/S	Denmark	57		22.51
Carlsberg Byen P/S	Denmark	0		50.00
P/S Ottilia København	Denmark	32		50.00
Komplementarselskabet Ottilia København ApS	Denmark	0		50.00

*) *Published price quatation*

Associates that have been accounted for by the equity method at 31 December 2019

EURm Name	Domicile	Carrying amount	Fair value*)	Interest held %
Nordea Bank Abp	Finland	6,712	5,828	19.87
Nordax Holding AB	Sweden	267		36.25
Precast Holding Oy	Finland	3		24.31
CAP Group AB	Sweden	3		22.00
Svithun Assurance AS	Norway	1		33.00
Digiconsept AS	Norway	1		34.00
Boligselskapenes Service Senter AS	Norway	1		34.00
SOS International A/S	Denmark	9		30.05
Bornholms Brandforsikring A/S	Denmark	9		27.00
Komplementarselskabet Margretheholm ApS	Denmark	0		50.00
Komplementarselskabet Havneholmen ApS	Denmark	0		50.00
Margretheholm P/S	Denmark	42		50.00
Havneholmen P/S	Denmark	73		50.00
P/S Ejendomsholding Banemarksvej	Denmark	6		40.00
Komplementarselskabet Banemarksvej ApS	Denmark	0		40.00
Carlsberg Byen P/S	Denmark	55		22.51
Heap A/S	Denmark	0		50.00
P/S Ottilia København	Denmark	38		50.00
Komplementarselskabet Ottilia København ApS	Denmark	0		50.00

*) *Published price quatation*

Changes in investments in associates

	2020			2019		
EURm	**Nordea**	**Other associates**	**Total**	**Nordea**	**Other associates**	**Total**
At 1 January	6,712	505	7,217	7,535	530	8,065
Share of loss/profit	427	24	451	290	31	321
Valuation loss on dividend distribution of associate shares *)	-262	-	-262	-155	-	-155
Impairment loss on Nordea shares	-899	-	-899	-	-	-
Additions	-	8	8	-	0	0
Disposals	-1,155	0	-1,155	-941	0	-941
Changes in the equity of associates	-1	-3	-4	-17	-50	-67
Exchange differences	-	13	13	-	-6	-6
At 31 December	**4,822**	**548**	**5,370**	**6,712**	**505**	**7,217**

*) *The valuation loss for 2020 includes the difference between the consolidated carrying amount and the fair value of the shares, EUR -222 million on the sales date, and EUR -40 million from recycling of Nordea's previously recognised other comprehensive income from equity to the profit or loss. The comparison year's 2019 valuation loss on dividend distribution of associate shares comprises the valuation difference between the consolidated carrying amount and the fair value of the shares EUR -143 million, on the date of the distribution, and the recycling of Nordea-related other comprehensive income items to the profit or loss EUR -11 million.*

The carrying amount of investments in associates included goodwill EUR 6 million (922), including goodwill from the Nordea acquisition EUR - million (915).

Financial information on Nordea

EURm	2020	2019
Assets	552,160	554,848
Liabilities	518,420	523,320
Goodwill included in the assets	1,938	1,969
Revenue	8,466	8,623
Other comprehensive income items	-6	-185
Comprehensive income statement	2,259	1,357
Dividend income from the associate during the financial year	-	594

Reconciliation of Nordea's carrying amount to Nordea's financial information

EURm	2020	2019
Net assets of Nordea	31,045	28,771
Sampo's share of 15.87% (19.87)	4,927	5,717
Share of impairment loss exceeding the allocations	-105	-
Remaining allocations:		
Goodwill	-	915
Trademark and customer relations, net	-	80
Total carrying amount	**4,822**	**6,712**

In November 2020, Sampo sold 161,998,076 Nordea shares. The transaction price was EUR 7.25 per share, resulting in gross proceeds of EUR 1,174 million. After the transaction, Sampo holds 642,924,782 Nordea shares, corresponding to 15.87 per cent of all shares and voting rights in Nordea. In accordance with IAS 28 *Investments in Associates and Joint Ventures*, a significant influence needs to be clearly demonstrated, if the investor's ownership of the voting power is less than 20%. Sampo's management has made a thorough assessment of facts and circumstances, including that Sampo is still the biggest single shareholder who has the position of chairman in the Board of Directors of Nordea and additionally two members in the Nomination Committee. Based on the assessment, the Board has concluded that despite the decrease in the ownership, the significant influence continues to exist on 31 December 2020.

On 31 December 2020, Nordea's book value per share, after consolidating Nordea's fourth quarter, amounted to EUR 8.90 exceeding its market value of EUR 6.67. Sampo performed an impairment test in accordance with IAS 36 *Impairment of Assets* where the recoverable amount for Nordea was compared with its carrying amount in the Group. The recoverable amount was defined by using a discounted cash flow model. Based on the value in use test, the recoverable amount was EUR 7.50 per share. As a result, an impairment loss of EUR -899 million was recognised in the income statement, bringing the carrying amount per share to EUR 7.50 at 31 December 2020. The total carrying amount of Nordea in Sampo Group at 31 December 2020 was EUR 4,822 million. Negative developments in assumptions used in impairment testing may lead to further impairment needs.

14 Financial assets

Group's financial assets comprise investments in derivatives, financial assets designated as at fair value through p/l, loans and receivables, available-for-sale financial assets and investments in subsidiaries. The Holding segment includes also investments in subsidiaries.

The Group uses derivative instruments for trading and for hedging purposes. The derivatives used are foreign exchange, interest rate and equity derivatives. During the financial year, fair value hedging has been applied in Mandatum and cash flow hedges in Hastings.

EURm	2020	2019
If		
Derivative financial instruments	13	13
Loans and receivables	166	180
Financial assets available-for-sale	10,607	10,533
If, total	**10,786**	**10,726**
Topdanmark		
Derivative financial instruments	189	27
Financial assets at fair value through p/l	6,253	6,522
Loans and receivables	671	368
Topdanmark, total	**7,113**	**6,916**
Hastings		
Financial assets at fair value through p/l	53	-
Financial assets available-for-sale	725	-
Hastings, total	**778**	**-**
Mandatum		
Derivative financial instruments	25	20
Loans and receivables	59	-
Financial assets available-for-sale	4,756	4,652
Mandatum, total	**4,839**	**4,671**
Omistusyhteisö		
Derivative financial instruments	29	22
Financial assets available-for-sale	1,196	1,378
Investments in subsidiaries	5,066	3,767
Holding, total	**6,290**	**5,168**
Elimination items between segments	-5,387	-4,039
Group financial assets, total	**24,420**	**23,443**

Derivative financial instruments

	2020			2019		
		Fair value			Fair value	
EURm	Contract/ notional amount	Assets	Liabilities	Contract/ notional amount	Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
OTC derivatives						
Interest rate swaps	2,048	115	5	2,741	53	44
Inflation cover	293	0	86	470	0	-
Interest options, bought and sold	-	-	-	503	-	68
Total interest rate derivatives	**2,340**	**115**	**91**	**3,714**	**53**	**112**
Foreign exchange derivatives						
OTC derivatives						
Currency forwards	13,244	124	92	7,063	24	57
Currency options, bought and sold	147	3	1	154	2	0
Total foreign exchange derivatives	**13,391**	**127**	**93**	**7,217**	**26**	**57**
Equity derivatives						
OTC derivatives						
Equity futures	91	-	-	73	-	-
Total derivatives held for trading	**15,822**	**243**	**184**	**11,004**	**79**	**168**
Derivatives held for hedging						
Fair value hedges						
Currency forwards	345	12	-	364	3	-
Cash flow hedges						
Currency forwards	1	0	-	-	-	-
Total derivatives held for hedging	**346**	**13**	**-**	**364**	**3**	**-**
Group financial derivatives, total	**16,168**	**255**	**184**	**11,368**	**82**	**168**

Fair value hedges
In Mandatum, fair value hedging is used to hedge a proportion of foreign exchange and interest risk in available-for-sale financial assets. The interest elements of forward contracts have been excluded from hedging relationships in foreign exchange hedges. Net result from exchange derivatives designated as fair value hedges amounted to EURm -31 (6). Net result from hedged risks in fair value hedges of available for sale financial assets amounted to EURm 31 (-6).

Other financial assets

EURm	2020	2019
Financial assets designated as at fair value through p/l		
Debt securities	5,667	5,840
Equity securities	639	682
Total financial assets designated as at fair value through p/l	**6,306**	**6,522**
Loans and receivables	829	548
Financial assets available-for-sale		
Debt securities	12,905	12,016
Equity securities	4,125	4,275
Total financial assets available-for-sale	**17,030**	**16,291**
Group other financial assets, total	**24,164**	**23,361**

Financial assets available-for-sale include impairment losses EURm 383 (187).

Group financial assets, total	**24,420**	**23,443**

15 Fair values

	2020		2019	
EURm	**Fair value**	**Carrying ammount**	**Fair value**	**Carrying amount**
Group financial assets				
Financial assets	24,420	24,420	23,444	23,443
Investments related to unit-linked contracts	14,837	14,837	12,975	12,975
Other assets	55	55	17	17
Cash and cash equivalents	2,520	2,520	2,677	2,677
Total financial assets	**41,832**	**41,831**	**39,114**	**39,113**
Group financial liablities				
Financial liabilities	5,503	5,094	5,068	4,794
Other liabilities	74	74	46	46
Total financial liabilities	**5,577**	**5,168**	**5,113**	**4,839**

In the table above are presented fair values and carrying amounts of financial assets and liabilities. The detailed measurement bases of financial assets and liabilities are disclosed in the Group Accounting policies.

The fair value of investment securities is assessed using quoted prices in active markets. If published price quotations are not available, the fair value is assessed using discounting method. Values for the discount rates are taken from the market's yield curve.

The fair value of the derivative instruments is assessed using quoted market prices in active markets, discounting method or option pricing models.

The fair value of loans and other financial instruments which have no quoted price in active markets is based on discounted cash flows, using quoted market rates. The market's yield curve is adjusted by other components of the instrument, e.g. by credit risk.

The fair value for short-term non-interest-bearing receivables and payables is their carrying amount.

Disclosed fair values are "clean" fair values, i.e. less interest accruals.

16 Change in fair values of financial assets

EURm	Fair value 2020	Fair value 2019	Change
Financial assets			
Financial assets measured at amortised cost			
Loans and receivables	726	772	-46
Deposits	119	89	30
Total	**845**	**861**	**-16**
Financial assets at fair value through p/l			
Equity securities	2,924	3,127	-203
Debt securities	18,519	18,492	27
Funds	1,893	1,884	9
Derivatives	255	82	173
Loans guaranteed by mortgages and other loans	1	1	0
Deposits	670	368	303
Total	**24,262**	**23,954**	**308**
Financial assets at fair value through p/l related to unit-linked insurance			
Equity securities	3,363	3,438	-75
Debt securities	3,817	2,612	1,206
Funds	7,106	6,377	728
Other	370	431	-61
Total	**14,656**	**12,858**	**1,798**
Group financial assets, total	**39,763**	**37,673**	**2,091**

Financial assets measured at amortized cost

There are no significant credit risk concentrations related to financial instruments that meet the SPPI test.

Financial assets measured at amortised cost, meeting the SPPI test, by credit risk rating grade:

	2020		
	BB+ - BB-	**B+ - B-**	**Total**
Loans and receivables	204	20	225
Deposits	5	-	5

	2019		
	AA+ - AA-	**A+ - A-**	**Total**
Loans and receivables	132	49	180
Deposits	15	-	15

There are no financial instruments that meet the SPPI test, on which the credit risk is not low.

The associated company Nordea Bank Abp is applying IFRS 9. More information is available in the Financial Statements of Nordea Bank Abp.

The table has been prepared based on current preliminary analysis on business models. The final classification may change before the implementation on 1 January 2023, when the Group finanalises its more detailed analysis.

17 Determination and hierarchy of fair values

A large majority of Sampo Group's financial assets are valued at fair value. The valuation is based on either published price quotations or valuation techniques based on market observable inputs, where available. For a limited amount of assets the value needs to be determined using other techniques. The financial instruments measured at fair value have been classified into three hierarchy levels in the notes, depending on e.g. if the market for the instrument is active, or if the inputs used in the valuation technique are observable.

On level 1, the measurement of the instrument is based on quoted prices in active markets for identical assets or liabilities.

On level 2, inputs for the measurement of the instrument include also other than quoted prices observable for the asset or liability, either directly or indirectly by using valuation techniques.

In level 3, the measurement is based on other inputs rather than observable market data. The majority of Sampo Group's level 3 assets are private equity and alternative funds.

For private equity funds the valuation of the underlying investments is conducted by the fund manager who has all the relevant information required in the valuation process. The valuation is usually updated quarterly based on the value of the underlying assets and the amount of debt in the fund. There are several valuation methods, which can be based on, for example, the acquisition value of the investments, the value of publicly traded peer companies, the multiple based valuation or the cashflows of the underlying investments. Most private equity funds follow the International Private Equity and Venture Capital (IPEV) guidelines which give detailed instructions on the valuation of private equity funds.

For alternative funds the valuation is also conducted by the fund managers. Alternative funds often have complicated structures and the valuation is dependent on the nature of the underlying investments. There are many different valuation methods that can be used, for example, the method based on the cashflows of the underlying investments. The operations and valuation of alternative funds are regulated for example by the Alternative Investment Fund Managers Directive (AIFMD), which determines the principles and documentation requirements of the valuation process.

EURm	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT 31 DECEMBER 2020				
Financial assets at fair value				
Derivative financial instruments				
Interest rate swaps	-	115	-	115
Foreign exchange derivatives	-	140	-	140
Total	**-**	**255**	**-**	**255**
Assets held for trading				
Equity securities	445	193	-	638
Debt securities	5,126	348	193	5,667
Total	**5,571**	**541**	**193**	**6,306**
Financial assets designated at fair value through profit or loss				
Deposits	-	671	-	671
Financial assets related to unit-linked insurance				
Equity securities	3,342	3	18	3,363
Debt securities	2,162	851	804	3,817
Funds	5,087	722	1,297	7,106
Derivative financial instruments	-	17	-	17
Other assets	-	-	181	181
Total	**10,592**	**1,592**	**2,300**	**14,484**
Financial assets available-for-sale				
Equity securities	1,944	-	342	2,286
Debt securities	8,842	3,904	160	12,905
Other assets	855	34	951	1,840
Total	**11,640**	**3,937**	**1,453**	**17,031**
Total financial assets measured at fair value	**27,802**	**6,997**	**3,947**	**38,747**

EURm	Level 1	Level 2	Level 3	Total
Other financial assets				
Financial assets at amortised cost				
Loans and receivables	-	412	99	510
Group financial assets, total	**27,802**	**7,409**	**4,046**	**39,257**

EURm	Level 1	Level 2	Level 3	Total
FINANCIAL LIABILITIES AT 31 DECEMBER 2020				
Financial liabilities at fair value				
Derivative financial instruments				
Interest rate derivatives	-	91	-	91
Foreign exchange derivatives	-	93	-	93
Total	**-**	**184**	**-**	**184**
Financial liabilities designated as at fair value through p/l				
Deposits	-	-	4	4
Total financial liabilities at fair value	**-**	**184**	**4**	**188**
Other financial liabilities				
Subordinated debt securities				
Subordinated loans	1,907	427	-	2,336
Debt securities in issue				
Bonds	2,762	214	-	2,976
Total other liabilities	**4,672**	**641**	**-**	**5,500**
Group financial liabilities, total	**4,672**	**825**	**4**	**5,688**

EURm	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT 31 DECEMBER 2019				
Financial assets at fair value				
Derivative financial instruments				
Interest rate swaps	-	53	-	53
Foreign exchange derivatives	-	0	-	0
Equity derivatives	-	29	-	29
Total	**-**	**82**	**-**	**82**
Financial assets designated at fair value through profit or loss				
Equity securities	483	199	-	682
Debt securities	5,298	497	44	5,840
Total	**5,781**	**696**	**44**	**6,522**
Financial assets designated at fair value through profit or loss				
Deposits	-	367	-	367
Financial assets related to unit-linked insurance				
Equity securities	3,416	3	18	3,437
Debt securities	918	1,667	26	2,611
Funds	4,686	691	1,000	6,377
Derivative financial instruments	-	17	-	17
Other assets	-	-	120	120
Total	**9,019**	**2,377**	**1,165**	**12,561**
Financial assets available-for-sale				
Equity securities	2,066	-	379	2,446
Debt securities	8,483	3,372	161	12,016
Other assets	903	48	879	1,830
Total	**11,452**	**3,420**	**1,418**	**16,291**
Total financial assets measured at fair value	**26,253**	**6,943**	**2,628**	**35,824**
Other financial assets				
Financial assets at amortised cost				
Loans and receivables	-	414	180	595
Group financial assets, total	**26,253**	**7,358**	**2,808**	**36,418**

EURm	Level 1	Level 2	Level 3	Total
FINANCIAL LIABILITIES AT 31 DECEMBER 2019				
Financial liabilities at fair value				
Derivative financial instruments				
Interest rate derivatives	-	112	-	112
Foreign exchange derivatives	-	57	-	57
Total	**-**	**168**	**-**	**168**
Financial liabilities designated as at fair value through p/l				
Deposits	-	-	9	9
Total financial liabilities measured at fair value	**-**	**168**	**9**	**178**
Other financial liabilities				
Subordinated debt securities				
Subordinated loans	803	467	-	1,270
Debt securities in issue				
Bonds	3,208	396	-	3,604
Total other liabilities	**4,011**	**863**	**-**	**4,874**
Group financial liabilities, total	**4,011**	**1,032**	**9**	**5,052**

Transfers between levels 1 and 2

EURm	2020 Transfers from level 2 to level 1	2020 Transfers from level 1 to level 2	2019 Transfers from level 2 to level 1	2019 Transfers from level 1 to level 2
Financial assets related to unit-linked insurance				
Equity securities	0	5	8	0
Funds	-	-	3	-
Total	**0**	**5**	**11**	**0**
Financial assets available-for-sale				
Debt securities	410	333	582	302

Transfers are based mainly on the changes in trading volume information provided by an external service provider.

Sensitivity analysis of fair values

The sensitivity of financial assets and liabilities to changes in exchange rates is assessed on business area level due to different base currencies. In If, 10 percentage point depreciation of all other currencies against SEK would result in an increase recognised in profit/loss of EUR 21 million (12) and in a decrease recognised directly in equity of EUR -18 million (-10). In Topdanmark, 10 percentage depreciation of all other currencies against DKK would result in an increase recognised in profit/loss of EUR 3 million (-5), but would not have an impact on equity. In Mandatum, 10 percentage point depreciation of all other currencies against EUR would result in an increase recognised in profit/loss of EUR 55 million (48) and in a decrease recognised directly in equity of EUR -66 million (-68). In Holding, 10 percentage point depreciation of all other currencies against EUR would have no impact on profit/loss, but a decrease recognised in equity of EUR -31 million (-156). In Hastings, the changes in exchange rates would not have an impact either in p/l or equity.

The sensitivity analysis of the Group's fair values of financial assets and liabilities in different market risk scenarios is presented below. The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values on 31 December 2020.

The sensitivity analysis includes the effects of derivative positions. All sensitivities are calculated before taxes.

The debt issued by Sampo plc is not included.

	Interest rate		Equity	Other financial investments
	1% parallel shift down	1% parallel shift up	20% fall in prices	20% fall in prices
Effect recognised in profit/loss	352	-313	-89	-79
Effect recognised directly in equity	307	-281	-623	-199
Total effect	**659**	**-594**	**-712**	**-278**

18 Movements in level 3 financial instruments measured at fair value

EURm	1 Jan	Total gains/ losses in income statement	Total gains/losses recorded in other comprehensive income	Purchases	Sales	Transfers from/ to levels 1 and 2	31 Dec	Gains/losses included in p/l for financial assets at 31 Dec 2020
FINANCIAL ASSETS 2020								
Financial assets held for trading								
Debt securities	45	2	-3	42	-28	136	193	2
Financial assets related to unit-linked insurance								
Equity securities	18	0	-	6	-5	-1	18	-2
Debt securities	26	10	-6	51	-31	755	804	9
Funds	1,000	-30	-	474	-148	-	1,297	-29
	1,045	**-20**	**-6**	**530**	**-183**	**754**	**2,119**	**-21**
Financial assets available-for-sale								
Equity securities	379	-7	5	10	-40	-6	342	2
Debt securities	161	-4	0	172	-169	1	160	-2
Funds	879	-40	43	149	-80	-	951	5
	1,418	**-51**	**49**	**331**	**-289**	**-5**	**1,453**	**6**
Total financial assets measured at fair value	**2,508**	**-69**	**40**	**903**	**-501**	**884**	**3,766**	**-13**

	2020		
EURm	Realised gains/losses	Fair value gains and losses	Total
Total gains or losses included in profit or loss for the financial year	-80	61	**-19**
Total gains or losses included in profit and loss for assets held at the end of the financial year	-74	61	**-13**

EURm	1 Jan	Total gains/ losses in income statement	Total gains/losses recorded in other comprehensive income	Purchases	Sales	31 Dec	Gains/losses included in p/l for financial assets at 31 Dec 2019
FINANCIAL ASSETS 2019							
Financial assets held for trading							
Debt securities	51	0	-	7	-14	44	0
Financial assets related to unit-linked insurance							
Equity securities	7	0	-	11	0	18	0
Debt securities	27	0	-	27	-28	26	-1
Funds	678	13	-	471	-162	1,000	11
	713	**13**	**-**	**510**	**-191**	**1,045**	**11**
Financial assets available-for-sale							
Equity securities	323	0	-1	67	-10	379	-1
Debt securities	114	0	0	138	-91	161	0
Funds	909	3	-33	124	-125	878	-28
	1,345	**4**	**-34**	**329**	**-226**	**1,418**	**-29**
Total financial assets measured at fair value	**2,109**	**17**	**-34**	**846**	**-430**	**2,508**	**-18**

		2019	
EURm	**Realised gains/losses**	**Fair value gains and losses**	**Total**
Total gains or losses included in profit or loss for the financial year	17	-33	**-17**
Total gains or losses included in profit and loss for assets held at the end of the financial year	16	-33	**-18**

19 Sensitivity analysis of level 3 financial instruments measured at fair value

	2020		2019	
EURm	**Carrying amount**	**Effect of reasonably possible alternative assumptions (+ / -)**	**Carrying amount**	**Effect of reasonably possible alternative assumptions (+ / -)**
Financial assets				
Financial assets available-for-sale				
Equity securities	342	-68	379	-74
Debt securities	160	-3	161	-4
Funds	951	-190	879	-177
Total	**1,453**	**-261**	**1,418**	**-255**

The value of financial assets regarding the debt security instruments has been tested by assuming a rise of 1 per cent unit in interest rate level in all maturities. For other financial assets, the prices were assumed to go down by 20 per cent. Sampo Group bears no investment risks related to unit-linked insurance, so a change in assumptions regarding these assets does not affect profit or loss. On the basis of the these alternative assumptions, a possible change in interest levels would cause a descend of EUR -3 million (-4) for the debt instruments, and EUR -259 million (-252) valuation loss for other instruments in the Group's other comprehensive income. The reasonably possible effect, proportionate to the Group's equity, would thus be 2.3 per cent (2.1).

20 Investments related to unit-linked insurance contracts

EURm	2020	2019
Financial assets designated at fair value through p/l		
Debt securities	3,817	2,611
Equity securities	10,175	9,528
Loans and receivables	353	414
Financial derivative instruments	17	17
Other	475	406
Group investments related to unit-linked contracts, total	**14,837**	**12,975**

21 Deferred tax assets and liabilities

Changes in deferred tax during the financial period 2020

EURm	1 Jan	Business acquisitions	Recognised in comprehensive income statement	Recognised in equity	Exchange differences	31 Dec
Deferred tax assets						
Tax losses carried forward	15	-	1	2	0	18
Changes in fair values	0	10	0	-	0	9
Pension liabilities	26	-	-2	0	1	25
Other deductible temporary differences	17	18	-2	1	0	34
Total	**58**	**28**	**-3**	**2**	**1**	**86**
Netting of deferred taxes						-37
Deferred tax assets in the balance sheet						**49**
Deferred tax liabilities						
Depreciation differences and untaxed reserves	183	-	0	-	0	183
Changes in fair values	257	110	-2	21	4	390
Other taxable temporary differences	187	12	-22	5	0	181
Total	**627**	**123**	**-25**	**26**	**3**	**754**
Netting of deferred taxes						-37
Total deferred tax liabilities in the balance sheet						**717**

Changes in deferred tax during the financial period 2019

EURm	1 Jan	Recognised in comprehensive income statement	Recognised in equity	Exchange differences	31 Dec
Deferred tax assets					
Tax losses carried forward	15	-	-	-	15
Pension liabilities	15	-2	13	0	26
Other deductible temporary differences	17	-2	2	0	17
Total	**47**	**-4**	**16**	**0**	**58**
Netting of deferred taxes					-39
Deferred tax assets in the balance sheet					**19**
Deferred tax liabilities					
Depreciation differences and untaxed reserves	185	0	-	-1	183
Changes in fair values	126	-1	132	0	257
Other taxable temporary differences	200	-18	3	1	187
Total	**510**	**-19**	**135**	**0**	**627**
Netting of deferred taxes					-39
Total deferred tax liabilities in the balance sheet					**587**

In Sampo plc, EUR 43 million of deferred tax asset has not been recognised on unused tax losses. The first losses will expire at the end of fiscal year 2020.

In Mandatum, EUR 2 million of deferred tax asset has not been recognised on unused tax losses.

22 Taxes

EURm	2020	2019
Profit before tax	380	1 541
Tax calculated at parent company's tax rate	-76	-308
Different tax rates on overseas earnings	-14	-16
Income not subject to tax	4	4
Expenses not allowable for tax purposes	-7	-7
Consolidation procedures and eliminations	-149	25
Tax losses for which no deferred tax asset has been recognised	-19	0
Changes in tax rates	-1	0
Tax from previous years	-6	-2
Total	**-267**	**-304**

23 Components of other comprehensive income

EURm	2020	2019
Other comprehensive income:		
Items reclassifiable to profit or loss		
Exchange differences	74	-39
Available-for-sale financial assets		
Gains/losses arising during the year	327	907
Reclassification adjustments (IAS 1.93)	-63	-320
The share of the segretated Suomi portfolio	1	-21
Business acquisitions	-6	-
Share of associate's other comprehensive income	40	-30
Taxes	-50	-123
Total items reclassifiable to profit or loss, net of tax	**322**	**373**
Items not reclassifiable to profit or loss		
Actuarial gains and losses from defined pension plans	0	-58
Taxes	0	13
Total items not reclassifiable to profit or loss, net of tax	**0**	**-45**

24 Tax effects relating to components of other comprehensive income

	2020			2019		
EURm	Before-tax amount	Tax	Net-of-tax amount	Before-tax amount	Tax	Net-of-tax amount
Items reclassifiable to profit or loss						
Exchange differences	74	-	74	-39	-	-39
Available-for-sale financial assets	259	-50	209	566	-123	442
Share of associate's other comprehensive income	40	-	40	-30	-	-30
Total	**372**	**-50**	**322**	**496**	**-123**	**373**

25 Other assets

EURm	2020	2019
Interests	133	125
Assets arising from direct insurance operations	1,883	1,431
Assets arising from reinsurance operations	109	79
Settlement receivables	55	17
Deferred acquisition costs [1)]	147	154
Assets related to Patient Insurance Pool	63	71
Other	324	309
Group other assets, total	**2,714**	**2,185**

Item Other comprise rental deposits, salary and travel advancements and assets held for resale.

Other assets include non-current assets EUR 58 million (66).

*) Change in deferred acquisition costs in the period

EURm	2020	2019
At 1 January	**154**	**147**
Business acquisitions	2	-
Net change in the period	-8	7
Exchange differences	-2	0
At 31 December	**147**	**154**

26 Liabilities from insurance and investment contracts

P&C liabilities from insurance contracts

		2020			2019	
EURm	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Provision for unearned premiums	3,169	365	2,803	2,532	63	2,469
Provision for claims outstanding	10,140	1,454	8,685	8,411	224	8,187
Incurred and reported losses	4,353	1,403	2,950	2,516	167	2,348
Incurred but not reported losses (IBNR)	2,447	44	2,403	2,602	48	2,554
Provisions for claims-adjustment costs	242	-	242	248	-	248
Provisions for annuities and sickness benefits	3,098	8	3,090	3,045	8	3,037
P&C insurance total	**13,308**	**1,819**	**11,489**	**10,943**	**287**	**10,656**

As the P&C companies, especially If, are exposed to various exchange rates, comparing the balance sheet data from year to year can be misleading.

Change in P&C insurance liabilities

		2020			2019	
EURm	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Provision for unearned premiums						
At 1 January	**2,532**	**63**	**2,469**	**2,422**	**55**	**2,367**
Business acquisitions	580	315	265	-	-	-
Change in provision	-151	-9	-142	103	7	96
Exchange differences	207	-4	211	7	1	6
At 31 December	**3,169**	**365**	**2,803**	**2,532**	**63**	**2,469**

		2020			2019	
EURm	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Provision for claims outstanding						
At 1 January	**8,411**	**224**	**8,187**	**8,663**	**237**	**8,426**
Business acquisitions	1,717	1,193	524	29	-	29
Unwiding of discounted annuities	22	-	22	-	-	-
Change in provision	-228	55	-283	-250	-15	-234
Exchange differences	217	-18	235	-31	3	-33
At 31 December	**10,140**	**1,454**	**8,685**	**8,411**	**224**	**8,187**

The tables below show the cost trend for the claims for different years. The upper part of the tables shows how an estimate of the total claims costs per claims year evolves annually. The lower section shows how large a share of this is presented in the balance sheet. More information on insurance liabilities in the risk management note 40.

If

Claims cost trend of P&C insurance

Claims costs before reinsurance

Estimated claims cost

EURm	< 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
At the close of the claims year	23,665	2,718	2,767	2,669	2,650	2,673	2,717	2,756	29,097	30,296	31,861	
One year later	23,523	2,823	2,755	2,695	2,643	2,690	2,751	2,794	3,002	3,066		
Two years later	23,299	2,819	2,770	2,697	2,650	2,678	2,750	2,788	3,033			
Three years later	23,257	2,807	2,760	2,701	2,662	2,654	2,711	2,792				
Four years later	23,215	2,782	2,730	2,707	2,668	2,628	2,699					
Five years later	23,330	2,767	2,698	2,695	2,639	2,624						
Six years later	23,224	2,746	2,680	2,683	2,612							
Seven years later	23,169	2,740	2,665	2,668								
Eight years later	23,003	2,740	2,652									
Nine years later	22,865	2,729										
Ten years later	22,678											
Current estimate of total claims costs	22,678	2,729	2,652	2,668	2,612	2,624	2,699	2,792	3,033	3,066	3,175	50,727
Total disbursed	20,107	2,582	2,494	2,459	2,405	2,396	2,443	2,482	2,638	2,545	1,799	44,351
Provision reported in the balance sheet	**2,571**	**147**	**159**	**208**	**206**	**228**	**256**	**310**	**395**	**520**	**1,377**	**6,377**
of which established vested annuities	1,660	74	79	82	81	74	63	61	77	31	6	2,287
Provision for claims-adjustment costs												214
Total provision reported in the BS of If												**6,590**

If

Claims cost trend of P&C insurance

Claims costs after reinsurance

Estimated claims cost

EURm	< 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
At the close of the claims year	22,277	2,572	2,580	2,622	2,612	2,628	2,660	2,697	2,846	2,957	2,987	
One year later	22,164	2,642	2,565	2,648	2,602	2,642	2,671	2,739	2,928	2,992		
Two years later	21,980	2,629	2,580	2,652	2,594	2,627	2,668	2,729	2,956			
Three years later	21,944	2,624	2,581	2,657	2,605	2,612	2,637	2,733				
Four years later	21,917	2,595	2,556	2,660	2,607	2,584	2,626					
Five years later	22,022	2,585	2,524	2,650	2,574	2,580						
Six years later	21,914	2,562	2,508	2,636	2,548							
Seven years later	21,863	2,550	2,494	2,620								
Eight years later	21,705	2,538	2,481									
Nine years later	21,568	2,517										
Ten years later	21,404											
Current estimate of total claims costs	21,404	2,517	2,481	2,620	2,548	2,580	2,626	2,733	2,956	2,992	2,987	48,443
Total disbursed	18,853	2,371	2,324	2,418	2,347	2,358	2,384	2,434	2,576	2,497	1,730	42,292
Provision reported in the balance sheet	**2,552**	**145**	**158**	**202**	**201**	**222**	**242**	**299**	**380**	**494**	**1,257**	**6,152**
of which established vested annuities	1,658	74	79	82	81	74	63	61	77	31	6	2,285
Provision for claims-adjustment costs												214
Total provision reported in the BS of If												**6,366**

Topdanmark

Claims cost trend of P&C insurance

Claims costs before reinsurance

Estimated claims cost

EURm	< 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
At the close of the claims year	968	862	1,015	894	887	869	797	860	877	916	8,855
One year later	987	865	1,042	902	898	867	812	883	901		
Two years later	979	868	1,044	899	886	856	814	894			,
Three years later	978	860	1,040	893	885	853	826				
Four years later	969	850	1,028	870	880	828					
Five years later	962	847	1,018	857	864						
Six years later	957	837	1,005	848							
Seven years later	945	835	1,000								
Eight years later	944	835									
Nine years later	944										
Current estimate of total claims costs	944	835	1,000	848	864	828	826	894	901	916	8,855
Total disbursed	894	775	940	786	780	739	700	729	666	445	7,455
Discounting	0	0	0	0	0	0	0	0	1	1	3
Provision reported in the balance sheet	**49**	**60**	**60**	**63**	**84**	**89**	**126**	**165**	**234**	**471**	**1,403**
Discounting of previous years											393
Total provision reported in the BS of Topdanmark											**1,796**

Topdanmark

Claims cost trend of P&C insurance

Claims costs after reinsurance

Estimated claims cost

EURm	< 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
At the close of the claims year	828	810	858	841	831	807	771	809	844	877	8,174
One year later	842	819	868	847	843	810	784	830	863		
Two years later	836	822	870	845	832	799	787	841			
Three years later	834	815	867	839	830	796	799				
Four years later	827	805	854	816	819	770					
Five years later	820	803	844	802	813						
Six years later	815	793	830	793							
Seven years later	803	791	826								
Eight years later	802	790									
Nine years later	802										
Current estimate of total claims costs	802	790	826	793	813	770	799	841	863	877	8,174
Total disbursed	753	731	766	731	734	687	673	682	644	432	6,833
Discounting	0	0	0	0	0	0	0	0	1	1	3
Provision reported in the balance sheet	**49**	**59**	**60**	**62**	**79**	**83**	**126**	**158**	**220**	**445**	**1,344**
Discounting of previous years											393
Total provision reported in the BS of Topdanmark											**1,737**

Hastings

Claims cost trend of P&C insurance

Claims costs before reinsurance

Estimated claims cost

EURm	< 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
At the close of the claims year	1,035	267	350	422	532	674	780	868	951	908	6,788
One year later	1,041	297	357	437	549	744	792	864	994		
Two years later	1,048	297	363	456	552	723	785	878			
Three years later	1,029	287	353	430	557	749	834				
Four years later	1,029	281	363	427	546	717					
Five years later	1,041	271	347	411	502						
Six years later	1,036	275	339	410							
Seven years later	1,035	283	341								
Eight years later	1,029	267									
Nine years later	1,009										
Payments to date	1,011	253	326	408	482	570	589	598	556	282	5,076
Gross outstanding claims liabilities, net of salvage and subrogation recoveries	**23**	**14**	**24**	**14**	**50**	**104**	**191**	**270**	**396**	**626**	**1,712**
Reconciliation to net outstanding claims liabilities											
Anticipated salvage and subrogation recoveries											40
IFRS 3 fair value acquisition adjustment											-29
Total provision reported in the BS of Hastings											**1,723**

Hastings

Claims cost trend of P&C insurance

Claims costs after reinsurance

Estimated claims cost

EURm	< 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
At the close of the claims year	817	116	140	193	233	293	326	368	386	381	3,253
One year later	815	116	139	193	231	293	325	363	400		
Two years later	813	116	139	193	231	286	320	373			
Three years later	813	116	139	191	227	282	337				
Four years later	814	117	139	188	226	285					
Five years later	818	117	139	184	223						
Six years later	819	121	145	182							
Seven years later	818	127	152								
Eight years later	824	130									
Nine years later											
Payments to date		117	140	189	225	268	281	286	264	129	2,717
Net outstanding claims liabilities, net of salvage and subrogation recoveries	**816**	**-1**	**0**	**4**	**7**	**25**	**45**	**82**	**121**	**252**	**536**
Reconciliation to net outstanding claims liabilities											
Anticipated salvage and subrogation recoveries											40
Reinsurers' share of salvage and subrogation recoveries											-20
IFRS 3 fair value acquisition adjustment											-4
Net outstanding claims liability											**552**
Reinsurers' share of outstanding claims liabilities											1,170
Total provision reported in the BS of Hastings											**1,723**

Liabilities from insurance and investment contracts

	2020			2019		
EURm	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Provision for unearned premiums						
Insurance contracts	4,682	1	4,681	4,992	2	4,991
Investment contracts	26	-	26	25	-	25
Provision for claims outstanding	1,940	-	1,940	2,080	1	2,080
Group liabilities from insurance and investment contracts, total	**6,648**	**1**	**6,647**	**7,097**	**2**	**7,095**

Change in liabilities from insurance contracts

EURm	**Gross** **Contracts with discretionary participation features**
At 1 January 2020	**7,073**
Premiums	201
Claims paid	-635
Expense charge	-44
Guaranteed interest	130
Bonuses	-17
Other	-87
Total life insurance liabilities at 31 December 2020	**6,622**

EURm	**Gross** **Contracts with discretionary participation features**
At 1 January 2019	**7,306**
Premiums	272
Claims paid	-680
Expense charge	-46
Guaranteed interest	157
Bonuses	44
Exchange differences	19
Total life insurance liabilities at 31 December 2019	**7,073**

Life insurance liabilities from investment contracts

EURm	2020	2019
Investment contracts with discretionary participation feature	26	25

The change between financial years is mainly due to the claims paid.

Change in liabilities from life insurance investment contracts

EURm	Contracts with discretionary participation features
At 1 January 2020	**25**
Other	1
Life insurance liabilities from investment contracts at 31 December 2020, total	**26**

EURm	Contracts with discretionary participation features
At 1 January 2019	**24**
Other (includes i.e. conversions between different insurance classes)	1
Life insurance liabilities from investment contracts at 31 December 2019, total	**25**

The liabilities at 1 January and at 31 December include the future bonus reserves and the effect of the reserve for the decreased discount rate. The calculation is based on items before reinsurers' share. More details on the insurance liabilities are presented in the risk management note 40.

Investment contracts do not include a provision for claims outstanding.

Liability adequacy test does not give rise to supplementary claims.

Exemption allowed in IFRS 4 *Insurance contracts* has been applied to investment contracts with DPF or contracts with a right to trade-off for an investment contract with DPF. These investment contracts have been valued like insurance contracts.

Reconciliation to the consolidated insurance and investment contracts

EURm	2020	2019
P&C insurance	13,308	10,943
Life insurance	6,648	7,097
Group consolidated insurance and investment contracts, total	**19,956**	**18,041**

27 Liabilities from unit-linked insurance and investment contracts

EURm	2020	2019
Unit-linked insurance contracts	5,184	4,906
Unit-linked investment contracts	3,566	3,184
Life insurance liabilities	7,536	6,278
Group liabilities from unit-linked insurance and investment contracts, total	**16,285**	**14,368**

28 Financial liabilities

The segment financial liabilities include subordinated debts, derivatives, debt securities in issue and other financial liabilities.

If

EURm			2020	2019
Derivative financial instruments (note 14)			44	25
Subordinated debt securities				
Subordinated loans	**Maturity**	**Interest**		
Preferred capital note, 2018 (nominal value 1,000 MSEK)	perpetual	3 month Stibor + 2.75%	99	95
Preferred capital note, 2016 (nominal value 1,500 MSEK)	30 years	3 month Stibor + 2.25%	149	143
Preferred capital note, 2016 (nominal value 500 MSEK)	30 years	2.42%	50	48
Preferred capital note, 2011 (nominal value EURm 110)	30 years	6.00%	110	110
Total subordinated debt securities			**408**	**396**
If, total financial liabilities			**453**	**420**

The loan 2011 was issued with fixed interest rates for the first ten years, after which it becomes subject to variable interest rates. At the point of change, there is the possibility of redemption for all the loans. The loan is utilised for solvency purposes and is approved by the supervisory authorities.

The loan of 1,500 MSEK issued in 2016 is issued with variable interest rate terms. After ten years the margin is increased by one percentage point. It includes terms stating the right of redemption after five years and at any interest payment date thereafter.

The loan of 500 MSEK issued in 2016 is issued with fixed interest rate terms for the first five years. After that period, the loan becomes subject to variable interest rate but it also includes terms stating the right of redemption at this point in time or at any interest payment date thereafter.

The loan issued in 2018 is issued with variable interest rate terms. The loan includes terms stating the right of redemption after five years and at any interest payment date thereafter.

All the loans are listed on the Luxembourg Exchange.

Topdanmark

EURm			2020	2019
Derivative financial instruments (note 14)			132	91
Subordinated debt securities				
Subordinated loans	**Maturity**	**Interest**		
Preferred capital note, 2020 (nominal value 500 MDKK)	12/2030	3 month Cibor +160 bp	67	-
Preferred capital note, 2017 (nominal value 400 MDKK)	bullet	3 month Cibor + 2.75%	54	53
Preferred capital note, 2015 (nominal value 500 MDKK)	12/2025	2.92% until 2020	-	67
Preferred capital note, 2015 (nominal value 850 MDKK)	06/2026	3 month Cibor +270 bp	114	114
Total subordinated debt securities			**235**	**234**
Other financial liabilities			4	9
Topdanmark, total financial liabilities			**371**	**334**

Subordinated loans are wholly included in Topdanmark's own funds.

Hastings

EURm	2020	2019
Debt securities in issue		
Bonds	299	-
Hastings, total financial liabilities	**299**	**-**

Mandatum

EURm	2020	2019
Derivative financial instruments (note 14)	3	15
Subordinated debt securities		
Subordinated loan, 2019	249	249
Subordinated loan, 2002	100	100
Total subordinated debt securities	**349**	**349**
Mandatum, total financial liabilities	**352**	**364**

Mandatum Life issued in 2002 EURm 100 Capital Notes. The loan is perpetual and pays floating rate interest. The interest is payable only from distributable capital. The loan is repayable only with the consent of the Insurance Supervisory Authority and at the earliest on 2012 or any interest payment date after that. The loan is wholly subscribed by Sampo Plc.

In 2019 Mandatum Life issued Solvency II Tier 2 loan of EURm 250. The loan matures on 4 October, 2049. The loan has a fixed interest rate until the first possible redemption date on 4 October, 2024, whereafter it becomes subject to variable interest rates.

Holding

EURm			2020	2019
Derivative financial instruments (note 14)			4	38
Debt securities in issue				
Bonds			2,448	3,414
Subordinated debt securities	**Maturity**	**Interest**		
Subordinated loan, 2020 (nominal value EURm 1,000)	32 years	2.50%	991	-
Subordinated loan, 2019 (nominal value EURm 500)	30 years	3.38%	495	494
Total subordinated debt securities			1,486	494
Holding, total financial liabilities			**3,938**	**3,946**

The subordinated loan of 2019 has a fixed interest rate for the first ten years, the 2020 loan for the first 12 years. After that, the loans become subject to variable interest rate but they also includes terms stating the right of redemption at this point in time or at any interest payment date thereafter. The loans are listed on the London Stock Exchange.

The determination and hierarchy of fair values of financial assets and liabilities measured at acquisition cost is disclosed in note 17. According to this determination the subordinated debt securities and bonds are categorised either on level 1 or 2.

EURm	2020	2019
Elimination items between segments	-320	-271
Group, total financial liabilities	**5,094**	**4,779**

Change in liabilities from financing activities

EURm	1 January 2020	Cash flows	Exchange differences	Other	31 December 2020
Bonds	3,908	-8	33	1	3,934

EURm	1 January 2020	Cash flows	Exchange differences	Other	31 December 2019
Commercial papers	124	-124	-	0	0
Bonds	3,943	-27	-8	0	3,908
Total liabilities from financing activities	**4,067**	**-151**	**-8**	**0**	**3,908**

29 Provisions

EURm	2020
At 1 January 2020	**20**
Additions	5
Amounts used during the period	-5
Unused amounts reversed during the period	1
At 31 December 2020	**20**
Current (less than 1 year)	6
Non-current (more than 1 year)	13
Total	**20**

EURm 7 (8) of the provision consist of assets reserved for the already implemented or planned development of efficient administrative and claims-adjustment processes and structural changes in distribution channels, resulting in organisational changes that affect all business areas. In addition, the item includes a provision of about EURm 12 (11) for law suits and other uncertain liabilities.

30 Employee benefits

Employee benefits

Sampo has defined benefit plans in P&C insurance business in Sweden and Norway.

In addition to statutory retirement pension insurance, the Group has certain voluntary defined benefit plans. The voluntary defined benefit plans are intra-Group and included in the insurance liabilities of Mandatum Life. The amount is negligible and they have no material impact on the Group profit or loss or equity.

For the defined-contribution pension plans, If pays fixed contributions and has no further payment obligations once the contributions have been paid. The pension expense for the defined-contribution plans is equal to the premiums paid by If for the fiscal year.

Employee benefit obligations of If

EURm	2020	2019
Present value of estimated pension obligation, including social costs	337	330
Fair value of plan assets	239	231
Net pension obligation recognised in the balance sheet	**98**	**99**

The main Swedish defined-benefit pension plan is closed to new employees born in 1972 or later. The corresponding Norwegian pension plan consists solely of active people employed prior to 2006 and born 1957 and earlier.

For both countries, the pension benefits referred to are old-age pension and survivors' pension. A common feature of the defined-benefit plans is that the employees and survivors encompassed by the plans are entitled to a guaranteed pension that depends on the employees' service period and pensionable salary at the time of retirement. The dominating benefit is the old-age pension, which refers in part to temporary pension before the anticipated retirement age and in part to a life-long pension after the anticipated retirement age.

The retirement age for receiving premature pension is normally 62 years in Sweden and normally 65 years in Norway. In Sweden, premature old-age pension following a complete service period is payable at a rate of approximately 65% of the pensionable salary and applies to all employees born in 1955 or earlier and who were covered by the insurance sector's collective bargaining agreement of 2006. In Norway, premature old-age pension following a complete service period is payable at a rate of approximately 70% of the pensionable salary and applies to all employees born in 1957 or earlier and who were employed by If in 2013.

The anticipated retirement age in connection with life-long pension is 65 years for Sweden and 67 years for Norway. In Sweden, life-long old-age pension following a complete service period is payable at a rate of 10% of the pensionable salary between 0 and 7.5 income base amounts, 65% of salary between 7.5 and 20 income base amounts and 32.5% between 20 and 30 income base amounts. In Norway, life-long old-age pension following a complete service period is payable at a rate of 70% of the pensionable salary up to 12 National Insurance base amounts, together with the estimated statutory old-age pension. Paid-up policies and pension payments from the Swedish plans are normally indexed upwards in an amount corresponding to the change in the consumer price index. However, there is no agreement guaranteeing the value and future supplements in addition to the contractual pension benefit could either rise or fall. If is not responsible for indexation of paid-up policies and/or pension payments from the Norwegian insured plans.

The pensions are primarily funded through insurance whereby the insurers establish the premiums and disburse the benefits. If's obligation is primarily fulfilled through payment of the premiums. Should the assets that are attributable to the pension benefits not be sufficient to enable the insurers to cover the guaranteed pension benefits, If could be forced to pay supplementary insurance premiums or secure the pension obligations in some other way. In addition to insured pension plans, there are also unfunded pension benefits in Norway for which If is responsible for ongoing payment.

To cover the insured pension benefits, the related capital is managed as part of the insurers' management portfolios. In such management, the characteristics of the investment assets are analyzed in relation to the characteristics of the obligations, in a process known as Asset Liability Management. New and existing asset categories are evaluated continuously in order to diversify the asset portfolios with a view to optimizing the anticipated risk-adjusted return. Any surplus that arises from management of the assets normally accrues to If and/or the insured and there is no form of transfer of the asset value to other members of the insurance collective.

The insurers and If are jointly responsible for monitoring the pension plans, including investment decisions and contributions. The pension plans are essentially exposed to similar material risks regarding the final amount of the benefits, the investment risk associated with the plan assets and the fact that the choice of discount interest rate affects their valuation in the financial statements.

When applying IAS 19, the pension obligation and the pension cost attributed to the fiscal period are calculated annually using the Projected Unit Credit method. The calculation of the defined benefit obligation is based on future expected pension payments and includes yearly updated actuarial assumptions such as salary growth, inflation, mortality and employee turnover. The expected pension payments are then discounted to a present value using a discount rate set with reference to AAA and AA corporate bonds issued in local currency, including mortgage-backed bonds, as at mid December. The discount rates chosen in Sweden and Norway take into account the duration of the company's pension obligations in each respective country. After a deduction for the plan assets, a net asset or a net liability is recognized in the balance sheet.

The following tables contain a number of material assumptions, specifications of pension costs, assets and liabilities and a sensitivity analysis showing the potential effect on the obligations of reasonable changes in those assumptions as at the end of the fiscal year.

The carrying amounts have been stated including special payroll tax in Sweden (24.26%) and a corresponding fee in Norway (14.1%–19.1%).

Specification of employee benefit obligations by country

	2020			2019		
	Sweden	**Norway**	**Total**	**Sweden**	**Norway**	**Total**
Recognised in income statement and other comprehensive income						
Current service cost	7	1	8	5	2	6
Interest expense on net pension liability	1	1	2	0	1	1
Total in income statement	**8**	**2**	**10**	**5**	**2**	**8**
Remeasurement of the net pension liability	-8	8	0	54	3	57
Total in comprehensive income statement	**0**	**10**	**10**	**59**	**6**	**65**
Recognised in balance sheet						
Present value of estimated pension liability, including social costs	283	54	337	275	55	330
Fair value of plan assets	217	22	239	202	28	231
Net liability recognised in balance sheet	**66**	**32**	**98**	**72**	**27**	**99**
Distribution by asset class						
Debt instruments, level 1	45%	49%		45%	49%	
Debt instruments, level 2	0%	12%		0%	12%	
Equity instruments, level 1	23%	6%		22%	13%	
Equity instruments, level 3	9%	1%		10%	1%	
Property, level 3	10%	16%		11%	14%	
Other, level 1	0%	11%		1%	9%	
Other, level 2	5%	1%		5%	2%	
Other, level 3	7%	4%		6%	0%	

The following actuarial assumptions have been used for the calculation of defined benefit pension plans in Norway and Sweden:

	Sweden 31 Dec 2020	Sweden 31 Dec 2019	Norway 31 Dec 2020	Norway 31 Dec 2019
Discount rate	1.25%	1.50%	1.75%	2.50%
Future salary increases	2.50%	2.75%	3.00%	3.00%
Price inflation	1.75%	2.00%	2.00%	2.00%
Mortality table	FFFS 2007:31 +1 year	FFFS 2007:31 +1 year	K2013	K2013
Average duration of pension liabilities	21 years	22 years	13 years	12 years
Expected contributions to the defined benefit plans during 2021 and 2020	8	9	1	2

	2020			2019		
Sensitivity analysis of effect of reasonably possible changes	**Sweden**	**Norway**	**Total**	**Sweden**	**Norway**	**Total**
Discount rate, +0.50%	-32	-3	**-35**	-33	-3	**-37**
Discount rate, -0.50%	39	3	**42**	39	4	**42**
Future salary increases, +0.25%	9	0	**9**	10	0	**10**
Future salary increases, -0.25%	-9	0	**-9**	-9	0	**-9**
Expected longevity, +1 year	14	1	**15**	13	1	**15**

	2020			2019		
EURm	**Funded plans**	**Unfunded plans**	**Total**	**Funded plans**	**Unfunded plans**	**Total**
Analysis of the employee benefit obligation						
Present value of estimated pension liability, including social costs	308	29	**337**	302	28	**330**
Fair value of plan assets	239	-	**239**	231	-	**231**
Net pension liability recognised in the balance sheet	**69**	**29**	**98**	**71**	**28**	**99**

Analysis of the change in net liability recognised in the balance sheet

EURm	2020	2019
Pension liabilities:		
At the beginning of the year	330	268
Current cost	8	6
Interest cost	5	7
Actuarial gains (-)/losses (+) on financial assumptions	6	61
Actuarial gains (-)/losses (+) on demographic assumptions	-	4
Actuarial gains (-)/losses (+), experience adjustments	-7	2
Exchange differences on foreign plans	8	-2
Benefits and social costs paid	-15	-15
Business acquisitions	2	-
Defined benefit plans at 31 December	**337**	**330**
Reconciliation of plan assets:		
At the beginning of the year	231	217
Interest income	4	5
Difference between actual return and calculated interest income	-1	9
Contributions paid	11	14
Exchange differences on foreign plans	7	-3
Benefits paid	-13	-12
Business acquisitions	1	-
Plan assets at 31 December	**239**	**231**

Other short-term employee benefits

There are other short-term staff incentive programmes in the Group, the terms of which vary according to country, business area or company. Benefits are recognised in the profit or loss for the year they arise from. An estimated amount of these short-term incentives, social security costs included, for 2020 is EUR 45 million.

31 Other liabilities

EURm	2020	2019
Liabilities arising out of direct insurance operations	293	239
Liabilities arising out of reinsurance operations	196	35
Liabilities related to Patient Insurance Pool	62	69
Tax liabilities	199	176
Premium taxes	177	68
Settlement liabilities	74	46
Interests	30	42
Leases *)	191	137
Prepayments and accrued income	277	231
Other	602	446
Group other liabilities, total	**2,102**	**1,489**

Item Other includes e.g. withholding taxes, social expenses related to Workers Compensation insurance policies and employee benefits and unpaid premium taxes.

The non-current share of other liabilities is EUR 219 million (172).

*) *The total effect of leases on the statement of cashflows was EUR -39 million (-25).*
Non-cash flow additions from IFRS 16 leases to the balance sheet items were EUR 42 million (27).

Reconciliation of transition to IFRS 16 Leases

The Group as a lessee

The Group applied the modified retrospective approach allowed by the standard from 1 January 2019. The comparison year is not disclosed and the right-of-use asset equals the lease liability at the time of the transition.

The ROU asset is depreciated on straight-line basis over the lease period.

The Group does not apply IFRS 16 to short-term under 12 months leases, or to leases for which the underlying asset is of low-value.

The specification of IFRS 16 lease liabilities at the time of transition

EURm	
Off-balance sheet liabilities at 31 December 2018	**156**
Off-balance sheet leases	-11
Prepaid rents	-5
Effect from discounting	-6
Lease liabilities at 1 January 2019	**134**

The lease liabilities are discounted at a company level. The applied discount rates vary between -0.04 - 2.2%.

EURm	2020	2019
Items recogised in the p/l from lease liabilities		
Interest expenses	-2	-2
Expenses from short-term and low-value lease liabilities	-10	-10

32 Contingent liabilities and commitments

EURm	2020	2019
Off-balance sheet items		
Guarantees	1,252	1,263
Investment commitments	4	6
IT acquisitions	6	6
Other	89	41
Total	**1,350**	**1,317**

Assets pledged as collateral for liabilities or contingent liabilities

	2020		2019	
EURm	Assets pledged	Liabilities/ commitments	Assets pledged	Liabilities/ commitments
Assets pledged as collateral				
Investments	286	185	225	0
Subsidiary shares	87	28	-	-
Cash and cash equivalents	1	0	2	0
Total	**374**	**213**	**227**	**0**

EURm	2020	2019
Assets pledged as security for derivative contracts, carrying value		
Investment securities	10	13
Cash and cash equivalents	359	276
Total	**369**	**289**

The subsidiary If P&C Insurance Ltd provides insurance with mutual undertakings within the Nordic Nuclear Insurance Pool, Norwegian Natural Perils' Pool and the Dutch Terror Pool.

In connection with the transfer of property and casualty insurance business from the Skandia group to the If Group as of March 1, 1999, If P&C Holding Ltd and If P&C Insurance Ltd issued a guarantee for the benefit of Försäkringsaktiebolaget Skandia (publ.) whereby the aforementioned companies in the If Group mutually guarantee that companies in the Skandia group will be indemnified against any claims or actions due to guarantees or similar commitments made by companies in the Skandia group within the property and casualty insurance business transferred to the If Group.

If P&C Insurance Holding Ltd and If P&C Insurance Ltd have separately entered into contracts with Försäkringsaktiebolaget Skandia (publ.) and Tryg-Baltica Forsikrings AS whereby Skandia and Tryg-Baltica will be indemnified against any claims attributable to guarantees issued by Försäkringsaktiebolaget Skandia (publ.) and Vesta Forsikring AS, on behalf of Skandia Marine Insurance Company (U.K.) Ltd. (now Marlon Insurance Company Ltd.) in favor of the Institute of London Underwriters. Marlon Insurance Company Ltd. was disposed during 2007, and the purchaser issued a guarantee in favour of If for the full amount that If may be required to pay under these guarantees.

If P&C Insurance Company Ltd has outstanding commitments to private equity funds totalling EURm 5, which is the maximum amount that the company has committed to invest in the funds. Capital will be called to these funds over several years as the funds make investments. In addition, If P&C Insurance Ltd has outstanding commitments to borrowers totalling approximately EURm 4.

With respect to certain IT systems If and Sampo use jointly, If P&C Insurance Holding Ltd has undertaken to indemnify Sampo for any costs caused by It that Sampo may incur in relation to the owners of the systems.

Sampo Group's Danish companies and Topdanmark Group's companies are jointly taxed, with Topdanmark A/S being the management company. Pursuant to the specific rules on corporation taxes etc. in the Danish Companies Act, the companies are liable for the jointly taxed companies and for any obligations to withhold tax from interests, royalties and dividend for companies concerned.

In connection with implementation of a new customer and core system, Topdanmark Forsikring A/S has undertaken to give support towards specific suppliers to fulfill Topdanmark EDB IV ApS' obligations in accordance with the contracts.

Entities within Hastings Group are subject to review by tax authorities in the UK and Gibraltar. In 2016, HMRC commenced an on-going discussions regarding aspects of Hastings' business model and the allocation of certain elements of its profit between different group entities. If the authorities do not accept the filed tax position, it is possible that the group will have an additional tax liability. The ongoing nature of the enquiry means that it is difficult to predict the potential outcome. Based on the information received from HMRC to date, management does not believe that it is probable that any additional amount will ultimately become payable. Further quantification has therefore not been considered practicable in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*.

In accordance with the shareholders' agreement concerning Hastings Group (Consolidated) Ltd, RMI has an option within 18 months from the completion of the acquisition of Hastings to acquire further 10% of shares from Sampo at a price per share equal to the original offer price. Any dividends or other distributions in respect of the shares in question payable before RMI's possible notice to use the option belong to Sampo. Sampo has an option to acquire the shares RMI holds at the price specified in the agreement, in case the holding of RMI in Hastings Group (Consolidated) Ltd falls below 10%. The price is based either on recent third party transactions made by RMI or derived from a valuation model described in the agreement. Until the potential notice by Sampo to use the option, any dividends or other distributions in respect of the shares in question belong to RMI.

33 Equity and reserves

Equity (1,000 shares)

	2020	2019
Equity (1,000 shares)	555,352	555,352

At the end of the financial year, the mother company or other Group companies held no shares in the parent company.

Reserves and retained earnings

Legal reserve
The legal reserve comprises the amounts to be transferred from the distributable equity according to the articles of association or on the basis of the decision of the AGM.

Invested unrestricted equity
The reserve includes other investments of equity nature, as well as issue price of shares to an extent it is not recorded in share capital by an express decision.

Other components of equity
Other components of equity include fair value changes of financial assets available for sale and derivatives used in cash flow hedges, and exchange differences.

Changes in the reserves and retained earnings are presented in the Group's statement of changes in equity.

34 Related party disclosures

Key management personnel

The key management personnel in Sampo Group consists of the members of the Board of Directors of Sampo plc and Sampo Group's Executive Committee, and the entities over which the members of the key management personnel have a control.

Key management compensation

EURm	2020	2019
Short-term employee benefits	-8	-9
Post employment benefits	-3	-3
Other long-term benefits	-	-7
Total	**-10**	**-19**

Short-term employee benefits comprise salaries and other short-terms benefits, including profit-sharing bonuses accounted for for the year, and social security costs.

Post employment benefits include pension benefits under the Employees' Pensions Act (TyEL) in Finland and voluntary supplementary pension benefits.

Other long-term benefits consist of the benefits under long-term incentive schemes accounted for the year (see Note 35).

Related party transactions of the key management

The key management does not have any loans from the Group companies.

Associates

Outstanding balances with related parties/Associate Nordea

EURm	2020	2019
Assets	2,363	2,338
Liabilities	90	53

The Group's receivables from Nordea comprise mainly long-term investments in bonds and deposits. In addition, the Group has several on-going derivative contracts related to the Group's risk management of investments and liabilities.

35 Incentive schemes

Long-term incentive schemes 2014 I - 2020 I

The Board of Directors of Sampo plc has decided on the long-term incentive schemes 2014 I - 2020 I for the management and key employees of Sampo Group. The Board has authorised the CEO to decide who will be included in the scheme, as well as the number of calculated incentive units granted for each individual used in determining the amount of the incentive reward. In the schemes, the number of calculated incentive units granted for the members of the Group Executive Committee is decided by the Board of Directors. Some 140 persons were included in the schemes at the end of year 2020.

The amount of the performance-related bonus is, in all schemes, based on the value performance of Sampo's A share. In addition, in schemes 2004 and 2017, the bonus is based also on both the insurance margin (IM) and Sampo's return on the risk adjusted capital (RORAC). In 2020 scheme, the bonus depends on the risk-adjusted return on capital (RORAC). The value of one calculated incentive unit is the trade-weighted average price of Sampo's A-share at the time period specified in the terms of the scheme, and reduced by the starting price adjusted with the dividends per share distributed up to the payment date. The pre-dividend starting prices vary between eur 32.94–44.10. The maximum value of one incentive unit varies between eur 56.94–63.10, reduced by the dividend-adjusted starting price. In 2014 and 2017 schemes, the incentive reward depends on two benchmarks. If the IM is 6 per cent or more, the IM-based reward is paid in full. If the IM is between 4–5.99 per cent, half of the incentive reward is paid. No IM-related reward will be paid out, if the IM stays below these. In addition, the return on the risk adjusted capital is taken into account. If the return is at least risk free return + 4 per cent, the RORAC-based incentive reward is paid out in full. If the return is risk free return + 2 per cent, but less than risk free return + 4 percent, the payout is 50 per cent. If the return stays below these benchmarks, no RORAC-based reward will be paid out. In 2020 scheme, the incentive reward is based on the risk-adjusted return on capital so that if the return is at least risk free return + 5 per cent, the reward is paid out in full. If the return is at least risk free return + 3 per cent, but less than risk free return + 5 per cent, the payout is 50 per cent. If the return is below this, no reward will be paid out.

Each plan has three performance periods and incentive rewards are settled in cash in three installments. The employee shall authorise Sampo plc to buy Sampo's A-shares with 50 per cent (scheme 2017 I and 2020 I) or 60 percent (scheme 2014 I) of the amount of the reward after taxes and other comparable charges. The shares are subject to transfer restrictions for three years from the day of payout. A premature payment of the reward may occur in the event of changes in the group structure or in the case of employment termination on specifically determined bases. The fair value of the incentive schemes is estimated by using the Black-Scholes pricing model.

		2014 I/2	**2017 I**	**2017 I/2**	**2020 I**
Terms approved *)		17 Sep 2014	14 Sep 2017	14 Sep 2017	5 Aug 2020
Granted (1,000) 31 Dec 2016		62	-	-	-
Granted (1,000) 31 Dec 2017		62	4,092	-	-
Granted (1,000) 31 Dec 2018		43	3,978	85	-
Granted (1,000) 31 Dec 2019		22	3,948	85	-
Granted (1,000) 31 Dec 2020		-	2,638	85	3,877
End of performance period I 30%		Q2-2018	Q2-2020	Q2-2021	Q2-2023
End of performance period II 35%		Q2-2019	Q2-2021	Q2-2022	Q2-2024
End of performance period III 35%		Q2-2020	Q2-2022	Q2-2023	Q2-2025
Payment I 30%		9-2018	9-2020	9-2021	9-2023
Payment II 35%		9-2019	9-2021	9-2022	9-2024
Payment III 35%		9-2020	9-2022	9-2023	9-2025
Price of Sampo A at terms approval date *)		37.22	44.02	44.02	30.30
Starting price **)		43.38	43.81	44.10	32.94
Dividend-adjusted starting price at 31 December 2020			36.29	39.18	32.94
Sampo A closing price at 31 December 2020	34.57				
Total intrinsic value, EURm			6	0	2
Total debt	8				
Total cost for the financial period, EURm (incl. social costs)	2				

*) *Grant dates vary*

**) *Trade-weighted average for ten trading days from the approval of terms*

Long-term incentive scheme of Topdanmark

Topdanmark's share option scheme is for its Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date in the prior financial year (average of all trades). The options may be exercised 3-5 years subsequent to the granting. The scheme is settled by shares.

The option scheme requires employment during the whole year of the allocation. Options are allocated at beginning of year and in connection with resignation in the year of allocation a proportional deduction in the number of allocated options is made.

The tabels below show option holder's standing at the year end.

	Strike price	Executive board	Senior executives	Resigned	Total
Total number of options (1,000)					
At 1 January 2020	31	178	648	260	1,086
Granted	49	58	188	1	247
Transferred		0	-120	120	0
Exercised	23	-11	-118	-67	-195
Forfeited	43	0	0	-7	-7
At 31 December 2020	35	**224**	**598**	**308**	**1,130**
At 1 January 2019	28	139	788	365	1,293
Granted	45	59	207	10	276
Transferred		0	-113	113	0
Exercised	25	-20	-235	-222	-477
Forfeited	43	0	0	-7	-7
At 31 December 2019	31	**178**	**648**	**260**	**1,086**
Per granting					
2016, exercise period January 2019–2021	24	12	8	35	55
2017, exercise period January 2020–2022	22	55	123	98	276
2018, exercise period January 2021–2023	35	41	131	118	290
2019, exercise period January 2022–2024	43	59	163	42	264
2019, exercise period January 2023–2025	47	58	173	14	245

	Executive board	Senior executives	Resigned	Total
Average market price on date of exercise 2020				40
Average market price on date of exercise 2019				44
Fair value of granting 2020	0	1	0	1
Fair value of granting 2019	0	1	0	1
Fair value at 31 December 2020	1	3	2	7
Fair value at 31 December 2019	2	9	4	15

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a share price of EUR 42 (41) . The interest rate corresponds to the zero coupon rate based on the swap curve on 31 December of the previous year. Future volatility is assumed to be 22 per cent and the average life of the options approximately 4 years. The volatility based on previous years' volatility is still the best estimate of the future volatility. The strike prices are adjusted by dividend distribution for outstanding options.

At 31 December 2020, there were 331,000 options (106,000) which could be exercised.

Long-term incentive scheme of Hastings

The total charge for the share based payments recognised in the profit and loss during 2020 was EUR 4 million with a share based payment liability of EUR 12 million held at 31 December 2020.

Long Term Incentive Plan

Prior to the acquisition of Hastings Group Holdings Limited ('HGH'), formerly known as Hastings Group Holdings plc certain management personnel were participating in the Group's Long Term Incentive Plan ('LTIP') giving them an option to acquire shares in the Group at an exercise price of £nil. Vesting was subject to a three year service period and the achievement of certain performance conditions in respect of total shareholder return and adjusted earnings per share over a three year period. For awards to certain individuals, considered key management personnel, there was an additional holding period of two years ('Executive grant'). Upon acquisition of HGH, Hastings Group (Consolidated) Limited ('HGC') administered cash replacement awards were offered in lieu of the equity settled awards. No options or awards were granted during the period. The expected life is the contractual life of the award adjusted to reflect management's best estimate of holder behaviour. There were cash awards with a value of EUR 26 million outstanding at 31 December 2020.

Restricted Stock Awards

Upon acquisition of HGH, certain key management personnel were granted HGC administered replacement cash awards conditional upon continued employment with the Group. No awards were granted during the period. The expected life is the contractual life of the award adjusted to reflect management's best estimate of holder behaviour. There were cash awards with a value of EUR 4 million outstanding at 31 December 2020.

36 Auditors' fees

EURm	2020	2019
Auditing fees	-3	-3
Ernst & Young	-1	-1
Other	-2	-1
Other fees	-3	-1
Ernst & Young	-3	0
Other	0	0
Total	**-6**	**-3**

37 Legal proceedings

There are a number of legal proceedings against the Group companies outstanding on 31 December 2020, arising in the ordinary course of business. The companies estimate it unlikely that any significant loss will arise from these proceedings.

38 Investments in subsidiaries

Name	Group holding %	Carrying amount
If P&C Insurance Holding Ltd	100	1,886
If P&C Insurance Ltd	100	1,646
If P&C Insurance AS	100	44
Support Services AS	100	0
If Livförsäkring Ab	100	7
Nordisk Hälsoassistans AB	100	0
Vertikal Helseassistanse AS	100	34
Viking Assistance Group AS	100	92
If Services AB	100	1
Topdanmark A/S	48.00 *)	1,398
Topdanmark Kapitalforvaltning A/S	100	12
Topdanmark Forsikring A/S	100	897
Topdanmark Liv Holding A/S	100	313
Topdanmark Livsforsikring A/S	100	498
Topdanmark Ejendom A/S	100	481
Hastings Group (Consolidated) Ltd	70	1,299
Hastings Group Holdings Limited	100	1,423
Hastings Group (Finance) plc	100	833
Hastings Group Limited	100	147
Advantage Global Holdings Limited	100	72
Advantage Insurance Company Limited	100	5
Hastings (Holdings) Limited	100	23
Hastings (UK) Limited	100	4
Mandatum Life Insurance Company Ltd	100	484
Mandatum Life Services Ltd	100	4
Mandatum Life Investment Services Ltd	100	2
Saka Hallikiinteistöt GP Oy	100	0
Mandatum Life Vuokratontit I GP Oy	100	0
Mandatum Life Fund Management S.A.	100	5
Mandatum Life Private Equity GP Oy	100	0
If IT Services A/S	100	0
Sampo Capital Oy	100	1

*) *The Group's ownership of votes.*

The table excludes dormant companies in the United Kingdom as well as property and housing companies accounted for in the consolidated accounts.

39 Events after the balance sheet date

In the meeting of 11 Feb 2021, the Board of Directors decided to propose at the Annual General Meeting on 19 May 2021 a dividend distribution of EUR 1.70 per share, or total EUR 944,098,145.00, for 2020. The dividends to be paid will be accounted for in the equity in 2021 as a deduction of retained earnings.

40 Risk Management Disclosure 2020

Sampo Group's Risks and Core Risk Management Activities

Sampo Group companies operate in business areas where specific features of value creation are the pricing of risks and the active management of risk portfolios in addition to sound client services. Hence common risk definitions are needed as a basis for business activities.

Group's Risks

In Sampo Group, the risks associated with business activities fall into three main categories as shown in the picture **Classification of Risks in Sampo Group**: business risks, reputational risk and risks inherent in the business operations. The first two risk classes are only briefly described in this Risk Management Disclosure as the focus is on the third risk class.

Business Risks

Business risk is the risk of losses due to changes in the competitive environment and/or lack of internal operational flexibility. Unexpected abrupt changes or already identified, but internally neglected trends can cause larger than expected fluctuations in profitability when volumes, margins, costs and capital charges change and in the long run they may also endanger the existence of Sampo Group's business models.

External drivers behind such changes are varied, including for instance general economic development, changes in commonly shared values, developments in the institutional and physical environment and technological innovations. Because external drivers are inter-connected, the customer preferences and demand can change unpredictably and there may be a need to change regulations as well. In case the company's internal understanding of needed changes or willingness and ability to act accordingly is inadequate and competitors are more able to meet clients' and regulation's altered expectations, the company is highly exposed to business risk.

Due to the predominantly external nature of the drivers and development in the competitive environment, managing business risks is the responsibility of the executive level senior management. Proactive strategic decision making is the central tool in managing business risks, which relate to the competitive advantage. The maintenance of internal operational flexibility – i.e. the ability to adjust the business model and cost structure when needed – is also an efficient tool in managing business risks.

Business risks do not have the regulatory capital charge, although they may be a material source of earnings volatility. Because of this, business risks may have an effect on the amount and structure of the actual capital base, if deemed prudent in the existing business environment.

Corporate Responsibility as a Business Risk Driver

The issues related to corporate responsibility are changing the preferences and values of Sampo Group companies' stakeholders and, as a result, the operating and competitive environment is evolving. The Group companies operate mainly in countries, which are characterized by an inherent respect for human rights, high transparency, and low levels of corruption and bribery. There is high compliance with labor rights, health and environmental legislation and freedom of speech and association. These themes are also inherent in the operations of all Sampo Group companies. Investors and authorities are increasing their focus on corporate responsibility, but also consumers and employees are emphasizing these topics when choosing a brand or an employer.

The key corporate responsibility related risk drivers for Sampo Group can be divided into four main areas:

Responsible business management and practices are fundamental to Sampo Group companies' operations. Good governance in Sampo Group means effective policies, management practices, and training, which provide assurance that the Group companies and their personnel, suppliers and other business partners comply with laws, regulations and generally accepted principles on human rights, labor rights, environment, anti-money laundering, counter-terrorism financing and anti-corruption and bribery. Further, it comprises comprehensive information security and cybersecurity governance systems, and data protection activities. Additionally, responsible business practices require being attentive to the risks relating to inappropriate customer advice and product sales, lack of clarity on conditions, prices and fees, and errors in claims handling and complaint processes. Sales and marketing practices' focus is on meeting the demands and needs of the customer and providing the customer with the information necessary for them to make well-informed decisions on their insurance coverage.

Responsible corporate culture includes factors relating to the work environment, diversity, equality, employee well-being, employee engagement, professional development, and talent attraction and retention. Skilled and motivated employees are an essential success factor in Sampo Group's aim to provide customers with the best service in all situations. Losing talent or being perceived as an unattractive employer would pose large risks for the businesses. Therefore, Sampo Group companies strive to ensure a sound work environment, not only because it is stipulated by law, but also because it lays the foundation for sustainable business performance. Diversity and equality are key focus areas for the Sampo Group companies, which are committed to providing a diverse, non-discriminatory, open and agreeable working environment where everyone is treated fairly and equally. Risks related to these themes are managed, for example, by having strong internal policies, conducting organizational development programs, and offering employees training, interesting career opportunities and attractive remuneration packages.

Responsible investment management and operations are important in managing investment risks and in mitigating potential adverse impacts on the Group's reputation. Therefore, Sampo Group companies take environmental, social and governance ("ESG") issues into account when assessing the security, quality, liquidity, and profitability of investments. Investment opportunities are carefully analyzed before any investments are made and ESG issues are considered along with other factors that might affect the risk-return ratio of individual investments. Depending on the asset class, Sampo Group companies use different ESG strategies to ensure the effective consideration and management of investment risks arising from ESG issues. The strategies include, for example, ESG integration, sector-based screening, norms-based screening, and active ownership.

Environmental issues and climate change are factors that are expected to have a mid and long-term effect on Sampo Group's businesses. Climate-related risks can be categorized into physical risks and transition risks. Physical risks can be further classified into long-term weather changes (chronic risks) and extreme weather events such as storms, floods, wildfires, or droughts (acute risks). Transition risks refer to risks arising from the shift to a low carbon economy, for example changes in technology, legislation, and consumer sentiment. The strength of the risks depends on the trajectory of global warming. A scenario in line with the Paris Agreement limiting the temperature rise to 1.5°C would have moderate consequences, whereas >3°C and 5°C scenarios would have severe consequences for industry, infrastructure and public health. Especially in geographically vulnerable regions, abandonment of low-lying coastal areas due to rising sea levels and food and water shortages, can lead to large-scale migration and outbreaks of diseases.

Investments are particularly exposed to climate-related risks in the form of losses incurred from extreme weather events and possible revaluation of assets as operating models in carbon intense sectors change. Sampo Group companies analyze the carbon footprint of their investments and their alignment with international climate goals annually.

Natural catastrophes and extreme weather conditions are risk factors affecting the financial position and results of non-life insurers. The increasing likelihood of extreme weather conditions is included in internal risk models. Climate-related risks are managed effectively with reinsurance programs and price assessments.

The Sampo Group companies also help their customers to manage climate-related risks. Extreme weather conditions can, for example, damage properties, lead to crop failure and business interruption. Loss prevention is an essential part of insurance services as it helps customers to reduce economic losses and mitigates the impacts of climate change.

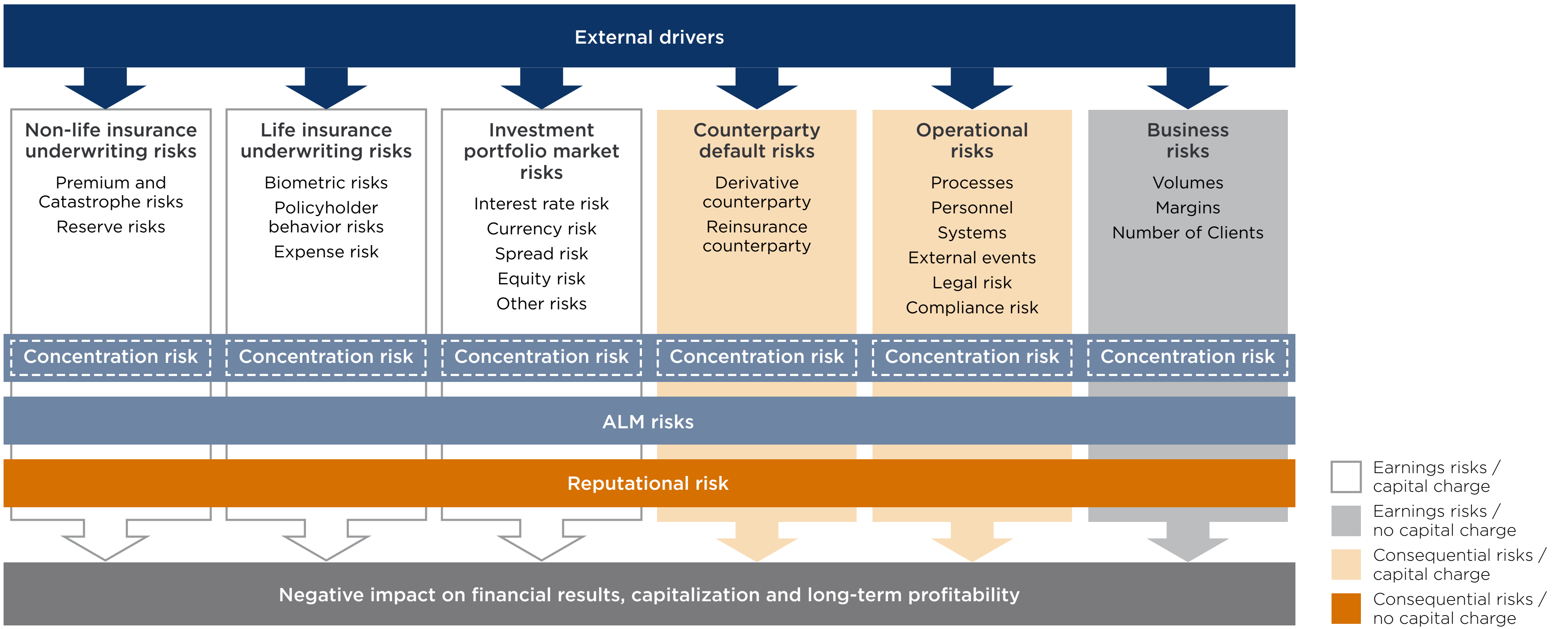
Further information on corporate responsibility in Sampo Group is available in the **Corporate Responsibility Report 2020** published in May 2021 **www.sampo.com/year2020**.

Reputational Risk

Managing stakeholder relationships means satisfied customers, professional staff, good co-operation with authorities and the trust and approval of the environment. These contribute to a key success factor of the company, its reputation.

Reputational risk refers to the risk that adverse publicity regarding the company's business practices or associations, whether accurate or not, causes a loss of confidence in the integrity of the institution. Reputational risk is often a consequence of a materialized operational or compliance risk and often manifests as a deterioration of reputation amongst customers and other stakeholders. Reputational risk is related to all activities shown in the graph Classification of Risks in Sampo Group. As the roots

Classification of Risks in Sampo Group



of reputational risk are varied, the tools to prevent it must be diverse and embedded within the corporate culture. These are reflected in how Sampo deals with environmental issues and its core stakeholders (i.e. customers, personnel, investors, other co-operation partners, tax authorities and supervisory authorities) and how Sampo Group has organized its Corporate Governance system.

Risks Inherent in Business Operations

In its underwriting and investment operations, Sampo Group is consciously taking certain risks in order to generate earnings. These earnings risks are carefully selected and actively managed. Underwriting risks are priced to reflect their inherent risk levels and the expected return of investments is compared to the related risks. Furthermore, earnings related risk exposures are adjusted continuously and their impact on the capital need is assessed regularly.

Successful management of underwriting risks and investment portfolio market risks is the main source of earnings for Sampo Group companies. Day-to-day management of these risks, i.e. maintaining them within given limits and authorizations is the responsibility of the business areas and the investment unit.

Some risks, such as counterparty default risks and operational risks presented in the graph Classification of Risks in Sampo Group are indirect repercussions of Sampo's normal business activities. They are one-sided risks, which in principle have no related earnings potential. Accordingly, the risk management objective is to mitigate these risks efficiently rather than actively manage them. Mitigation of consequential risks is the responsibility of the business areas and the investment unit. The capital need for these risks is measured by independent risk management functions. It has to be noted that the categorization of risks between earnings and consequential risks varies depending on the industry. For Sampo Group's clients, for instance, the events that are subject to insurance policies are consequential risks and for Sampo Group these same risks are earnings risks.

Some risks such as interest rate, currency and liquidity risks are by their nature simultaneously linked to various activities. In order to manage these risks efficiently, Sampo Group companies have to have a detailed understanding of expected cash flows and their variance within each of the company's activities. In addition, a thorough understanding of how the market values of assets and liabilities may fluctuate at the total balance sheet level under different scenarios is needed. These balance sheet level risks are commonly defined as Asset and Liability Management ("ALM") risks. In addition to interest rate, currency and liquidity risk, inflation risk and risks relating to GDP growth rates are central ALM risks in Sampo Group. The ALM risks are one of the focus areas of senior management because of their relevance to risks and earnings in the long run.

In general, concentration risk arises when the company's risk exposures are not diversified enough. When this is the case, an individual extremely unfavourable claim or financial market event, for instance, could threaten the solvency of the company.

Concentrations can evolve within separate activities – large single name or industry specific insurance or investment exposures – or across activities when a single name or an industry is contributing widely to the profitability and risks of the company through both insurance and investment activities.

Concentration risk may also materialize indirectly when profitability and the capital position react similarly to general economic developments or to structural changes in the institutional environment in different areas of business.

Core Risk Management Activities

To create value for all stakeholders in the long run, Sampo Group companies must have the following forms of capital in place:

- Financial flexibility in the form of adequate capital and liquidity.
- Good technological infrastructure.
- Intellectual capital in the form of comprehensive proprietary actuarial data and analytical tools to convert this data into information.
- Human capital in the form of skilful and motivated employees.
- Social and relationship capital in the form of good relationships with society and clients to understand the changing needs of different stakeholders.

At the company level, these resources are continuously developed. They are in use when the following core activities related to risk pricing, risk taking, and active management of risk portfolios are conducted.

Appropriate selection and pricing of underwriting risks

- Underwriting risks are carefully selected and are priced to reflect their inherent risk levels.
- Insurance products are developed proactively to meet clients' changing needs and preferences.

Effective management of underwriting exposures

- Diversification is actively sought.
- Reinsurance is used effectively to reduce largest exposures.

Careful selection and execution of investment transactions

- Risk return ratios and sustainability issues of separate investments opportunities are carefully analyzed.
- Transactions are executed effectively.

Effective mitigation of consequential risks

- Counterparty default risks are mitigated by carefully selecting counterparties, applying collateral agreements and assuring adequate diversification.
- High quality and cost-efficient business processes are maintained.
- Continuity and recovery plans are continuously developed to secure business continuity.

Effective management of investment portfolios and the balance sheet

- Balance between expected returns and risks in investment portfolios and the balance sheet is optimized, considering the features of insurance liabilities, internally assessed capital needs, regulatory solvency rules and rating requirements.
- Liquidity risks are managed by having an adequate portion of investments in liquid instruments. The portion is mainly dependent on the features of the liabilities.

At the Group level, the risk management focus is on the Group-wide capitalization and liquidity. It is also essential to identify potential risk concentrations and to have a thorough understanding of how reported profits of companies would develop under different scenarios. These concentrations and correlations may have an effect on the Group level capitalization and liquidity buffers as well as on the Group level management actions.

When the above-mentioned core activities are successfully implemented, a balance between profits, risks and capitalization can be achieved both at company and the Group level and shareholder value can be created.

If Group

Underwriting Risks

As shown in the following graph Breakdown of Gross Written Premiums by Business Area, Country and Line of Business, If, 31 December 2020, the If insurance portfolio is well diversified across Business Areas, Countries and Lines of Business. The six Lines of Business are segmented in accordance with insurance class segmentation used in IFRS.

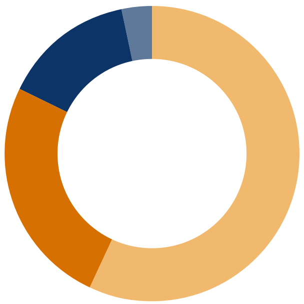
Premium and Catastrophe Risk and Their Management and Control

Despite the diversified portfolio, risk concentrations and consequently severe claims may arise through, for example, exposures to natural catastrophes such as storms and floods. The geographical areas most exposed to such events are Denmark, Norway and Sweden. In addition to natural catastrophes, single large claims could have an impact on the result of insurance operations. The negative economic impact of natural catastrophes and single large claims is effectively mitigated by having a well-diversified portfolio and a group-wide reinsurance program in place.

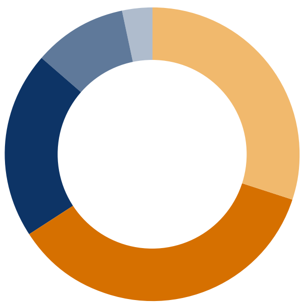
Breakdown of Gross Written Premiums

If, 31 December 2020, total EUR 4,823 million

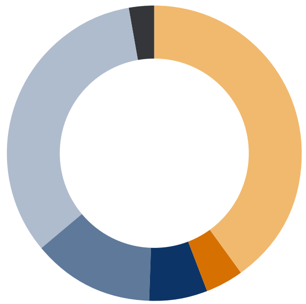
By Business Area



By Country



By Line of Business



The following adjustments from IFRS Lines of Business to Solvency II Lines of Business are made:

- *IFRS Line of Business Motor other and Motor third party liability (1,941) include Solvency II Line of Business Motor vehicle liability insurance (530) and Other motor insurance (1,411).*
- *IFRS Line of Business Accident (647) includes Solvency II Line of Businesses Income protection insurance (328), Other Life (48), Medical expense insurance (272) and Assistance (0).*

The sensitivity of the underwriting result and hence the underwriting risk is presented by changes in certain key figures in the table Sensitivity Test of Underwriting Result, If, 31 December 2020 and 31 December 2019.

The Underwriting Committee shall give its opinion on and propose actions in respect of various issues related to underwriting risk. The committee shall also consider and propose changes to the Underwriting Policy, which is the principal policy for underwriting, and sets general principles, restrictions and directions for the underwriting activities. This document shall be reviewed and approved at least yearly by the Boards of Directors.

The Chairman of the Underwriting Committee is responsible for the approval of underwriting deviations defined in the Underwriting Policy and other issues dealt with by the committee.

The Underwriting Policy is supplemented with guidelines outlining in greater detail how to conduct underwriting within each Business Area. These guidelines cover areas such as tariff and rating models for pricing, guidelines in respect of standard conditions and manuscript wordings, as well as authorities and limits. In accordance with the instructions for the Underwriting Committee, the Committee monitors compliance with the established underwriting principles.

Sensitivity Test of Underwriting Result

If, 31 December 2020 and 31 December 2019

Key figure	Current level (2020)	Change in current level	Effect on pretax profit, EURm 2020	2019
Combined ratio, business area Private	76.0%	+/- 1 percentage point	+/- 27	+/- 26
Combined ratio, business area Commercial	85.8%	+/- 1 percentage point	+/- 12	+/- 12
Combined ratio, business area Industrial	109.0%	+/- 1 percentage point	+/- 5	+/- 4
Combined ratio, business area Baltics	86.6%	+/- 1 percentage point	+/- 1	+/- 1
Net premiums earned (EURm)	4,484	+/- 1 per cent	+/- 45	+/- 44
Net claims incurred (EURm)	2,975	+/- 1 per cent	+/- 30	+/- 30
Ceded written premiums (EURm)	234	+/- 10 per cent	+/- 2	+/- 20

The Business Areas manage the underwriting risk on a day-to-day basis. A crucial factor affecting the profitability and risk of non-life insurance operations is the ability to accurately estimate future claims and expenses and thereby correctly price insurance contracts. The premiums within the Business Area Private and the premiums for smaller risks within the Business Area Commercial are set through tariffs. The underwriting of risks in the Business Area Industrial and of more complex risks within the Business Area Commercial is to a greater extent based on principles and individual underwriting than on tariffs. In general, pricing is based on statistical analyses of historical claims data and assessments of the future development of claims frequency and claims inflation.

If's Reinsurance Policy stipulates guidelines for the purchase of reinsurance. The need and optimal choice of reinsurance is evaluated by considering the expected cost versus the benefit of the reinsurance, the impact on result volatility and capital requirements. The main tool for this evaluation is If's internal model in which frequency claims, large claims and natural catastrophes are modelled.

A group-wide reinsurance program has been in place in If since 2003. In 2020, retention levels were between SEK 100 million (approximately EUR 9.5 million) and SEK 250 million (approximately EUR 23.8 million) per risk and SEK 250 million (approximately EUR 23.8 million) per event.

Reserve Risk and Its Management and Control

The main reserve risks for If are stemming from uncertainty in the claim amounts caused by higher than expected claims inflation, change in discount rates or an increased retirement age with the consequences that both annuities and lump sum payments would increase.

The Boards of Directors of If decides on the guidelines governing the calculation of technical provisions. The Chief Actuary is responsible for developing and presenting guidelines on how the technical provisions are to be calculated and for assessing whether the level of total provisions is sufficient. The Chief Actuary issues a quarterly report on the adequacy of If's technical provisions.

The Actuarial Committee is a preparatory and advisory board for If Chief Actuary. The Committee secures a comprehensive view over reserve risk, discusses and gives recommendations on policies and guidelines for calculating technical provisions.

The actuaries continuously monitor the level of provisions to ensure that they comply with the established guidelines. The actuaries also develop methods and systems to support these processes.

In the table Technical Provisions by Line of Business and Major Geographical Area, If, 31 December 2020, the size and duration of If's technical provisions are presented by Line of Business and major geographical area. Finland's and Sweden's share of technical provisions is larger than the share of gross written premiums, which is mainly due to Sweden and Finland having a long duration of Motor other and Motor third party liability ("MTPL") and Finland also having a long duration of Workers' compensation. The long duration is mainly due to annuities in these Lines of Business, which increases the amount of technical provisions. The duration of the provisions, and thus the sensitivity to changes in interest rates, varies with each product portfolio. The weighted average duration for 2020 across the product portfolios was 6.5 years.

Technical Provisions by Line of Business and Major Geographical Area

If, 31 December 2020

	Sweden		Norway		Finland		Denmark		Baltics		Total	
	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration
Motor other and MTPL	1,950	7.1	476	1.5	1,043	13.7	151	1.6	115	4.5	3,735	7.9
Workers' compensation	0	0.0	158	2.8	1,174	12.6	271	9.7	0	0.0	1,602	11.1
Liability	285	3.5	112	1.1	109	4.0	77	3.2	27	2.5	610	3.1
Accident	412	5.9	384	4.1	182	5.8	106	1.7	7	0.5	1,092	4.8
Property	494	1.0	499	1.2	243	1.1	136	0.7	42	0.7	1,413	1.0
Marine, aviation, transport	34	1.3	32	0.7	9	1.1	20	0.9	2	0.8	97	1.0
Total	**3,175**	**5.6**	**1,662**	**2.1**	**2,758**	**11.2**	**761**	**4.0**	**193**	**3.2**	**8,549**	**6.5**

Reserves are mainly exposed to inflation and discount rates and to some extent to life expectancy. The sensitivity of If's technical provisions to an increase in inflation, an increase in life expectancy and a decrease in the discount rate is presented in the table Sensitivities of Technical Provisions, If, 31 December 2020.

The technical provisions are further analyzed by claims years. The output from this analysis is illustrated both before and after reinsurance in the claims cost trend tables. These are disclosed in the **Note 26** in the **Financial Statements**.

The anticipated inflation trend is considered when calculating all provisions and is of the utmost importance for claims settled over a long period of time, such as Motor other and MTPL, as well as Workers' compensation. The anticipated inflation is based on external assessments of the inflation trend in various areas, such as the consumer price index and payroll index, combined with If's own estimation of costs for various types of claims. For Lines of Business such as Motor other and MTPL as well as Workers' compensation, legislation differs significantly between countries. Some of the technical provisions for these lines include annuities which are sensitive to changes in mortality assumptions and discount rates. The proportion of technical provisions related to Motor other and MTPL as well as Workers' compensation was 62 per cent.

Sensitivities of Technical Provisions

If, 31 December 2020

Technical provision item	Risk factor	Change in risk parameter	Country	Effect EURm 2020
Nominal provisions	Inflation increase	Increase by 1 percentage point	Sweden	139.8
			Denmark	18.7
			Norway	36.9
			Finland	38.8
Annuities and estimated share of claims provisions to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	24.3
			Denmark	1.8
			Finland	81.0
Discounted provisions (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1 percentage point	Sweden	68.4
			Denmark	18.1
			Finland	312.6

Retirement age and life expectancy are two factors that affect the annual amount and duration of annuities. An increased retirement age, through for instance a political decision, will increase the present value of annuities as those decrease or expire at retirement. An increase in life expectancy will increase the duration and present value of annuities. The present value of annuities is also sensitive to changes in the discount rates used to discount the nominal cash flows. The most material annuity balances in If with significant sensitivity to discount rates refer to the business in Finland and Sweden.

The actuarial estimates are based on historical claims and existing exposures that are available at the balance sheet date. Factors that are monitored include loss development trends, the level of unpaid claims, changes in legislation, case-law and economic conditions. When setting the non-life and life provisions, established actuarial and statistical methods are used.

Market Risks

Fixed income investments and listed equity instruments form the major part of the investment portfolio of EUR 11,251 million (11,109). A large part of the fixed income investments was at 31 December 2020 concentrated to financial institutions. The role of real estate, private equity, and other alternative investments is immaterial.

The composition of the investment portfolios by asset classes in If at year end 2020 and at year end 2019 and average maturities of fixed income investments are shown in the table Investment Allocation, If, 31 December 2020 and 31 December 2019.

Investment Allocation

If, 31 December 2020 and 31 December 2019

	31 Dec 2020			31 Dec 2019		
Asset Class	**Market value, EURm**	**Weight**	**Average maturity, years**	**Market value, EURm**	**Weight**	**Average maturity, years**
Fixed income total	**9,933**	**88%**	**2.7**	**9,808**	**88%**	**2.8**
Money market securities and cash	516	5%	0.0	454	4%	0.1
Government bonds	1,016	9%	5.1	662	6%	3.8
Credit bonds, funds and loans	8,401	75%	2.6	8,692	78%	2.8
Covered bonds	*2,514*	*22%*	*2.1*	*2,616*	*24%*	*2.5*
Investment grade bonds and loans	*3,431*	*30%*	*2.7*	*3,582*	*32%*	*2.8*
High-yield bonds and loans	*1,465*	*13%*	*2.9*	*1,587*	*14%*	*3.4*
Subordinated / Tier 2	*452*	*4%*	*3.1*	*467*	*4%*	*3.2*
Subordinated / Tier 1	*541*	*5%*	*2.7*	*440*	*4%*	*2.2*
Hedging swaps	*0*	*0%*	-	*0*	*0%*	-
Listed equity total	**1,301**	**12%**	**-**	**1,281**	**12%**	**-**
Finland	0	0%	-	0	0%	-
Scandinavia	888	8%	-	865	8%	-
Global	413	4%	-	417	4%	-
Alternative investments total	**18**	**0%**	**-**	**21**	**0%**	**-**
Real estate	3	0%	-	3	0%	-
Private equity	6	0%	-	9	0%	-
Biometric	0	0%	-	0	0%	-
Commodities	0	0%	-	0	0%	-
Other alternative	8	0%	-	9	0%	-
Trading derivatives	**-1**	**0%**	**-**	**0**	**0%**	**-**
Asset classes total	**11,251**	**100%**	**-**	**11,109**	**100%**	**-**
FX Exposure, gross position	**81**	**-**	**-**	**113**	**-**	**-**

If's investment management strategy is conservative, with a low equity share and low fixed-income duration.

Both investment performance and market risk are actively monitored and controlled by the Investment Control Committee monthly and reported to the Own Risk and Solvency Assessment Committee ("ORSA Committee") quarterly. In addition, the allocation limits, issuer and counterparty limits, the sensitivity limits for interest rates and credit spreads as well as the regulatory capital requirements are regularly monitored.

Market Risks of Fixed Income and Equity Instruments

Spread Risk and Equity Risk

Spread risk and equity risk are derived only from the asset side of the balance sheet. Exposures in fixed income and equity instruments are presented by sector, asset class and rating in the following table, which also includes counterparty risk exposures relating to derivative transactions. Counterparty default risks are described in more detail in section **Counterparty Default Risks**. Due to differences in the reporting treatment of derivatives, the figures in the table are not fully comparable with other tables in Sampo Group's Financial Statements.

Exposures by Sector, Asset Class and Rating

If, 31 December 2020

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change from 31 Dec 2019
Basic industry	0	0	0	114	20	0	11	145	41	0	0	186	8
Capital goods	0	0	64	45	19	0	109	237	470	0	0	707	20
Consumer products	0	1	108	314	24	0	102	549	289	0	0	838	71
Energy	0	0	0	0	9	1	101	111	2	0	0	113	-58
Financial institutions	39	839	1,008	818	141	0	102	2,947	0	0	1	2,948	-47
Governments	337	0	0	0	0	0	0	337	0	0	0	337	328
Government guaranteed	0	27	0	0	0	0	0	27	0	0	0	27	-9
Health care	7	0	11	26	3	0	36	83	31	0	0	114	-48
Insurance	0	0	41	81	26	0	120	268	0	0	0	268	76
Media	0	0	0	0	0	0	22	22	0	0	0	22	7
Packaging	0	0	0	0	0	0	14	14	0	0	0	14	-1
Public sector, other	523	89	0	0	0	0	0	612	0	0	0	612	33
Real estate	0	15	94	382	50	0	456	997	0	3	0	1,001	36
Services	0	0	0	43	94	0	36	173	0	0	0	173	27
Technology and electronics	0	0	19	15	10	0	54	98	0	0	0	98	-49
Telecommunications	0	0	22	146	48	0	4	220	55	0	0	275	14
Transportation	0	26	23	30	0	0	154	233	1	0	0	233	-115
Utilities	0	0	53	129	74	0	21	277	0	0	0	277	-45
Others	0	11	0	0	0	0	28	39	0	9	0	49	-14
Asset-backed securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	2,514	0	0	0	0	0	0	2,514	0	0	0	2,514	-102
Funds	0	0	0	0	0	0	0	0	413	5	0	418	-6
Clearing house	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**3,420**	**1,008**	**1,443**	**2,142**	**518**	**1**	**1,372**	**9,905**	**1,301**	**18**	**1**	**11,225**	**126**
Change from 31 Dec 2019	**310**	**-259**	**-146**	**284**	**27**	**1**	**-106**	**111**	**20**	**-3**	**-3**	**126**	**0**

The figures include bank account balances related to insurance activities.

Most of the fixed income exposures are in investment grade issues and currently the role of Nordic covered bonds and Nordic banks as issuers is central. Within fixed income investments part of the money market securities, cash and investment grade government bonds form a liquidity buffer.

In the equity portfolio, most of the equity investments are selectively chosen direct investments in the Nordic markets. When investing in non-Nordic equities, funds or other assets, third party managed investments are mainly used. The changes in equity positions during the year can be seen in the graph Breakdown of Listed Equity Investments by Geographical Regions, If, 31 December 2020 and 31 December 2019.

Market Risks of Balance Sheet

Asset and Liability Management Risk

The ALM risk is considered through the risk appetite framework and its management and governance are based on If's Investment Policies. In general, to maintain the ALM risk within the overall risk appetite, the cash flows of insurance liabilities are matched by investing in fixed income instruments denominated in the same currencies as the liabilities. Derivatives can be used to manage the ALM risk.

Interest Rate Risk

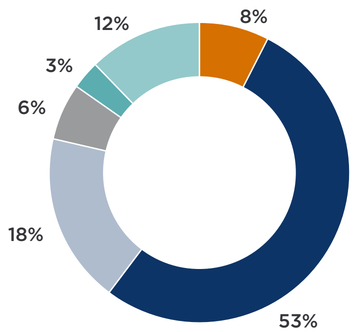
In general, If is negatively affected when interest rates are decreasing or remaining at low levels, as the duration of liabilities in If is longer than the duration of assets. If has over the years gradually decreased its combined ratio level to counteract falling interest rates. Interest rate sensitivity in terms of the average duration of fixed income investments was 1.4 years. The respective duration of insurance liabilities was 6.5 years. The overall interest rate risk is managed by sensitivity limits for instruments sensitive to interest rate changes.

In the financial accounts, most of the technical provisions are nominal, while the annuity and annuity IBNR reserves, are discounted using interest rates in accordance with the regulatory rules. Accordingly, from an accounting perspective, If is mainly exposed to changes in inflation and regulatory discount rates. From an economic perspective, in which the cash flows of insurance liabilities are discounted with prevailing interest rates, If is exposed to changes both in inflation and nominal interest rates. For more information see the table **Sensitivities of Technical Provisions, If, 31 December 2020** in the section **Underwriting Risks**.

Breakdown of Listed Equity Investments by Geographical Regions

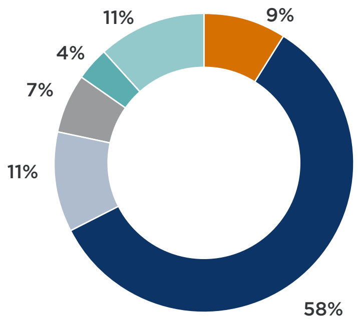
If

31 December 2020
Total EUR 1,301 million



- Denmark 0
- Norway 98
- Sweden 690
- Finland 0
- Western Europe 236
- Eastern Europe 0
- North America 82
- Latin America 40
- Asia 156

31 December 2019
Total EUR 1,281 million



- Denmark 0
- Norway 117
- Sweden 748
- Finland 0
- Western Europe 139
- Eastern Europe 0
- North America 83
- Latin America 48
- Asia 146

Currency Risk

If writes insurance policies that are mostly denominated in the Scandinavian currencies and in the euro. The currency risk is to a large extent reduced by matching technical provisions with investment assets denominated in the corresponding currencies or by using currency derivatives. The currency exposure in insurance operations is hedged to the base currency on a regular basis.

The currency exposure in investment assets is controlled weekly and hedged when the exposure has reached a specific level, set with respect to cost efficiency and minimum transaction size. An active currency management can be performed within set limits. The transaction risk positions against the Swedish krona are shown in the table Transaction Risk Position, If, 31 December 2020. The table shows the net transaction risk exposures and the changes in the value of positions given a 10 per cent decrease in the value of the base currency.

In addition to transaction risk, If is also exposed to translation risk which at the Group level stems from foreign operations with other base currencies than SEK.

Transaction Risk Position

If, 31 December 2020

Base currency, SEKm	EUR	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
Insurance operations	-3,500	-140	0	-4	-18	-1,942	-5	-851	-22	-6,483
Investments	2,103	320	0	2	0	2,018	0	305	1	4,747
Derivatives	1,385	-200	17	0	18	-67	4	548	7	1,712
Transaction risk, net position	**-13**	**-21**	**17**	**-3**	**0**	**9**	**-1**	**2**	**-14**	**-24**
Sensitivity: SEK -10%	-1	-2	2	0	0	1	0	0	-1	-2

If's transaction risk position in SEK represents exposure in foreign subsidiaries /branches within If with base currency other than SEK.

Liquidity Risk

In If, liquidity risk is limited, since premiums are collected in advance and large claims payments are usually known a long time before they fall due. Liquidity risks are managed by cash management functions which are responsible for liquidity planning. Liquidity risk is reduced by having investments that are readily tradable in liquid markets. The liquidity of financial assets is analyzed and reported to the ORSA Committee.

The maturities of technical provisions and financial assets and liabilities are presented in the table Cash Flows According to Contractual Maturity, If, 31 December 2020. The average maturity of fixed income investments was 2.7 years in If. The table shows the financing requirements resulting from expected cash inflows and outflows arising from financial assets and liabilities as well as technical provisions.

If has a relatively low amount of financial liabilities and thus the refinancing risk is small.

Counterparty Default Risks

In If, the three major sources of counterparty risk are reinsurance, financial derivatives and other receivables.

Counterparty default risk arising from receivables from policyholders and other receivables related to commercial transactions is very limited, because non-payment of premiums generally results in cancellation of the insurance policies.

Cash Flows According to Contractual Maturity

If, 31 December 2020

EURm	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	Cash flows 2021	2022	2023	2024	2025	2026–2035	2036–
Financial assets	**12,900**	**1,742**	**11,158**	**1,733**	**2,062**	**1,848**	**2,022**	**1,306**	**885**	**0**
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Financial liabilities	**1,189**	**1**	**1,188**	**-366**	**-3**	**-100**	**0**	**0**	**0**	**0**
of which interest rate swaps	44	0	44	-44	0	0	0	0	0	0
Lease liabilities	**154**	**0**	**154**	**-25**	**-22**	**-17**	**-16**	**-16**	**-69**	**0**
Net technical provisions	**8,549**	**8,549**	**0**	**-3,225**	**-1,014**	**-559**	**-387**	**-306**	**-1,741**	**-1,629**

In the table, financial assets and liabilities are divided into contracts that have an exact contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. In addition, the table shows expected cash flows for net technical provisions, which by their nature, are associated with a certain degree of uncertainty.

Reinsurance Counterparty Risk

Reinsurance is used regularly to utilize If's own funds efficiently and reduce the cost of capital, limit large fluctuations of underwriting results and have access to the reinsurers' competence base. The Reinsurance Committee is a collaboration forum for reinsurance related issues in general and shall give its opinion on and propose actions in respect of such issues. The Committee shall consider and propose changes to the Reinsurance Policy and the Internal Reinsurance Policy. The Chairman shall decide on the contents of reporting from the Committee. At least three times per year, and as needed in case of adverse development, the reinsurance credit risk exposure (estimated and materialized) as well as deviations from the Reinsurance Policy, shall be reported.

The distribution of reinsurance receivables and reinsurers' portion of outstanding claims on 31 December 2020 per rating category is presented in the table Reinsurance Recoverables, If, 31 December 2020 and 31 December 2019. In the table EUR 155 million (136) of reinsurance recoverables are excluded, which mainly relates to captives and statutory pooled solutions.

Reinsurance Recoverables

If, 31 December 2020 and 31 December 2019

	31 Dec 2020		31 Dec 2019	
Rating	**Total, EURm**	**% of total**	**Total, EURm**	**% of total**
AAA	0	0%	0	0
AA+ - A-	159	100%	94	99%
BBB+ - BBB-	0	0%	1	1%
BB+ - C	0	0%	0	0%
D	0	0%	0	0%
Non-rated	0	0%	0	0%
Total	**159**	**100%**	**95**	**100%**

Because the recoverables reported above are typically not covered by collaterals the whole amount is exposed to counterparty risk.

If's Reinsurance Policy sets requirements for the reinsurers' minimum credit ratings and the maximum exposure to individual reinsurers. Also, the own credit-analysis plays a central role when counterparties are selected.

The Reinsurance Security Committee in If shall give input and suggestions to decisions in respect of various issues regarding reinsurance default risk and risk exposure, as well as proposed deviations from the Reinsurance Policy. As for the Reinsurance Committee, the Chairman of the Reinsurance Security Committee shall decide on the contents of reporting from the Committee. At least three times per year, and as needed in case of adverse development, the reinsurance credit risk exposure (estimated and materialized) as well as deviations from the Reinsurance Policy, shall be reported.

Most of the reinsurers have ratings between AA+ and A-. The ten largest individual reinsurance recoverables amounted to EUR 171 million, representing 54 per cent of the total reinsurance recoverables including captives and statutory pooled solutions.

The total ceded premium related to treaty and facultative reinsurance amounted to EUR 58.3 million.

Counterparty Risk Related to Financial Derivatives

In If, the default risk of derivative counterparties is a by-product of managing market risks. The role of long-term interest rate derivatives has been immaterial and counterparty risk mainly stems from short-term FX derivatives. The counterparty risk of bilaterally settled derivatives is mitigated by a careful selection of counterparties, by diversification of counterparties to prevent risk concentrations and by using collateral techniques, e.g. ISDA Master Agreements backed by Credit Support Annexes. If settles interest rate swaps in central clearing houses, which mitigates bilateral counterparty risk but also results in a systemic risk exposure related to centralised clearing parties.

Topdanmark Group

Underwriting Risks

Non-Life Underwriting Risks

As shown in the graph Breakdown of Gross Written Premiums by Business Area, Country and Line of Business, Topdanmark Non-Life, 2020, Topdanmark's insurance portfolio is diversified across Business Areas and Lines of Business.

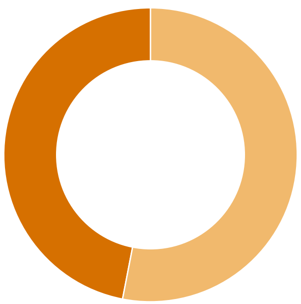
Premium and Catastrophe Risk and Their Management and Control

The main underwriting risk that influences the performance is the risk of catastrophe events. However, Topdanmark Forsikring has a very comprehensive reinsurance program in place contributing to the low level of underwriting risk. The largest retention level of DKK 100 million plus reinstatement for each event is on storm events. The maximum retention on fire events is DKK 25 million and in workers' compensation risks are covered up to DKK 1 billion with a retention of DKK 50 million.

With certain restrictions, acts of terrorism are covered by the reinsurance contracts. Starting 1 July 2019, the NBCR (nuclear, biological, chemical, radiological) acts of terrorism are covered by a public organization. This is based on a new Act on NBCR acts of terrorism. Under the new scheme the costs from a NBCR attack in Denmark will initially be borne by the State, but those costs will subsequently be recovered from policyholders.

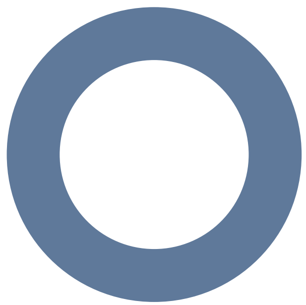
Breakdown of Gross Written Premiums
Topdanmark Non-Life, 2020, total EUR 1,315 million

By Business Area



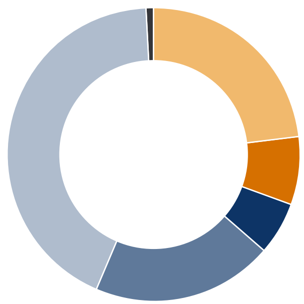
- Private 698
- Commercial 617
- Industrial 0

By Country



- Norway 0
- Sweden 0
- Finland 0
- Denmark 1,315
- Baltic 0
- United Kingdom 0

By Line of Business



- Motor other and motor third party liability 306
- Workers' compensation 98
- Liability 77
- Accident 264
- Property 564
- Marine, aviation, transport 8

Premium risk reduction measures taken at different levels of operations are as follows:

- Collection of data on risk and claims history
- Use of collected and processed data in profitability reporting, risk analyses and in the internal model
- Ongoing follow-up on risk developments as well as quarterly forecasts for future risk development
- Pricing using a statistical model tool including customer scoring tools
- Reinsurance cover that reduces the risk especially for catastrophe events
- Ongoing follow-up on the risk picture and reinsurance coverage in the Risk Committee.

To maintain product and customer profitability, Topdanmark monitors changes in its customer portfolios. Provisions are recalculated, and the profitability reports are updated in the same context on a monthly basis. Based on this reporting, trends in claim levels are carefully assessed and price levels may be adjusted if considered necessary.

In the private market segment, customer scoring is used, and customers are divided into groups according to their expected profitability levels. The customer scoring has two roles. First it helps to maintain the balance between the individual customer's price and risk. Secondly it facilitates the fairness between individual customers by ensuring that no customers are paying too large premiums to cover losses from customers who pay too small premiums.

The historical profitability of major SME customers with individual insurance schemes is monitored using customer assessment systems. These assessment systems enable Topdanmark to achieve accurate information about income, claims expenses, combined ratio etc. for each customer.

In addition to the analysis described above, Topdanmark continuously improves its administration systems to achieve more detailed data, which in turn enables the company to identify the claims trends at an earlier point in time and compile information on the constituent parts of the various types of claims.

The non-life risk scenarios are presented in the table Non-Life Insurance Risk Scenarios, Topdanmark, 31 December 2020 and 31 December 2019.

Non-Life Insurance Risk Scenarios

Topdanmark, 31 December 2020 and 31 December 2019

EURm after tax

Key figure	Current level (2020)	Change in current level	2020	2019
Combined ratio, business area Private	89.8%	+/- 1 percentage point	+/- 5.4	+/-5.4
Combined ratio, business area Commercial	82.7%	+/- 1 percentage point	+/- 4.8	+/-4.6
Net premiums earned (EURm)	1,227	+/- 1 per cent	+/- 9.5	+/-9.2
Net claims incurred (EURm)	846	+/- 1 per cent	+/- 6.6	+/-6.0
Ceded written premiums (EURm)	79	+/- 10 per cent	+/- 6.2	+/-6.3

Reserve Risk and Its Management and Control

The insurance lines of business are divided into short-tail i.e. those lines where the period from notification until settlement is short and long-tail i.e. those lines where the period from notification until settlement is long. The main short-tail lines in Topdanmark are buildings and other property and comprehensive motor insurance. For the short-tail lines the claims are mainly settled within the first year. Long-tail lines relate to personal injury and liability and consist of the lines Workers' compensation, Accident, Motor third party insurance and Commercial liability. Composition of non-life provisions for outstanding claims is presented in the following table.

Composition of Non-Life Provisions for Outstanding Claims
Topdanmark, 31 December 2020 and 31 December 2019

	2020		2019	
Provisions for outstanding claims	**%**	**Duration**	**%**	**Duration**
Short-tail	13.4	1.0	12.2	1.0
Annuity provisions in workers' compensation	26.1	10.5	26.7	10.5
Other claims provisions in workers' compensation	21.0	1.7	21.8	1.7
Accident	29.1	9.6	28.8	9.8
Motor personal liability	6.2	2.2	6.9	2.3
Commercial liability	4.2	1.9	3.5	1.8

Due to the longer period of claims settlement, the risk profile of the long-tail lines of business are generally more uncertain than the short-tail lines. It is not unusual that claims in long-tail lines are settled three to five years after notification and in rare cases up to ten to fifteen years.

The reserve risk is calculated using Topdanmark's partial internal model for insurance risk. Workers' compensation claims provision has by far the biggest risk, followed by the other long-tail claims provisions.

During such a long period of settlement, the levels of compensation could be significantly affected by changes in legislation, case-law or practice in the compensation of claim incidents adopted by the Danish Labour Market Insurance which decides on compensation for injury and loss of earnings potential in all cases of serious industrial injuries. The practice adopted by the Danish Labour Market Insurance also has some impact on the levels of compensation for accident and personal injury within motor liability and commercial liability insurance. Supreme court decisions can also influence the provisions for former years especially for Workers' compensation.

The reserve risk represents mostly the ordinary uncertainty of calculation and claims inflation, i.e. an increase in the level of compensation due to the annual increase in compensation per policy being higher than the general development in prices or due to a change in judicial practice or legislation. The sufficiency of the provisions is tested in key lines by calculating the provisions using alternative models as well, and then comparing the compensation with information from external sources, primarily statistical material from the Danish Labour Market Insurance and the Danish Road Sector/Road Directorate.

The actuarial team has a continuous dialogue with the claims departments on any changes in the practices regarding new legislation, case-law or compensation practices as well as on the impact of such changes on the routines used to calculate individual provisions.

Life Underwriting Performance and Risks

The split of premiums between products during the last two years is presented in the table Sources of Gross Premiums, Topdanmark Life Insurance, 31 December 2020 and 31 December 2019.

Sources of Gross Premiums

Topdanmark Life Insurance, 31 December 2020 and 31 December 2019

EURm	2020	2019
With profit schemes	53.6	62.4
Unit-linked schemes	365.8	340.2
Group life	35.9	36.0
Regular premiums	**455.3**	**438.6**
With profit schemes	13.2	46.1
Unit-linked schemes	1,004.6	1,002.8
Single premiums	**1,017.8**	**1,048.9**
Gross premiums	**1,473.1**	**1,487.5**

The focus of sales is on unit-linked schemes and the premiums received are mostly of unit-linked schemes. The regular premiums are growing steadily while the single premiums are fluctuating more from year to year.

The risk inherent in the life business is firstly related to the with profit technical provisions. As the majority of new contracts are written as unit-linked contracts, the risk will not increase as much as the volume of premiums and total provisions.

Group life insurance is a collective life insurance without savings – that is, a risk insurance – where the sum insured is paid only to the beneficiaries in case of the insured's death during the insurance period. It is irrelevant whether the death is due to accident or illness.

The main risks of Topdanmark Livsforsikring can be summarized as follows:

- Limited loss-absorbing buffers (bonus potentials) combined with low interest rates environment
- Disability risk
- Longevity risk
- Pandemic risk

A low interest rate level with material elements of negative interest rates and, in particular, sustained low interest rates along with prolonged lives represent a significant risk scenario for insurers with guaranteed benefits as there will be a reduction of the collective and individual bonus potentials used for loss absorption by interest and risk groups. When a risk event occurs, the effect on the profit will depend on the size of bonus potentials which are a loss absorbing capacity ("LAC") within the insurance liabilities. When the loss absorbing capacity is higher than the losses, losses on the insurance liabilities are covered by the bonus potentials. For risk groups where the bonus potentials are fully used, the equity will cover the risk.

Life Insurance Underwriting Risk Control

The loss-absorbing buffers are a crucial part of the with profit concept in leveling of yields and claims over time. Therefore, Topdanmark Livsforsikring has continuous focus on the solvency position, the changes in the individual risks and the development of the loss-absorbing buffers. The latter is important because over time it can level out the market and insurance risks within the individual risk groups.

The Solvency Capital Requirement is calculated quarterly. When deemed necessary, due to market developments, the frequency of calculation is increased and, if necessary, the number and type of scenarios are increased.

Trends in product claim levels are assessed on top of the calculation of the insurance provisions. Profitability models are applied systematically as a follow-up on customer and portfolio levels. This assessment is used to identify price adjustment needs.

Loss Absorbing Buffers in the Event of Low Interest Rates

Customers' individual and collective bonus potential together creates the loss absorbing buffers in Danish life insurance against any losses incurred by customers on investment activities and insurance covers.

Low interest rates mean that the market value of the guarantees granted is high, and hence the related individual bonus potential is low. The lower the individual bonus potential is, the higher is the risk of any losses to be absorbed wholly or partially by shareholder's equity. In case interest rates are high, the same losses could, to a larger degree, be absorbed by the bonus potential.

Declines in the collective bonus potential are most frequent, due to the investment return being lower than the annual addition of interest to deposits.

In order to protect shareholders' equity, it will, in general, be relevant to reduce market risks in the event of lower interest rates.

All policies have been split into contribution groups according to the guaranteed benefit scheme. For all contribution groups, there are separate loss absorbing buffers and hence in each contribution group, the separate investment policy must be in line with risk taking capacity to ensure the ability to meet the guaranteed benefits. Market risk is adjusted continuously in accordance with the risk capacity of the contribution groups, and the movements in interest rates are monitored so that risk reducing actions can be taken when needed.

Disability

Disability risk is the risk of increased disability intensity or declines in the rates of resumption of work. Losses may incur due to an increase in disability frequency or due to inadequate health evaluation when the policy is written.

Extra costs, due to a permanent change in disability risk, will be partially covered by individual and collective bonus potential. The remainder affects the result for the year and consequently shareholders' equity.

Longevity

Longevity risk is the risk that customers with life dependent policies, primarily annuities, live longer than expected. That will increase provisions for lifetime products.

Extra costs, due to longer lifetimes, will be partially covered by individual and collective bonus potential. The remainder affects the result for the year and consequently shareholders' equity.

Pandemic

Extraordinary expenses as a result of a pandemic affecting age groups insured in the company's group life portfolio are financed by equity.

The following risk reduction measures and methods are used in Topdanmark Livsforsikring:

- All with profit contracts are divided according to the granted benefit guarantee and the investment policy is designed to ensure the ability to meet the guarantees
- Market risk is freely adjustable in relation to the individual customer groups' risk capacity
- Normal fluctuations in ROI and risk results in the average interest rate environment are captured by bonus potentials per contribution group
- Reinsurance
- Prices for death and disability covers are adjusted continuously in relation to the market situation and the observed claims history
- The basis of new subscription is changed as needed
- Establishing business procedures that ensure that the products are sold at the right price/risk mix
- Changes in insurance contract conditions that contribute to risk mitigation for similar claims in the future

The life insurance risk scenarios can be found in the following table.

The monitoring of whether the risk reduction methods are still effective is i.a. via continuous follow-up of the company's risk profile and reinsurance cover in the Risk Committee and via the on-going follow-up of forecasts. If the forecasts are not met, the risk reduction methods may need to be corrected.

Risk Scenarios in Life Insurance

Topdanmark, 31 December 2020 and 31 December 2019

EURm after tax	2020	2019
Disability intensity - 35% increase*	-1.6	-1.0
Mortality intensity - 20% decline	-3.0	-3.4

35% increase first year, subsequently 25%, coincident with 20% decline in reactivation rates.

Market Risks

In general, the long-term value creation shall be based mainly on the acceptance of insurance risks. To supplement the Group's profit from its insurance activities, Topdanmark accepts a certain level of financial market risks as well, given its strong liquidity position and stable, high earnings from insurance operations. Hence, in addition to fixed income instruments, Topdanmark has invested, among other things, in equities, properties and CLOs (collateralized loan obligations) in order to improve the average investment return.

Market risks are limited to the extent that is considered appropriate, so that it is highly probable that the company gains a profit even in the very unfavourable financial market scenarios. Large risk exposures or highly correlated risks are covered to prevent unnecessary losses and market risks originating from insurance operations. The investment portfolio shall be managed in a way that market risk taking shall not endanger the normal operations or implementation of planned actions in unfavourable market conditions.

To reach the aforementioned general goals, the investment policy sets the company's objectives, strategies, organization and reporting practices on investments. The investment strategy is more precisely determined in terms of market risk limits and specific requirements for certain types of positions and sub-portfolios (risk appetite). The investment strategy is determined by the Board and revised at least once a year. Appropriate financial risk mitigation techniques are used.

When selecting the investment assets, a portfolio composition that matches the risk features of the corresponding liabilities is sought. The purpose of the investment policy is also to ensure that the company has effectively implemented the organization, systems and processes necessary to identify, measure, monitor, manage and report on investment risks to which it is exposed.

At the same time, the policy sets the framework for investment of customers' savings, bonus schemes and unit-linked savings (customer funds) in Topdanmark Livsforsikring, so that the company can continue to offer attractive savings products to its clients with competitive returns in relation to the investment risks accepted by the clients.

In addition to the investment policies, the companies have a capital plan and a capital emergency plan if sudden changes occur on the asset or liability side.

When market risks are measured and managed, all exposures are included, regardless of whether they arise from active portfolio management of investments or from annuities, which are considered as market risk.

Asset Allocations and Investment Performance: Topdanmark Excluding Unit-Linked

As described earlier, in life insurance different contribution groups have their own investment strategies and their loss absorbing buffers and hence it is relevant to assess allocations and returns of these assets only in relation to their respective contribution groups. However, the company bears some market risk and thus the non-life and life investment allocations are shown in the table Investment Allocations Excluding Unit-Linked, Topdanmark, 31 December 2020 and 31 December 2019 without assets covering unit-linked liabilities.

Investment Allocations Excluding Unit-Linked

Topdanmark, 31 December 2020 and 31 December 2019

	Topdanmark Non-Life				Topdanmark Life			
	31 Dec 2020		31 Dec 2019		31 Dec 2020		31 Dec 2019	
Asset class	Market value, EURm	Weight	Market value, EURm	Weight	Market value, EURm	Weight	Market value, EURm	Weight
Fixed income total	**2,076**	**90%**	**2,089**	**90%**	**4,196**	**78%**	**4,103**	**77%**
Money market securities and cash	192	8%	127	5%	444	8%	241	5%
Government and mortgage bonds	1,743	76%	1,812	78%	3,348	62%	3,456	65%
Credit bonds	6	0%	6	0%	153	3%	141	3%
Index-linked bonds	72	3%	72	3%	168	3%	170	3%
CLOs	63	3%	72	3%	83	2%	95	2%
Listed equity total	**120**	**5%**	**124**	**5%**	**325**	**6%**	**360**	**7%**
Denmark	29	1%	38	2%	77	1%	73	1%
Scandinavia	2	0%	2	0%	4	0%	8	0%
Global	90	4%	84	4%	244	5%	279	5%
Alternative investments total	**101**	**4%**	**107**	**5%**	**869**	**16%**	**869**	**16%**
Real estate	50	2%	57	2%	479	9%	520	10%
Unlisted equities and hedge funds	52	2%	50	2%	390	7%	349	7%
Asset classes total	**2,297**	**100%**	**2,321**	**100%**	**5,390**	**100%**	**5,332**	**100%**

The exposure in equities outside Denmark and credit bonds has been adjusted by the use of derivatives. Unlisted equities and hedge funds include also private equity and direct holdings in non-listed equities.

The equity portfolios are well diversified and without major single positions, when associated companies are disregarded.

The main investment assets are government and mortgage bonds, which comprise primarily Danish mortgage bonds. The assets in this asset class are interest rate sensitive and to a significant extent equivalent to the total interest rate sensitivity of the non-life insurance provisions. Consequently, the return on government and mortgage bonds should be assessed in connection with return and revaluation of non-life insurance provisions.

Credit bonds are composed of a minor share of a well-diversified portfolio, primarily exposed to businesses in Europe.

Index-linked bonds comprise bonds – primarily Danish mortgage bonds – for which the coupon and principal are index-linked.

The class CLO (collateralized loan obligation) primarily comprises positions in CLO equity tranches. The underlying assets of CLOs are mostly senior secured loans, while the remainder are primarily investment grade investments. The real estate portfolio comprises mainly owner-occupied real estate.

Market Risks of Balance Sheet

Interest Rate Risk

Interest rate risk is calculated for assets, liabilities and derivative instruments, for which the carrying amount is dependent on the interest rate level. Regarding insurance liabilities Topdanmark is exposed to interest rate risk due to provisions for outstanding claims in non-life insurance and guaranteed benefits in life insurance.

Shifting the market yield curve upwards and downwards or changing its shape leads to changed market values of assets and derivatives and thus to unrealized gains or losses.

When assessing the value and sensitivity of insurance provisions Topdanmark uses the Solvency II discount curve that has its basis on market yield curve with volatility adjustment ("VA"). The VA component of DKK yield curve comprises a corrective element based on the spreads of Danish mortgage bonds and European credit bonds. The VA component was 19 bps at the end of 2019 and 22 bps at the end of 2020.

Generally, the interest rate risk is limited and controlled by investing in interest-bearing assets in order to reduce the overall interest rate exposure of the assets and liabilities to the desired level. Therefore, the Danish mortgage bonds and government bonds have a central role in the asset portfolios. To further reduce the interest rate sensitivity of the balance sheet, interest rate swaps have been used for hedging purposes.

Equity Risk

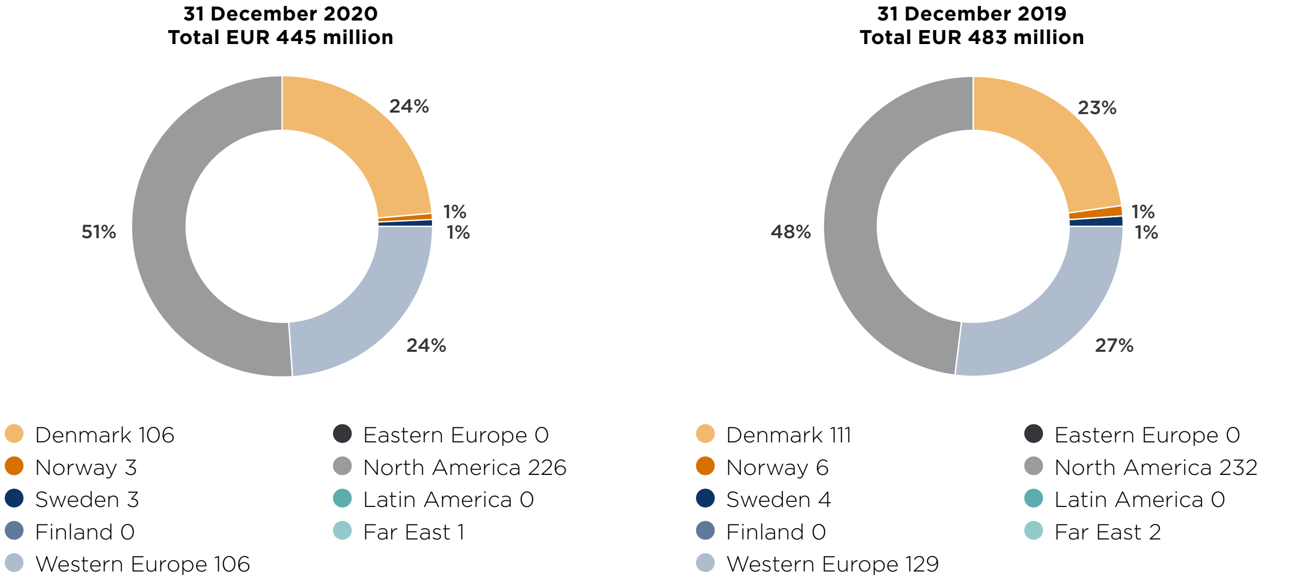
The Danish part of the equity portfolio is composed based on the OMXCCAP index. The rest of the equity holdings are in the foreign equity portfolio that is based on the MSCI World DC in its original currency. As a result, Topdanmark's equity holdings are well-diversified. A breakdown of Topdanmark's listed equity investments by geographical regions is presented in the following graph.

Real Estate Risk

The real estates are all located in Denmark, with the material part in the areas of Copenhagen and Aarhus. The holding is covering life insurance provisions and it is diversified over office buildings and residential buildings. The majority of the holding related to Topdanmark's property within equity is Topdanmark's own offices. The properties are valued in accordance with the rules of the Danish FSA i.e. at market value taking the level of rent and the terms of the tenancy agreements into consideration.

Breakdown of Listed Equity Investments by Geographical Regions

Topdanmark



Equities held by unit-linked customers in Topdanmark Livsforsikring are excluded.

Spread Risk

Most of Topdanmark's interest-bearing assets comprise of AAA rated Danish mortgage bonds and debt issued or guaranteed by top-rated European states. The risk of losses is considered to be minor due to the high credit quality of the issuers and because investments have been made at spreads which are in balance with Topdanmark's desired risk ratio levels. The portfolio is well diversified both geographically and by issuer type and, therefore, the exposure to concentration risk is insignificant.

The investment policy stipulates that the portfolio must be well-diversified by the number of counterparties and by the amount of exposure to individual counterparties. The main source of spread risk is the mortgage bonds. Due to high allocation of these investments in the portfolios, spread risk is the most material source of market risk SCR and it was DKK 2,169.4 million (in EUR 291.6 million) on 31 December 2020.

Concentration Risk

Topdanmark's fixed income investments by rating classes are presented in the table Interest-bearing Assets by Rating, Topdanmark, 31 December 2020 and 31 December 2019.

Topdanmark has no significant concentrations on the investment side, except for the category treasury and mortgage bonds that consists primarily of AAA rated Danish mortgage bonds.

As earlier described, these assets have an interest rate sensitivity that significantly corresponds to the interest rate sensitivity of the technical provisions.

Currency Risk

In practice, the investment assets are the only source of currency risk while the insurance liabilities are in Danish kroner. The currency risk is mitigated by derivatives and net exposures in different currencies are minor except in the euro.

The currency risk is assessed based on SCR. The value of the base currency is shocked by 25 per cent against most of the currencies except against the euro where the largest exposure exists, and the shock is 0.39 per cent, because the Danish krone is pegged to the euro.

Inflation Risk

Future inflation is implicitly included in the models Topdanmark uses to calculate its provisions. The general principles regarding the inclusion of an allowance for inflation differs when you look at the Workers' compensation and Illness and Accident insurance. In the former the provisions are calculated based on the expected future indexation of wages and salaries, and in the latter based on the expected development in the net price index.

An expected higher future inflation rate would generally be included in the provisions with a certain time delay, while at the same time the result would be impacted by higher future indexation of premiums. To reduce the risk of inflation within Workers' compensation and Illness and Accident insurance, Topdanmark uses index-linked bonds and derivatives to hedge a significant proportion of the expected cash flows sensitive to future inflation.

Interest-bearing Assets by Rating

Topdanmark, 31 December 2020 and 31 December 2019

Rating class, %	2020	2019
>A+	80.9	82.2
A+, A, A-	3.6	6.7
BBB+, BBB, BBB-	0.2	0.3
<BBB-	10.6	9.0
Money market deposits	4.7	1.8

Market Risk Sensitivities

The following table is a summary of selected market risk sensitivities. For example, it can be seen from the table that the net effect of 1 percentage point parallel change in interest rates would be a less than 10 per cent drop in equity or property prices.

Liquidity Risk

Topdanmark Group has a strong liquidity position. Firstly, as premiums are paid in the beginning of the coverage period the liquidity risk related to customers' payments is very limited. Secondly, the combination of insurance businesses is of a character in which it is highly unlikely that a liquidity shock could occur, because insurance liabilities are by their nature stable liabilities and in asset portfolios money market investments are complemented by a large portfolio of liquid listed Danish government and mortgage bonds.

Experience from quite significant and sudden movements in long-term interest rates have confirmed that the liquidity of these assets is not significantly affected by market shocks.

The maturity structure of technical provisions and the bond portfolio is presented in the following table.

Market Risk Sensitivities

Topdanmark, 31 December 2020 and 31 December 2019

EURm after tax	Risk scenario	2020	2019
Effective interest rate	1 percentage point increase	0.1	-1.3
Interest-bearing assets		*-72.0*	*-69.7*
Provisions for claims and benefits etc.		*72.1*	*68.3*
Index-linked bonds	5% decrease in value	-2.8	-2.9
Equities	10% decrease in value	-12.0	-11.5
CLOs < AA	10% decrease in value	-7.2	-7.8
Properties	10% decrease in value	-19.4	-19.2
Currency	Annual loss with up to a 2.5% probability	-0.1	-0.7

Expected Cash Flows for Provisions and the Bond Portfolio

Topdanmark, 31 December 2020 and 31 December 2019

		Cash flow years					
EURm	Carrying amount	1	2-6	7-16	17-26	27-36	>36
Provisions for claims							
2019	1,749	-509	-711	-373	-142	-62	-1
2020	1,796	-548	-703	-357	-135	-49	-11
Life insurance provisions guarantees and profitsharing							
2019	3,161	-277	-1,011	-1,296	-540	-159	-41
2020	3,115	-271	-940	-1,230	-515	-153	-41
Bond portfolio including interest rate derivatives							
2019	5,543	1,755	2,720	1,816	598	0	0
2020	5,329	2,183	2,278	1,583	661	0	0

Life insurance provisions for unit-linked products are covered by corresponding investment assets and therefore are not stated in the table.

The expected cash flows of the bond portfolio are calculated based on option adjusted durations that are used to measure the duration of the bond portfolio. The option adjustment relates primarily to Danish mortgage bonds and reflects the expected duration capturing the shortening effect of the borrower´s option to have the bond to be redeemed through the mortgage institution at any point in time.

Because of the aforementioned reasons Topdanmark's liquidity risk is primarily related to the parent company Topdanmark A/S. Topdanmark A/S finances its activities and dividend program by receiving dividends from its subsidiaries. Further financing requirements are covered by short-term money market loans, typically with a maturity of one month or less.

Counterparty Default Risks

Topdanmark is exposed to counterparty risk in both its insurance and investment activities. The default risk related to fixed income and equity investments is covered by spread-risk and equity-risk models in SCR calculations and hence they are not discussed in this context.

The main sources of counterparty risk are deposits made to individual banks, derivative contracts with banks and current receivables from reinsurance companies with the addition of potential receivables that will arise in case of a 1-in-200-year catastrophe event. Topdanmark's counterparty risk is assessed by the SCR standard formula.

Reinsurance

Within insurance activities the reinsurance companies' ability to pay is the most important counterparty risk factor. Topdanmark minimises this risk by primarily buying reinsurance cover from reinsurance companies with a minimum rating of A- and by spreading reinsurance cover over many reinsurers.

For reinsurance counterparties, the Board approves security guidelines which determine the maximum size of reinsurance contract cover per a separate reinsurer. This portion is dependent on the reinsurer's rating as well as on Topdanmark's own assessment of the reinsurer. The largest risk concentrations may occur in case of major catastrophe events, including storms and cloudbursts.

Investments

Topdanmark may suffer losses due to their counterparties' inability to meet their obligations on bonds, loans and other contracts including derivatives. The majority of Topdanmark's interest bearing assets comprise of Danish mortgage bonds. In order to minimize the risk to a single debtor, Topdanmark strives to always have a well-diversified portfolio of bonds not only in regard to a debtor but also geographically.

To limit the counterparty risk of financial contracts, including derivative contracts, the choice of counterparties is restrictive, and collateral is required when the value of the financial contracts exceeds the predetermined limits. The size of the limits depends on the counterparty's credit rating and the terms of the contract.

Hastings Group

Underwriting Risks

Advantage is Hastings' Gibraltar-based general insurance underwriting company providing motor and home insurance products to the United Kingdom (UK) market. For Solvency II reporting purposes the lines of business are:

- Motor vehicle liability insurance (Motor liability)
- Other motor insurance (Motor other)
- Fire and other damage to property insurance

Pricing Risk

Advantage's risk appetite statements require management to maintain rates that are projected to achieve loss ratios within the target loss ratio range. As a response to market conditions significantly driven by COVID-19, strategic segmental rates were adjusted, after review by management, to remain competitive and provide customer-focused benefits to policyholders. The rate changes were regularly reviewed and amended in keeping with an agile approach to pricing and appropriately factoring in ongoing claims inflation risk. The market is expected to remain volatile in line with COVID-19 developments as they arise.

Weekly governance arrangements approve changes to rate plan and review account performance. Rating Analysis Committee ("RAC") approves decisions for segment level rate changes and book level rate changes. The goal is to ensure that the business being written will be profitable.

Audits are conducted on a regular basis to ensure that all underwriting and rating rules are being applied correctly. Advantage maintains a control log to identify, report, and take action on errors made by the outsourced service provider.

Technical Provisions by Line of Business

Hastings, 31 December 2020

	EURm	Duration
Motor vehicle liability insurance	1,685	3.4
Other motor insurance	562	0.2
Fire and other damage to property insurance	16	1.0
Total	**2,263**	**2.6**

Reserve Risk

Advantage does not take significant reserve risk and holds an internal risk margin to a 75% confidence level versus internal best estimate. Since reserving is subject to expert judgment the Chief Actuary calculates the best estimate, the Senior Actuary verifies the data, appropriateness of techniques utilized and assumptions used to create the best estimate and an additional best estimate is created by a fully independent third party. Advantage has a series of monthly, quarterly and semi-annual controls to ensure reserve adequacy.

The Gross Written Premiums (GWP) for the last 6 weeks of 2020 amounted to EUR 103 million.

Sensitivities of Technical Provisions

Hastings, 31 December 2020

Technical provision item	Risk factor	Change in risk parameter	Effect EURm 2020
Nominal provisions	Inflation increase	Increase by 1 percentage point	22.7
Periodic Payment Orders (PPOs)	Decrease in mortality	Life expectancy increase by 1 year	0.1
Discounted provisions	Decrease in discount rate	Decrease by 1 percentage point	1.8

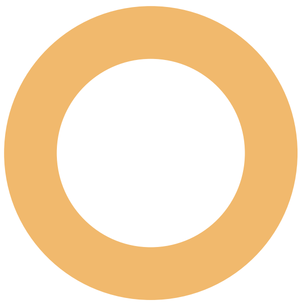
Advantage maintained a disciplined approach to pricing despite continued market competition which intensified in H2. New business volumes grew as a result of the ability to make timely price cuts to reflect lower claims frequencies. This disciplined but agile underwriting and pricing approach led to over 200 selective rate adjustments within footprint during 2020. Renewal pricing was a significant focus for management, in line with seeking to eliminate the risk of dual pricing for customers through an overall approach aimed to deliver fair treatment of Hastings' customers.

The global pandemic inevitably impacted the risk profile for 2020. Lower than planned claims frequencies have resulted in stronger profits and capital solvency with the solvency ratio being towards the top of Advantage's target range of 140% to 160% throughout the period.

Breakdown of Gross Written Premiums

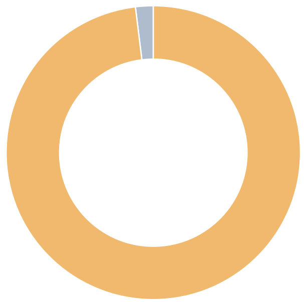
Hastings, 31 December 2020, total EUR 103 million

By Business Area



By Country

By Line of Business



Market Risks

Investment performance in late Q1 and Q2 2020 was impacted only modestly as a result of the pandemic, reflecting the very low risk portfolio structure. Performance for 2021 is expected to be close to planned expectations.

Hastings' investment portfolio has been designed to generate a targeted return whilst operating within the conservative risk appetite parameters set by the Board. Management aims to prudently operate within its risk appetite.

The core investment portfolio of debt securities, supplemented by a diversified portfolio of holdings in collective investment schemes, is held by Advantage. The Advantage Board works with the investment managers and investment consultants to maximize return whilst minimizing risk and preserving capital. The criteria for the portfolio structure, classes of holdings and individual limits are consistent with a very low risk appetite. These investment rules are monitored on a quarterly basis internally and using an external consultancy. The monitoring outputs are provided to the Investment Committee and Risk & Compliance Committee quarterly.

Cash and cash equivalent balances are held in current accounts or short-term money market instruments. These are generally less than 60 days in duration, with low sensitivity to movements in interest rates compared to longer duration assets.

Investment Allocation

Hastings, 31 December 2020

Asset Class	Market value, EURm	Weight	Average maturity, years
Fixed income total	**949**	**97%**	**4.1**
Money market securities and cash	198	20%	0.0
Government bonds	2	0%	0.1
Credit bonds, funds and loans	749	77%	5.1
Covered bonds	*19*	*2%*	*0.7*
Investment grade bonds and loans	*716*	*73%*	*5.5*
High-yield bonds and loans	*14*	*1%*	*4.5*
Subordinated / Tier 2	*0*	*0%*	*0.0*
Subordinated / Tier 1	*0*	*0%*	*0.0*
Hedging swaps	*0*	*0%*	*0.0*
Listed equity total	**0**	**0%**	**0.0**
UK	0	0%	0.0
Global	0	0%	0.0
Alternative investments total	**27**	**3%**	**0**
Real estate	0	0%	0
Private equity	0	0%	0
Biometric	0	0%	0
Commodities	0	0%	0
Other alternative	27	3%	0
Trading derivatives	**0**	**0%**	**0.0**
Asset classes total	**976**	**100%**	**0.0**
FX Exposure, gross position	**0**	**-**	**0.1**

Advantage made no direct use of derivatives during the period. Derivatives are, however, utilized within Investment Funds in which Advantage has a share, both for hedging purposes and to generate additional return.

Exposures by Sector, Asset Class and Rating

Hastings, 31 December 2020

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change from 31 Dec 2019
Basic industry	0	0	15	3	0	0	0	18	0	0	0	18	5
Capital goods	0	0	12	7	0	0	0	19	0	0	0	19	12
Consumer products	1	0	69	35	0	0	0	105	0	0	0	105	12
Energy	0	8	14	0	0	0	0	22	0	0	0	22	10
Financial institutions	0	97	167	26	0	0	0	291	0	0	0	291	37
Governments	0	2	0	0	0	0	0	2	0	0	0	2	-54
Government guaranteed	49	14	0	0	0	0	0	63	0	0	0	63	37
Health care	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	10	14	11	15	0	0	0	49	0	0	0	49	0
Media	0	0	0	0	0	0	0	0	0	0	0	0	0
Packaging	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector, other	40	0	10	0	0	0	0	50	0	0	0	50	38
Real estate	0	0	13	8	0	0	0	21	0	0	0	21	4
Services	0	0	0	0	0	0	0	0	0	0	0	0	0
Technology and electronics	0	0	7	9	0	0	0	16	0	0	0	16	10
Telecommunications	0	0	0	7	0	0	0	7	0	0	0	7	-10
Transportation	0	0	0	9	1	0	0	11	0	0	0	11	-7
Utilities	0	0	46	34	0	0	0	80	0	0	0	80	26
Others	0	0	0	0	0	0	0	0	0	0	0	0	0
Asset-backed securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	19	0	0	0	0	0	0	19	0	0	0	19	0
Funds	152	0	1	4	11	0	8	177	0	27	0	204	31
Clearing house	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**271**	**135**	**365**	**158**	**13**	**0**	**8**	**949**	**0**	**27**	**0**	**976**	**150**
Change from 31 Dec 2019	**93**	**-41**	**89**	**3**	**4**	**0**	**3**	**150**	**0**	**-1**	**0**	**150**	**150**

Foreign currency risk is insignificant in Hastings.

Cash Flows According to Contractual Maturity

Hastings, 31 December 2020

EURm	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	Cash flows 2021	2022	2023	2024	2025–2034	2035–
Financial assets	**976**	**251**	**725**	**132**	**236**	**159**	**102**	**96**	**0**
of which interest rate swaps	0	0	0	0	0	0	0	0	0
Financial liabilities	**299**	**0**	**299**	**-8**	**-8**	**-8**	**-8**	**-282**	**0**
of which interest rate swaps	0	0	0	0	0	0	0	0	0
Lease liabilities	**12**	**0**	**12**	**-4**	**-2**	**-2**	**-2**	**-2**	**0**
Net technical provisions	**740**	**740**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Counterparty Default Risks

Counterparty risk is the risk that a counterparty will be unable to pay amounts in full as they fall due. Hastings is exposed to counterparty risk through reinsurance assets, financial assets and cash and cash equivalents.

Reinsurance Counterparty Risk

A key component of risk mitigation is reinsurance. Advantage's reinsurance program includes both Excess of Loss ("XoL") and Quota Share ("QS") protection. Under the 2020 arrangements, the Motor exposure risk to Advantage is capped at GBP 1 million per loss, net of XoL reinsurance, and Household exposure is capped at GBP 2.5 million per event loss.

To mitigate the inherent counterparty and credit risk posed by the reinsurance program to Advantage's balance sheet, Advantage has set criteria for the minimum credit quality of the reinsurance counterparties and for concentration limits.

To better protect itself, and where possible, Advantage aims to:

- place with parent entities within reinsurance groups to mitigate counterparty risk in accepting reinsurance from small regional branches;
- introduce collateralization or cut through terms and/or parental guarantees to mitigate counterparty risk;
- ensure special termination clauses are in place in the event of rating downgrade or reorganization of reinsurance groups to which Advantage is exposed.

Reinsurance Recoverables

Hastings, 31 December 2020

Rating	Total, EURm	% of total
AAA	0	0%
AA	1,156	79%
A	307	21%
BBB	0	0%
Less than BBB	0	0%
Unrated	0	0%
Total	**1,464**	**100%**

Mandatum Life Group

Underwriting Risks

The development of insurance liabilities during 2020 is shown in the table Analysis of the Change in Provisions Before Reinsurance, Mandatum Life, 31 December 2020.

Analysis of the Change in Provisions Before Reinsurance

Mandatum Life, 31 December 2020

EURm	Liability 2019	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	Other	Liability 2020	Share %
Unit-linked, excl. Baltic	**7,952**	**940**	**-695**	**-78**	**0**	**0**	**481**	**8,600**	**70%**
Individual pension insurance	1,511	54	-22	-15	0	0	47	1,576	13%
Individual life	2,277	92	-171	-19	0	0	106	2,285	19%
Capital redemption operations	3,164	711	-481	-33	0	0	158	3,518	29%
Group pension	1,000	84	-21	-11	0	0	170	1,221	10%
With profit and others, excl. Baltic	**3,913**	**97**	**-402**	**-32**	**101**	**3**	**-171**	**3,510**	**29%**
Group pension insurance, segregated portfolio	**964**	**3**	**-54**	**-1**	**21**	**3**	**-61**	**875**	**7%**
Basic liabilities. guaranteed rate 3.5%	623	3	-54	-1	21	3	-30	565	5%
Reserve for decreased discount rate (3.5% -> 0.50%)	263	0	0	0	0	0	-31	232	2%
Future bonus reserves	78	0	0	0	0	0	0	78	1%
Group pension	**1,732**	**22**	**-185**	**-5**	**51**	**0**	**-90**	**1,525**	**12%**
Guaranteed rate 3.5%	1,424	-2	-154	-2	47	0	-81	1,233	10%
Guaranteed rate 2.5%, 1.5% or 0.0%	308	23	-31	-3	4	0	-10	292	2%
Individual pension insurance	**684**	**6**	**-132**	**-4**	**24**	**0**	**31**	**609**	**5%**
Guaranteed rate 4.5%	495	3	-71	-3	20	0	-14	430	4%
Guaranteed rate 3.5%	122	2	-33	-1	4	0	22	116	1%
Guaranteed rate 2.5% or 0.0%	67	1	-29	0	1	0	23	63	1%
Individual life insurance	**142**	**31**	**-21**	**-10**	**5**	**0**	**-14**	**133**	**1%**
Guaranteed rate 4.5%	48	4	-12	-1	2	0	7	48	0%
Guaranteed rate 3.5%	73	9	-6	-3	2	0	-8	66	1%
Guaranteed rate 2.5% or 0.0%	22	18	-3	-6	0	0	-12	19	0%
Capital redemption operations	**25**	**0**	**0**	**0**	**0**	**0**	**1**	**26**	**0%**
Guaranteed rate 3.5%	0	0	0	0	0	0	0	0	0%
Guaranteed rate 2.5% or 0.0%	25	0	0	0	0	0	1	26	0%
Future bonus reserves	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0%**
Reserve for decreased discount rate	**230**	**0**	**0**	**0**	**0**	**0**	**-12**	**218**	**2%**
Longevity reserve	**86**	**0**	**0**	**0**	**0**	**0**	**-8**	**78**	**1%**
Assumed reinsurance	**3**	**0**	**-1**	**0**	**0**	**0**	**-1**	**2**	**0%**
Other liabilities	**47**	**36**	**-10**	**-13**	**0**	**0**	**-17**	**43**	**0%**
Total, excl. Baltic	**11,865**	**1,037**	**-1,097**	**-110**	**101**	**3**	**310**	**12,109**	**99%**
Baltic	**178**	**22**	**-23**	**-4**	**0**	**0**	**4**	**177**	**1%**
Unit-linked liabilities	166	20	-21	-4	0	0	4	165	1%
Other liabilities	13	2	-2	-1	0	0	-1	12	0%
Mandatum Life Group total	**12,043**	**1,059**	**-1,120**	**-114**	**102**	**3**	**313**	**12,286**	**100%**

Biometric Risks

Mandatum Life's main biometric risks are longevity, mortality and disability. In general, the long duration of policies and Mandatum Life's restricted right to change policy terms and conditions and tariffs increase biometric risks. If the premiums turn out to be inadequate and cannot be increased, technical provisions have to be supplemented by an amount corresponding to the increase in expected losses.

Longevity risk is the most critical biometric risk in Mandatum Life. The Solvency Capital Requirement of longevity risk is also highly dependent on the interest rate level, which in practice means that the lower the applied discount rate is, the higher the longevity SCR would be. Most of the longevity risk arises from the with profit group pension portfolio. With profit group pension policies have mostly been closed for new members for years and due to this the average age of members is relatively high, almost 70 years. In the unit-linked group pension and individual pension portfolio the longevity risk is less significant because most of these policies are fixed term annuities including death cover compensating the longevity risk.

The annual longevity risk result and longevity trend is analyzed regularly. For the segregated group pension portfolio, the assumed life expectancy related to the technical provisions was revised in 2014 and for the other group pension portfolios in 2002 and 2007. In total, these changes increased the 2020 technical provision by EUR 78 million (86) including a EUR 65 million longevity reserve for the segregated group pension portfolio. The cumulative longevity risk result has been positive since these revisions. The longevity risk result of group pension for the year 2020 was EUR 11.6 million (8.9) after a EUR 7.8 million release from the longevity reserve.

The mortality risk result in life insurance is positive. A possible pandemic is seen as the most significant risk that could adversely affect the mortality risk result. However, during the year 2020 COVID-19 did not have any significant effect on mortality risk result. The reason for this is that COVID-19 has the most significant incremental effect of mortality for elder people and in general, persons who have insured their life are younger.

The insurance risk result of other biometric risks has been profitable overall, although the different risk results vary considerably. In the longer term, disability and morbidity risks are mitigated by the company's right to raise insurance premiums for existing policies in case there is an unfavourable change in the claims development.

Claims Ratios After Reinsurance

Mandatum Life, 31 December 2020 and 31 December 2019

	2020			2019		
EURm	**Risk income**	**Claims expense**	**Claims ratio**	**Risk income**	**Claims expense**	**Claims ratio**
Life insurance	**49.5**	**24.8**	**50%**	**49.4**	**23.7**	**48%**
Mortality	30.5	14.9	49%	30.4	12.1	40%
Morbidity and disability	19.0	9.9	52%	19.0	11.6	61%
Pension	**87.8**	**74.7**	**85%**	**87.7**	**78.9**	**90%**
Individual pension	14.4	13.7	95%	13.1	13.8	106%
Group pension	73.4	61.0	83%	74.6	65.0	87%
Mortality (longevity)	71.5	59.9	84%	72.3	63.5	88%
Disability	1.9	1.1	59%	2.3	1.5	67%
Total	**137.2**	**99.5**	**73%**	**137.1**	**102.5**	**75%**

The table Claims Ratios After Reinsurance, Mandatum Life, 31 December 2020 and 31 December 2019 shows the insurance risk result in Mandatum Life's insurance policies. The ratio of the actual to expected claims costs was 73 per cent in 2020 (75). The sensitivity of the insurance risk result can also be assessed based on the information in the table. For instance, an increase of mortality by 100 per cent would increase the amount of benefit payments from EUR 15 million to EUR 30 million.

The underwriting portfolio of Mandatum Life is relatively well diversified and does not include any major concentration of biometric risks. To further mitigate the effects of possible risk concentrations, Mandatum Life has catastrophe reinsurance in place.

In general, biometric risks are managed by careful risk selection, by setting prices to reflect the risks and costs, by setting upper limits for the protection granted and by use of reinsurance. Mandatum Life's Underwriting Policy sets principles for risk selection and limits for sums insured. The Reinsurance Policy governs the use of Reinsurance. The Board approves the Underwriting policy, Reinsurance Policy, pricing guidelines and the central principles for the calculation of technical provisions.

The Insurance Risk Committee is responsible for maintaining the Underwriting Policy and monitoring the functioning of the risk selection and claims processes. The Committee also reports all deviations from the Underwriting Policy to the RMC. The Insurance Risk Committee is chaired by the Chief Actuary who is responsible for ensuring that the principles for pricing policies and for the calculation of technical provisions are adequate and in line with the underwriting and claims management processes.

Reinsurance is used to limit the amount of individual mortality and disability risks. The Board of Directors annually approves the Reinsurance Policy and determines the maximum amount of risk to be retained on the company's own account. The highest retention of Mandatum Life is EUR 1.5 million per insured.

The risk result is actively followed and thoroughly analyzed on an annual basis. Mandatum Life measures the efficiency of risk selection and the adequacy of tariffs by collecting information about the actual claims expenditure for each product line and each type of risk and comparing it to the claims expenditure assumed in insurance premiums of every risk cover.

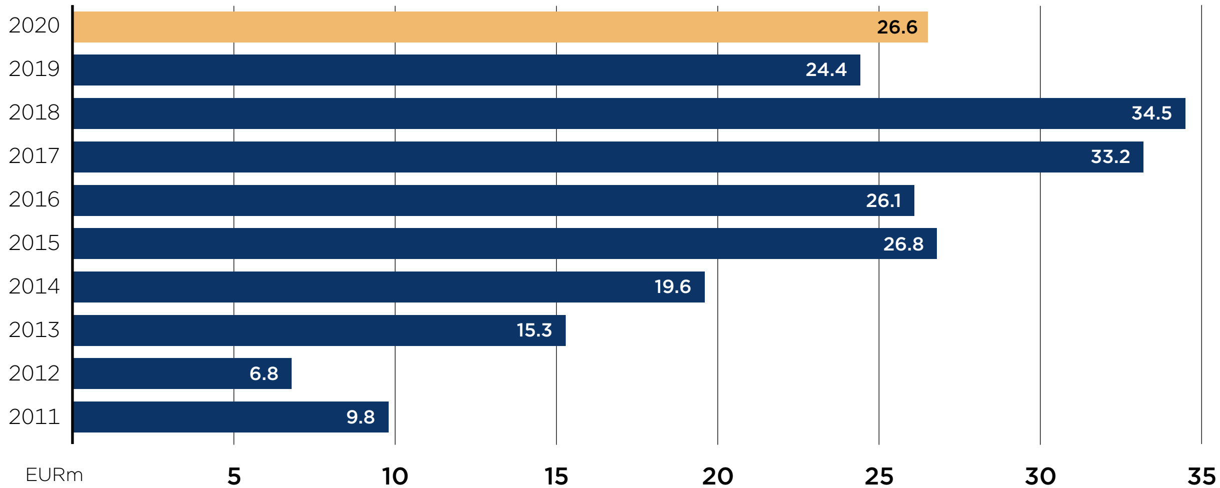
Technical provisions are analyzed and the possible supplemental needs are assessed regularly. Assumptions related to technical provisions are reviewed annually. The adequacy of the technical provisions is tested quarterly. Tariffs for new policies are set and the Underwriting Policy and assumptions used in calculating technical provisions are updated based on adequacy tests and risk result analysis.

Policyholder Behavior and Expense Risks

From an Asset and Liability Management point of view, surrender risk is not material because in Mandatum Life around 90 per cent of with profit technical provisions consists of pension policies in which surrender is possible only in exceptional cases. Surrender risk is therefore only relevant in individual life and capital redemption policies of which the related technical provisions amount to less than 5 per cent (around EUR 160 million) of the total with profit technical provisions. Furthermore, the supplements to technical provisions are not paid out at surrender which also reduces the surrender risk related to the with profit policies. Due to the limited surrender risk, the future cash flows of Mandatum Life's insurance liabilities are quite predictable.

Policy terms and tariffs cannot usually be changed materially during the lifetime of the insurance, which increases the expense risk. The behavior of financial markets has also an influence on expense risk since normally the company's fee income is linked to policy reserves in unit-linked policies. The main challenge is to keep the expenses related to insurance administrative processes and complex IT infrastructure at an effective and competitive level.

Expense Result
Mandatum Life Group, 2011–2020



Market Risks

This section covers market risk related to Mandatum Life's with profit business i.e. that part of the business where Mandatum Life carries the investment risk. As mentioned earlier, the behavior of financial markets has also an influence on unit-linked business since normally the company's fee income is linked to policy reserves in unit-linked policies. This risk is taken into account as part of expense risk.

In Mandatum Life, the approach to market risk management is based on an analysis of technical provisions' expected cash flows, interest rate level and current solvency position, i.e. active Asset and Liability Management. A common feature for all with profit technical provisions is the guaranteed rate and bonuses. The cash flows of Mandatum Life's technical provisions are relatively well predictable because in most of the company's with profit policies, surrenders and additional investments are not possible.

Mandatum Life's market risks arise mainly from equity investments and interest rate risk related to fixed income assets and insurance liabilities with a guaranteed interest rate. The most significant interest rate risk in the life insurance business is that fixed income investments will not, over a long period of time, generate a return at least equal to the guaranteed interest rate of technical provisions. The probability of this risk increases when market interest rates fall and stay at a low level. The duration gap between the balance sheet's technical provisions and fixed income investments is constantly monitored and managed. Control levels based on an internal risk capacity model are used to manage and ensure adequate capital in different market situations.

Mandatum Life has prepared for low interest rates on the liability side by for example reducing the minimum guaranteed interest rate in new contracts and by supplementing the technical provisions with reserve for decreased discount rate. In addition, existing contracts have been changed to accommodate improved management of reinvestment risk.

Fixed income investments and listed equity instruments form a major part of the investment portfolio, but the role of alternative investments – real estate, private equity, biometric and other alternative investments – is also material being 12.4 per cent of total investments.

Investment allocations and average maturities of fixed income investments as at year end 2020 and 2019 are presented in the table Investment Allocation, Mandatum Life, 31 December 2020 and 31 December 2019.

Investment Allocation

Mandatum Life, 31 December 2020 and 31 December 2019

	31 Dec 2020			31 Dec 2019		
Asset class	**Market value, EURm**	**Weight**	**Average maturity, years**	**Market value, EURm**	**Weight**	**Average maturity, years**
Fixed income total	**3,509**	**63%**	**3.1**	**3,669**	**65%**	**2.9**
Money market securities and cash	512	9%	0.0	819	14%	0.0
Government bonds	0	0%	0.0	2	0%	2.7
Credit bonds, funds and loans	2,997	54%	3.6	2,848	50%	3.8
Covered bonds	*12*	*0%*	*4.0*	*14*	*0%*	*4.7*
Investment grade bonds and loans	*1,300*	*23%*	*3.6*	*1,257*	*22%*	*3.5*
High-yield bonds and loans	*1,311*	*24%*	*3.2*	*1,170*	*21%*	*3.7*
Subordinated / Tier 2	*145*	*3%*	*3.9*	*135*	*2%*	*4.7*
Subordinated / Tier 1	*229*	*4%*	*5.3*	*272*	*5%*	*5.1*
Hedging swaps	*0*	*0%*	-	*0*	*0%*	-
Listed equity total	**1,335**	**24%**	**-**	**1,308**	**23%**	**-**
Finland	517	9%	-	387	7%	-
Scandinavia	0	0%	-	1	0%	-
Global	818	15%	-	921	16%	-
Alternative investments total	**689**	**12%**	**-**	**700**	**12%**	**-**
Real estate	188	3%	-	191	3%	-
Private equity*	250	5%	-	247	4%	-
Biometric	0	0%	-	0	0%	-
Commodities	0	0%	-	0	0%	-
Other alternative	250	5%	-	261	5%	-
Trading derivatives	**0**	**0%**	**-**	**3**	**0%**	**-**
Asset classes total	**5,533**	**100%**	**-**	**5,680**	**100%**	**-**
FX Exposure, gross position	**125**	**-**	**-**	**225**	**-**	**-**

Private equity also includes direct holdings in non-listed equities.

Market Risks of Fixed Income and Equity Exposures

Fixed income and equity exposures are presented by sector, asset class and rating together with counterparty risk exposures relating to derivative transactions in the table Exposures by Sector, Asset Class and Rating, Mandatum Life, 31 December 2020. Counterparty default risks are described in more detail in the section **Counterparty Default Risks**. Due to differences in the reporting treatment of derivatives, the figures in the table may not be fully comparable with other tables in this annual report.

Exposures by Sector, Asset Class and Rating

Mandatum Life, 31 December 2020

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change from 31 Dec 2019
Basic industry	0	0	0	15	71	0	19	105	105	0	0	210	40
Capital goods	0	0	7	2	37	0	53	99	123	0	0	222	-25
Consumer products	0	3	37	101	106	0	22	270	183	0	0	453	81
Energy	0	0	0	0	0	0	53	53	0	6	0	59	4
Financial institutions	0	208	581	526	111	0	31	1,458	26	8	1	1,493	-371
Governments	0	0	0	0	0	0	0	0	0	0	0	0	0
Government guaranteed	0	0	0	0	0	0	0	0	0	0	0	0	0
Health care	0	0	7	25	105	0	24	161	118	0	0	279	18
Insurance	0	0	16	34	0	0	17	67	12	1	0	80	-16
Media	0	0	0	0	4	0	0	4	10	0	0	15	0
Packaging	0	0	0	0	8	0	23	31	12	0	0	43	-1
Public sector, other	0	0	24	0	0	0	0	24	0	0	0	24	-3
Real estate	0	0	4	130	5	0	140	279	0	177	0	456	45
Services	0	0	0	55	187	0	78	320	93	0	0	414	62
Technology and electronics	1	0	6	19	35	0	24	85	163	0	0	248	-20
Telecommunications	0	0	8	47	72	0	0	127	12	0	0	139	0
Transportation	0	0	0	23	0	0	6	29	17	0	0	47	5
Utilities	0	1	0	64	110	0	0	175	17	0	0	192	42
Others	0	0	0	0	22	0	2	24	0	20	0	44	1
Asset-backed securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	12	0	0	0	0	0	0	12	0	0	0	12	-2
Funds	0	0	0	0	0	0	186	186	444	477	0	1,107	-6
Clearing house	0	0	0	0	0	0	0	0	0	0	0	0	-6
Total	**13**	**213**	**690**	**1,041**	**874**	**0**	**679**	**3,509**	**1,335**	**689**	**1**	**5,534**	**-153**
Change from 31 Dec 2019	**-2**	**-350**	**-256**	**274**	**132**	**0**	**41**	**-160**	**27**	**-11**	**-10**	**-153**	

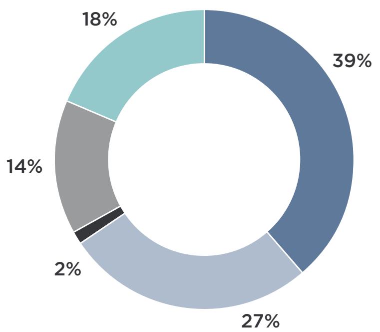
The role of non-investment grade bonds is material in Mandatum Life's portfolio. A part of the money market securities issued by Nordic banks and cash in Nordic banks form a liquidity buffer within the fixed income investments. At the moment, the total amount of these investments is higher than what is needed for liquidity purposes.

Nordic equity exposure includes almost only direct investments to Finnish equities and they account for almost one third of equity exposure. Two thirds of equity investments are allocated globally consisting of both fund investments and direct investments. The breakdown of Mandatum Life's listed equity investments by geographical regions is presented in the following graph.

Breakdown of Listed Equity Investments by Geographical Regions

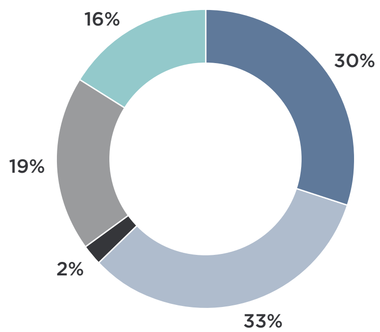
Mandatum Life

31 December 2020
Total EUR 1,335 million



- Denmark 0
- Norway 0
- Sweden 0
- Finland 517
- Western Europe 358
- Eastern Europe 21
- North America 192
- Latin America 0
- Far East 246

31 December 2019
Total EUR 1,308 million



- Denmark 0
- Norway 0
- Sweden 1
- Finland 387
- Western Europe 430
- Eastern Europe 24
- North America 251
- Latin America 0
- Far East 215

Alternative Investments

The role of alternative investments has been significant in Mandatum Life over the years. The current allocation weight is 12 per cent.

The amount of private equity and alternative investments has remained at the same level as in 2019. The real estate portfolio is managed by Sampo Group's own real estate management unit. The real estate portfolio includes both direct investments in properties and indirect investments in real estate funds as well as in shares of real estate companies. The activity in the portfolio has been quite low.

Market Risks of Balance Sheet

The Board of Directors of Mandatum Life approves annually the Investment Policy, which covers both the segregated assets and the company's other assets that carry investment risk. This policy sets principles and limits for investment portfolio activities and they are based on the features of insurance liabilities, risk taking capacity and shareholders' return requirements.

The Investment Policy for segregated assets defines the risk bearing capacity and the corresponding control levels for the respective portfolio. Since the future bonus reserves of the segregated group pension portfolio is the first buffer against possible investment losses, the risk bearing capacity is also based on the amount of the future bonus reserve. Different control levels are based on the fixed stress scenarios of assets.

The Investment Policy for other investment assets defines the company level risk bearing capacity, the control levels for the maximum acceptable risk and respective measures to manage the risk. The control levels are set above the Solvency II SCR and are based on predetermined market stress tests. The general objective of these control levels and respective guidelines is to maintain the required solvency. When the above-mentioned control levels are crossed, the Asset and Liability Committee reports to the Board which then takes responsibility for the decisions related to the capitalization and the market risks in the balance sheet.

The cash flows of Mandatum Life's with profit technical provisions are relatively predictable, because in most of the company's with profit products, surrenders and premiums are restricted. In addition, the company's claims costs do not contain a significant inflation risk element.

The long-term target for investments is to provide sufficient return to cover the guaranteed interest rate plus bonuses based on the principle of fairness as well as the shareholder's return requirement with an acceptable level of risk. In the long run, the most significant risk is that fixed income investments will not generate an adequate return compared to the applied discount rate.

In addition to investment and capitalization decisions, Mandatum Life has implemented active measures on the liability side to manage the balance sheet level interest rate risk. The company has reduced the minimum guaranteed interest rate in new contracts, supplemented the technical provisions with discount rate reserves and adjusted policy terms and conditions as well as policy administration processes to enable more efficient interest rate risk management.

Interest Rate Risk

Mandatum Life is negatively affected when rates are decreasing or staying at low levels, because the duration of liabilities is longer than the duration of assets. A growing part of Mandatum Life's business, i.e. unit-linked and life and health business, is not interest rate sensitive, which mitigates the whole company's interest rate risk.

The average duration of fixed income investments was 2.8 years. The respective duration of the insurance liabilities was around 11 years. Interest rate risk is managed at the balance sheet level by changing the duration of assets and by using interest rate derivatives.

Currency Risk

Currency risk can be divided into transaction and translation risk. Mandatum Life is exposed to transaction risk, which refers to currency risk arising from contractual cash flows in foreign currencies.

In Mandatum Life, transaction risk arises mainly from investments in other currencies than the euro as the company's technical provisions are denominated in the euro. Open FX exposures are managed within given limits.

The transaction risk positions of Mandatum Life against the euro are shown in the table Transaction Risk Position, Mandatum Life, 31 December 2020. The table shows the net transaction risk exposures and the changes in the value of positions given a 10 per cent decrease in the value of the base currency.

Transaction Risk Position
Mandatum Life, 31 December 2020

Base currency, EURm	EUR	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
Technical provisions	0	0	0	0	-1	0	0	0	0	-1
Investments	0	580	2	98	63	41	55	18	225	1,082
Derivatives	0	-588	-4	-96	-57	-40	-52	-20	-118	-975
Transaction risk, net position	**0**	**-8**	**-2**	**2**	**4**	**1**	**3**	**-2**	**107**	**106**
Sensitivity: EUR -10%	0	-1	0	0	0	0	0	0	11	11

Liquidity Risks

Liquidity risk is relatively immaterial for Mandatum Life because liability cash flows in most lines of business are fairly stable and predictable and an adequate share of the investment assets is in cash or short-term money market instruments.

In life insurance companies in general, a large change in surrender rates could influence the liquidity position. However, in Mandatum Life, only a relatively small part of the insurance policies can be surrendered, and it is therefore possible to forecast short-term cash flows related to claims payments with a very high accuracy.

The maturities of technical provisions and financial assets and liabilities are presented in the table Cash Flows According to Contractual Maturity, Mandatum Life, 31 December 2020. The average maturity of fixed income investments was 3.1 years in Mandatum Life. The table shows the financing requirements resulting from expected cash inflows and outflows arising from financial assets and liabilities as well as technical provisions.

Mandatum Life has a relatively low amount of financial liabilities and thus the refinancing risk is relatively small.

Cash Flows According to Contractual Maturity

Mandatum Life, 31 December 2020

				Cash flows						
EURm	**Carrying amount total**	**Carrying amount without contractual maturity**	**Carrying amount with contractual maturity**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026–2035**	**2036–**
Financial assets	**5,562**	**2,710**	**2,852**	**242**	**268**	**444**	**823**	**628**	**633**	**10**
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Financial liabilities	**416**	**0**	**416**	**-12**	**-9**	**-9**	**-259**	**-4**	**-46**	**-169**
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Lease liabilities	**24**	**0**	**24**	**-2**	**-2**	**-2**	**-2**	**-2**	**-16**	**0**
Net technical provisions	**2,992**	**0**	**2,992**	**-253**	**-257**	**-261**	**-240**	**-225**	**-1,447**	**-954**

In the table, financial assets and liabilities are divided into contracts that have an exact contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. In addition, the table shows expected cash flows for net technical provisions, which by their nature, are associated with a certain degree of uncertainty.

Counterparty Default Risks

In Mandatum Life, the three major sources of counterparty risk are financial derivatives, reinsurance, and other receivables. Counterparty default risk arising from reinsurance or receivables from policyholders and other receivables related to commercial transactions is, however, very limited.

Counterparty Risk Related to Financial Derivatives

In Mandatum Life, the default risk of derivative counterparties is a by-product of managing market risks. Mandatum Life uses interest rate derivatives and FX forwards and options to manage market risks.

The counterparty risk of bilaterally settled derivatives is mitigated by careful selection of counterparties, by diversification of counterparties to prevent risk concentrations and by using collateral arrangements, e.g. ISDA Master Agreements backed by Credit Support Annexes. Mandatum Life settles interest rate swaps in central counterparty clearing houses, which, while further mitigating bilateral counterparty risk, also exposes to the systemic risk related to central counterparty clearing houses.

Risk Considerations at Sampo Group Level and Sampo plc

Sampo Group is first and foremost exposed to general performance of the Nordic economies. However, the Nordic economies typically are at any given time in somewhat different stages of their economic cycles, because of reasons such as different economic structures and separate currencies. Also, geographically the Nordics as a large area is more a source of underwriting diversification than a concentration. Hence, inherently the Nordic area is a good basis for diversified business. Geographic diversification was extended into the United Kingdom in late 2020, when Sampo acquired a 70% majority stake in Hastings.

To further maintain diversification of businesses Sampo Group proactively prevents concentrations to the extent possible by segregating the duties of separate business areas. As a result, separate companies have very few overlapping areas in their underwriting and investments activities. Despite proactive strategic decisions on segregation of duties, concentrations in underwriting and investments may appear and hence liabilities and assets are monitored at the Group level to identify potential concentrations at a single company or risk factor level.

It is regarded that the current business model where all companies have their own processes and agreements with counterparties is preventing accumulation of counterparty default risks and operational risks. Hence, these risks are mainly managed at company level.

The amount of intragroup exposures between the Group companies is small and the parent company is the only source of internal liquidity and the main source of capital within the Group. This effectively prevents the contagion risk, and hence potential problems of one company will not affect directly the other Group companies.

Underwriting and market risk concentrations and their management are described in the next sections as well as the parent company's role as a risk manager of group-wide risks and as a source of liquidity.

Underwriting Risks at Sampo Group

With respect to the underwriting businesses carried out in the subsidiary companies, it has been established that If, Topdanmark and Mandatum Life all operate within the Nordic countries, but mostly in different geographical areas and in different lines of business and hence their underwriting risks are different by nature. There are, however, some common risk factors such as the life expectancy in Finland. Also, in Denmark If and Topdanmark have some overlapping areas. However, there are no material underwriting risk concentrations in the normal course of business. Hastings operates solely in the United Kingdom, and hence its underwriting risks are geographically distinct from the Nordics. Consequently, business lines as such are contributing diversification benefits rather than a concentration of risks.

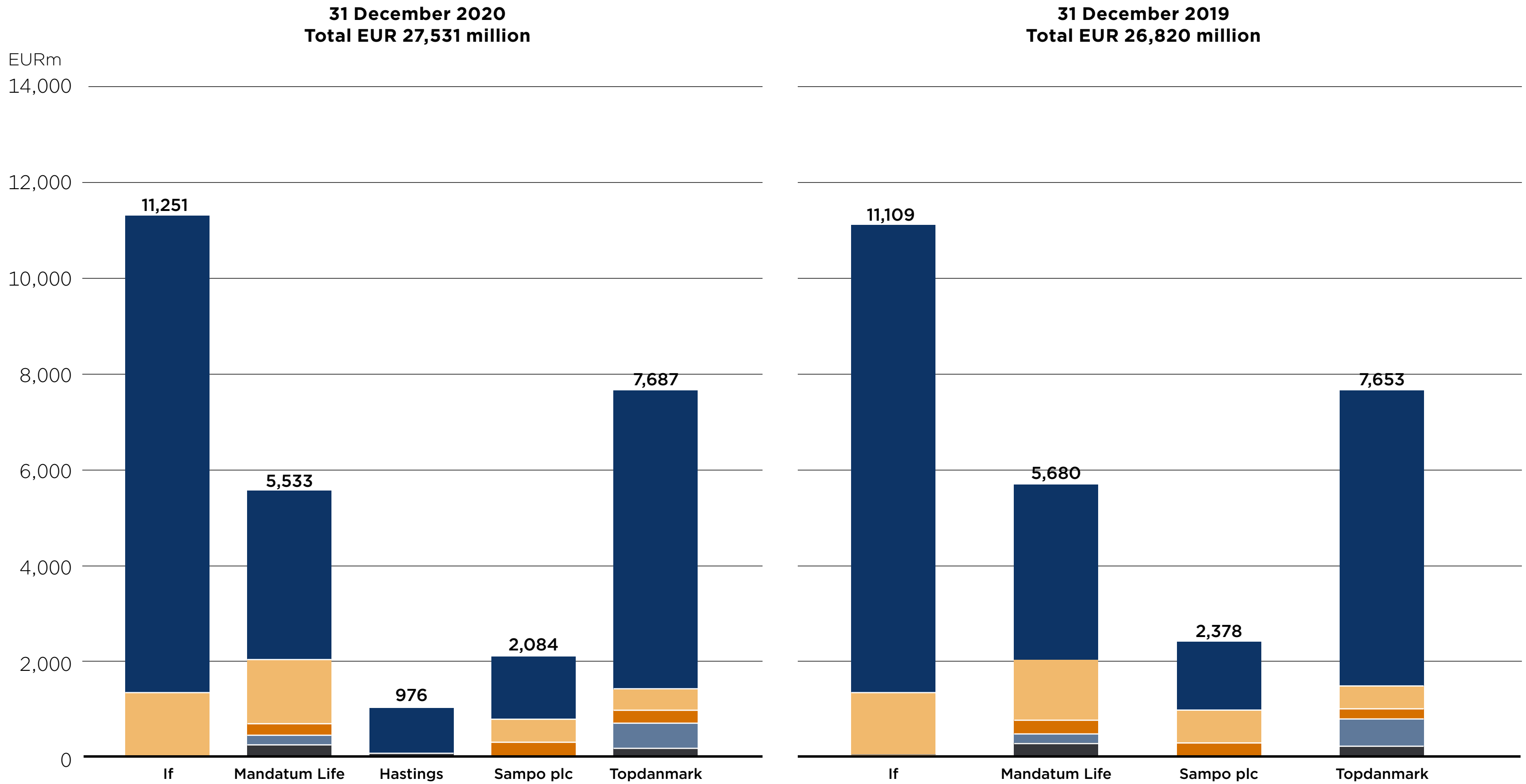
Market Risks at Sampo Group Level

For all subsidiaries, their insurance liabilities and the company specific risk appetite are the starting points for their investment activities. The insurance liabilities including loss absorbing buffers as well as the risk appetite of Mandatum Life, If, Hastings and Topdanmark differ, and as a result the structures and risks of the investment portfolios and balance sheets of the four companies differ respectively. Sampo Group's investment assets presented in the tables and graphs in this section do not include investments in the shares of subsidiaries or the associated companies (e.g. Nordea).

The total amount of Sampo Group's investment assets as at 31 December 2020 was EUR 27,531 million (26,820) as presented in the following graph. Mandatum Life's and Topdanmark's investment assets presented here do not include assets which cover unit-linked contracts.

Development of Investments

If, Mandatum Life, Hastings, Sampo plc and Topdanmark



	2020 If	2020 Mandatum Life	2020 Hastings	2020 Sampo plc	2020 Topdanmark	2019 If	2019 Mandatum Life	2019 Sampo plc	2019 Topdanmark
Fixed income	88%	63%	97%	63%	82%	88%	65%	60%	81%
Listed equity	12%	24%	0%	23%	6%	12%	23%	29%	6%
Private equity*	0%	5%	0%	14%	4%	0%	4%	11%	3%
Real estate	0%	3%	0%	0%	7%	0%	3%	0%	8%
Other alternative investments	0%	5%	3%	0%	2%	0%	5%	0%	2%

Sampo plc's figures do not include debt instruments issued by the insurance subsidiaries.
** Private Equity also includes direct holdings in non-listed equities.*

Investment activities and market risk taking are arranged pro-actively in such a way that there is no significant overlap between the whollyowned subsidiaries' single-name risks except with regards to Nordic banks where companies have their extra funds in short-term money market assets and cash. From the asset side's diversification perspective Topdanmark is a positive factor because the role of Danish assets is dominant in portfolios and especially the role of Danish covered bonds is central. In Sampo Group's other insurance companies' portfolios the weight of Danish investments has been immaterial.

Even though Hastings' investment portfolio is smaller than other Group companies' portfolios, it has had a positive impact on the diversification of Sampo Group's investments. The majority of Hastings' assets are British investments denominated in pound sterling, which is a market that other Sampo Group companies have very limited exposure to. Moreover, Hastings' investment portfolio consists mainly of investment grade fixed income investments.

Sampo Group's market risk sensitivities are presented in the following table.

Market Risk Sensitivities

Sampo Group, 31 December 2020

EURm	Scenario	If	Topdanmark	Hastings	Mandatum Life	Sampo plc	Sampo Group
Equities	-10%	-130	-15	-1	-134	-48	-327
	10%	130	15	1	134	48	327
Interest rates	-100 bps	151	1	3	105	32	393
	+100 bps	-144	-4	-7	-88	-31	-361
Other	-10%	-2	-36	0	-69	-31	-138
	10%	2	36	0	69	31	138
Local currency	-5%	-1	1	0	6	10	-
	5%	1	-1	0	-6	-10	-

Topdanmark's interest rate scenario figures show the net of financial assets and technical provisions. The company figures do not sum up to the Sampo Group figures due to eliminations and the exclusion of Topdanmark's technical provisions from the Sampo Group figures.

The figures in this table do not completely reconcile with the table Market Risk Sensitivities, Topdanmark, 31 December 2020 and 31 December 2019 due to differences in calculation methods.

In the next paragraphs concentrations by homogenous risk groups and by single names are presented first and after that balance sheet level risks are discussed shortly.

Holdings by Sector, Geographical Area and Asset Class

Regarding fixed income and equity exposures financial institutions and covered bonds have a material weight in the group-wide portfolios whereas the role of public sector investments is quite limited. Most of these assets are issued by Nordic corporates and institutions, although Hastings brought along some diversification in this respect. Most corporate issuers, although being based in the Nordic countries, are operating at global markets and hence their performance is not that dependent on the Nordic markets. Exposures by sector, asset class and rating are presented in the following table.

Exposures by Sector, Asset Class and Rating

Sampo Group, 31 December 2020

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change from 31 Dec 2019
Basic industry	0	0	15	132	91	0	66	303	160	0	0	463	51
Capital goods	0	0	84	55	55	0	162	356	592	0	0	948	8
Consumer products	1	4	214	450	131	0	123	923	472	0	0	1,395	163
Energy	0	8	14	0	9	1	154	186	2	6	0	193	-44
Financial institutions	40	1,469	2,598	1,370	335	0	134	5,945	392	8	3	6,348	-552
Governments	337	2	0	0	0	0	0	339	0	0	0	339	274
Government guaranteed	49	41	0	0	0	0	0	90	0	0	0	90	28
Health care	7	0	18	50	108	0	60	244	149	0	0	393	-30
Insurance	10	14	67	130	26	0	137	384	12	4	0	400	45
Media	0	0	0	0	4	0	22	27	10	0	0	37	7
Packaging	0	0	0	0	8	0	37	45	12	0	0	58	-2
Public sector, other	563	89	34	0	0	0	0	686	0	0	0	686	67
Real estate	0	15	110	520	55	0	596	1,297	0	183	0	1,480	84
Services	0	0	0	98	281	0	114	493	192	0	0	685	-89
Technology and electronics	1	0	32	43	45	0	79	199	163	0	0	362	-59
Telecommunications	0	0	31	200	120	0	4	355	66	0	0	421	4
Transportation	0	26	23	62	1	0	161	273	18	0	0	291	-117
Utilities	0	1	99	227	183	0	21	532	17	0	0	549	23
Others	0	11	0	0	22	0	30	63	0	29	0	93	-12
Asset-backed securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	2,545	0	0	0	0	0	0	2,545	0	0	0	2,545	-104
Funds	152	0	1	4	11	0	194	363	857	797	0	2,017	58
Clearing house	0	0	0	0	0	0	0	0	0	0	9	9	-7
Total excluding Topdanmark	**3,704**	**1,680**	**3,340**	**3,341**	**1,487**	**1**	**2,095**	**15,649**	**3,115**	**1,027**	**12**	**19,803**	**-206**
Change from 31 Dec 2019	**401**	**-1,030**	**-67**	**469**	**246**	**1**	**-72**	**-50**	**-166**	**23**	**-13**	**-206**	

Topdanmark												Total	Change from 31 Dec 2019
Group excluding life insurance	1,609	0	59	0	0	0	217	1,884	120	101	192	2,297	-23
Life insurance	3,165	0	134	10	9	0	433	3,752	325	869	444	5,390	58
Total Topdanmark	**4,773**	**0**	**193**	**10**	**9**	**0**	**650**	**5,636**	**445**	**970**	**636**	**7,687**	**34**
Change from 31 Dec 2019	**-118**	**0**	**-189**	**-1**	**0**	**0**	**119**	**-189**	**-38**	**-8**	**268**	**34**	

Most of the financial institutions and covered bonds are in the Nordic countries, even though Hastings brought along some diversification into the investments from this perspective. This can be seen in the table Fixed Income Investments in the Financial Sector, Sampo Group Excluding Topdanmark, 31 December 2020.

Fixed Income Investments in the Financial Sector

Sampo Group Excluding Topdanmark, 31 December 2020

EURm	Covered bonds	Cash and money market securities	Long-term senior debt	Long-term subordinated debt	Total	%
Sweden	1,462	17	618	155	**2,252**	25.8%
Finland	99	1,279	411	198	**1,986**	22.8%
Norway	647		459	285	**1,391**	16.0%
Denmark	291		251	255	**797**	9.1%
France		559	189	7	**755**	8.7%
United States		1	269	5	**275**	3.2%
United Kingdom	2	62	167	28	**259**	3.0%
Netherlands			185	41	**227**	2.6%
Canada	34		172		**206**	2.4%
Ireland		101	28		**129**	1.5%
Iceland			56	41	**97**	1.1%
Germany			50	15	**66**	0.8%
Switzerland			53		**53**	0.6%
Australia	9		35		**45**	0.5%
New Zealand			40		**40**	0.5%
Spain			36		**36**	0.4%
Gibraltar		23			**23**	0.3%
Estonia		5	12		**17**	0.2%
Bermuda			7	10	**17**	0.2%
Austria			12		**12**	0.1%
Luxembourg		11			**11**	0.1%
Belgium			10		**10**	0.1%
Guernsey			8		**8**	0.1%
Italy			3		**3**	0.0%
Cayman Islands			2		**2**	0.0%
Jersey		0			**0**	0.0%
Total	**2,545**	**2,060**	**3,072**	**1,040**	**8,717**	**100.0%**

The public-sector exposure includes government bonds, government guaranteed bonds and other public-sector investments as shown in the table Fixed Income Investments in the Public Sector, Sampo Group Excluding Topdanmark, 31 December 2020. The public sector has had a relatively minor role in Sampo Group's portfolios and these exposures have been mainly in the Nordic countries. Investments in the public sector do not have a material role in Topdanmark's portfolio which consists largely of AAA rated mortgage bonds.

Fixed Income Investments in the Public Sector

Sampo Group Excluding Topdanmark, 31 December 2020

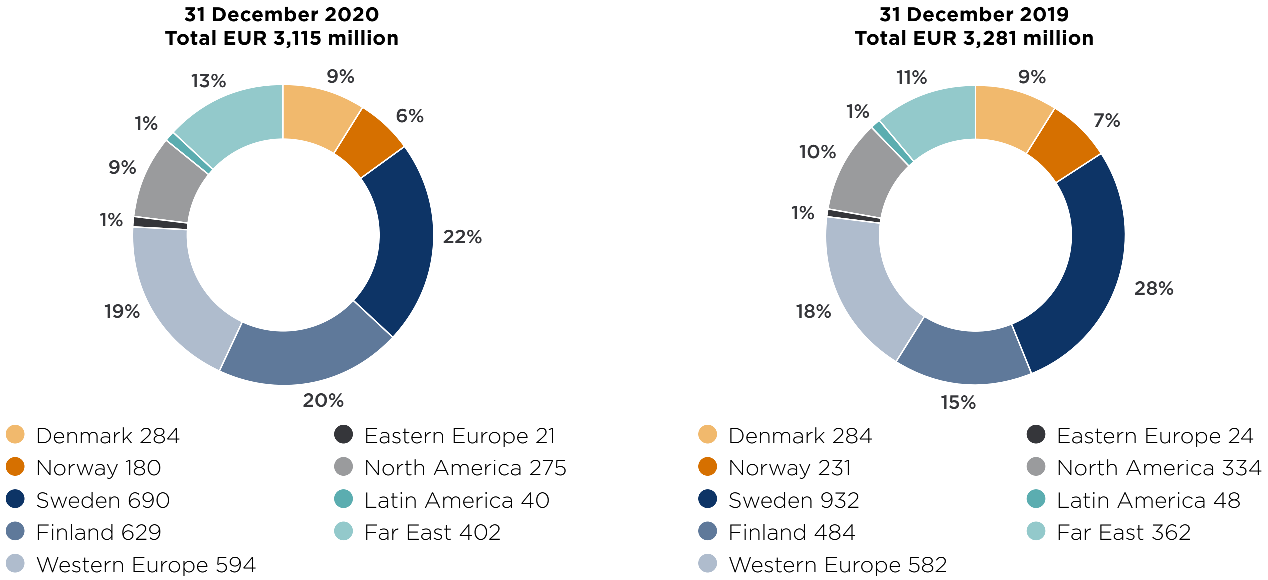
EURm	Governments	Government guaranteed	Public sector, other	Total
Sweden	317		297	**614**
Norway			315	**315**
Finland	20	27	24	**71**
Germany		49	1	**50**
Supranationals			40	**40**
France		14		**14**
United Kingdom	2		10	**11**
Total	**339**	**90**	**686**	**1,115**

The listed equity investments of Sampo Group excluding Topdanmark totaled EUR 3,115 million at the end of year 2020 (3,281). At the end of year 2020, the listed equity exposure of If was EUR 1,301 million (1,281). The proportion of listed equities in If's investment portfolio was 12 per cent. In Mandatum Life, the listed equity exposure was EUR 1,335 million at the end of year 2020 (1,308) and the proportion of listed equities was 24 per cent of the investment portfolio. In Topdanmark Group, the listed equity exposure was EUR 445 million at the end of year 2020 (483). Within Topdanmark Group, the allocation to listed equity is higher in the life company. At the end of year 2020 Hastings didn't have listed equity investments.

The geographical core of Sampo Group's equity investments is in the Nordic companies. The proportion of Nordic companies' equities corresponds to 57 per cent of the total equity portfolio. This is in line with Sampo Group's investment strategy of focusing on Nordic companies. However, these Nordic companies are mainly competing in global markets, only a few are operationally purely domestic companies. Hence, the ultimate risk is not highly dependent on the Nordic economies. A breakdown of the listed equity exposures of Sampo Group is shown in the graph Breakdown of Listed Equity Investments by Geographical Regions, Sampo Group Excluding Topdanmark, 31 December 2020 and 31 December 2019.

Breakdown of Listed Equity Investments by Geographical Regions

Sampo Group Excluding Topdanmark



Largest Holdings by Single Name

The largest exposures by individual issuers and counterparties are presented in the table Largest Exposures by Issuer and Asset Class, Sampo Group Exluding Topdanmark, 31 December 2020. The largest single name investments in Topdanmark's portfolios are in AAA rated Danish covered bonds.

Largest Exposures by Issuer and Asset Class

Sampo Group Excluding Topdanmark, 31 December 2020

Issuer, EURm	Total	% of total investment assets	Cash & short-term fixed income	Long-term fixed income, total	Long-term fixed income: Government guaranteed	Long-term fixed income: Covered bonds	Long-term fixed income: Senior bonds	Long-term fixed income: Tier 1 and Tier 2	Equities	Uncollateralized part of derivatives
Nordea Bank	1,263	6%	480	784	0	436	205	143	0	0
Danske Bank	756	4%	456	300	0	164	83	52	0	1
BNP Paribas	630	3%	559	70	0	0	67	3	0	0
Sweden	579	3%	0	579	0	0	579	0	0	0
Skandinaviska Enskilda Banken	516	3%	309	206	0	183	7	16	0	1
DnB	468	2%	0	468	0	214	177	77	0	0
Swedbank	399	2%	0	399	0	282	97	20	0	0
Svenska Handelsbanken	323	2%	0	322	0	245	27	51	0	0
Norway	315	2%	0	315	0	0	315	0	0	0
Saxo Bank	302	2%	0	18	0	0	0	18	284	0
Total top 10 exposures	**5,552**	**28%**	**1,805**	**3,461**	**0**	**1,524**	**1,558**	**379**	**284**	**2**
Other	14,251	72%								
Total investment assets	**19,803**	**100%**								

The largest high-yield and non-rated fixed income investment single-name exposures are presented in the table Ten Largest Direct High Yield and Non-rated Fixed Income Investments, Sampo Group Excluding Topdanmark, 31 December 2020. Furthermore, the largest direct listed equity exposures are presented in the table Ten Largest Direct Listed Equity Investments, Sampo Group Excluding Topdanmark, 31 December 2020.

The exposures in fixed income instruments issued by non-investment grade issuers are significant, because a relatively small number of Nordic companies are rated. Further, many of the Nordic rated companies have a high yield rating.

Ten Largest Direct High Yield and Non-rated Fixed Income Investments and Direct Listed Equity Investments

Sampo Group Excluding Topdanmark, 31 December 2020

Ten largest direct high yield and non-rated fixed income investments	Rating	Total, EURm	% of total direct fixed income investments
High Street Shopping	NR	144	1.0%
TDC	B	99	0.7%
Evergood 4 ApS	B+	83	0.6%
Sponda	NR	79	0.5%
Trevian Finland Properties I	NR	77	0.5%
Saab	NR	59	0.4%
Ellevio Holding	NR	58	0.4%
Pohjolan Voima	NR	54	0.4%
Teollisuuden Voima	BB	51	0.3%
Grönlandet Södra	NR	50	0.3%
Total top 10 exposures		**754**	**5.0%**
Other direct fixed income investments		14,233	95.0%
Total direct fixed income investments		**14,987**	**100.0%**

Ten largest direct listed equity investments	Total, EURm	% of total direct equity investments
Saxo Bank *	284	12.5%
Volvo	170	7.5%
Nobia	119	5.3%
Enento Group	98	4.3%
ABB	91	4.0%
Husqvarna	84	3.7%
Norwegian Finans Holding	83	3.7%
Vaisala	59	2.6%
Telia Company	55	2.4%
Veidekke	53	2.4%
Total top 10 exposures	**1,097**	**48.5%**
Other direct equity investments	1,166	51.5%
Total direct equity investments	**2,263**	**100.0%**

** Although Saxo Bank is not a listed company, it is a major equity investment in Sampo plc's portfolio and is therefore included in the table.*

Balance Sheet Concentrations

In general Sampo Group is structurally dependent on the performance of the Nordic economies as already described earlier. Sampo Group is also economically exposed to a fall in interest rates. The lower the rates and the flatter the yield curve, the more challenging the environment is for the current business models especially when the duration of insurance liabilities is longer than fixed income asset duration in If and Mandatum Life. In Topdanmark and Hastings interest rate risk of the balance sheet is being actively hedged and hence Topdanmark or Hastings are not increasing interest rate risk materially at the Group level.

Sampo Group would benefit materially in case interest rates would rise, because economic value of insurance liabilities would decrease more than value of assets backing them. At the same time the net interest income of Nordea should increase as well.

The Role of Sampo plc

Sampo plc is a long-term investor in Nordic financials and a source of liquidity within the Group. Hence, the healthy funding structure and the capacity to generate funds if needed are on continuous focus.

As at 31 December 2020 Sampo had long-term strategic holdings of EUR 9,106 million and they were funded mainly by capital of EUR 7,472 million and senior debt of EUR 2,448 million. Average remaining maturity of senior debt was 5.2 years and EUR 1,100 million of it had a maturity longer than 5 years. Senior debt is used to fund other financial assets as well. The average maturity of subordinated loans and fixed income instruments of EUR 360 million was 0.8 years. Funding structure of strategic holdings and other holdings can be considered strong.

The capacity to generate funds is dependent on leverage and liquidity buffers which can be inferred from the table Balance Sheet Structure, Sampo plc, 31 December 2020 and 31 December 2019.

Balance Sheet Structure

Sampo plc, 31 December 2020 and 31 December 2019

EURm	31 Dec 2020	31 Dec 2019*
Assets total	**11,515**	**11,625**
Liquidity	**1,170**	**1,320**
Investment assets	**824**	**1,022**
Real estate	2	2
Fixed income	36	46
Equity & private equity	786	973
Subordinated loans	**324**	**359**
Equity holdings	**9,106**	**8,841**
Subsidiaries	4,712	3,401
Associated	4,394	5,440
Other assets	**91**	**84**

EURm	31 Dec 2020	31 Dec 2019*
Liabilities total	**11,515**	**11,625**
CPs issued	**0**	**0**
Long-term senior debt	**2,448**	**3,414**
Private placements	72	98
Bonds issued	2,376	3,316
Subordinated debt	**1,486**	**494**
Capital	**7,472**	**7,596**
Undistributable capital	98	98
Distributable capital	7,374	7,497
Other liabilities	**109**	**121**

** Hastings is not included in the 2019 figures.*

The leverage of Sampo plc was moderate at year end according to for example these measures:

- The financial leverage measured as the portion of debt within all liabilities was 34 (34) per cent.
- Sampo's net debt of EUR 2,405 (2,183) million is moderate when compared to Sampo's equity holdings and financial assets.

In regard to liquidity, the liquid funds of Sampo plc were EUR 1,170 (1,320) million. Liquidity is mainly affected by received and paid dividends as well as changes in issued debt instruments and changes in investments. Sampo's dividend payment takes place in the second quarter and it will significantly lower the liquidity position of Sampo. A significant portion of subordinated loans issued by the Group companies (324) and a part of other investment assets (824) can be sold in case liquidity is needed. Short-term liquidity can be considered to be adequate.

All in all, Sampo plc is in a good position to refinance its current debt and even issue more debt. This capacity together with the tradable financial assets, means that Sampo plc is able to generate liquid funds.

Currently Sampo Group has a capital buffer in excess of the Solvency Capital Requirement. The subordinated loans presented in the table Balance Sheet Structure, Sampo plc, 31 December 2020 and 31 December 2019 are all issued by If, Mandatum Life, Nordea and Topdanmark. Apart from Nordea, they are eliminated from Group's own funds. In case these assets would be sold, in addition to liquidity in Sampo plc, also own funds and Sampo Group solvency ratio would increase.

Sampo plc is able to balance risks within Sampo Group. When Sampo plc is managing its funding, capital structure and liquidity, it takes into account that some of its operative companies have other base currencies (the Swedish krona, the Danish krone, pound sterling) than the euro, and that all its operative business areas are exposed to low interest rates. These risks may affect Sampo's decisions on the issuance of debt instruments and the composition of the liquidity portfolio.

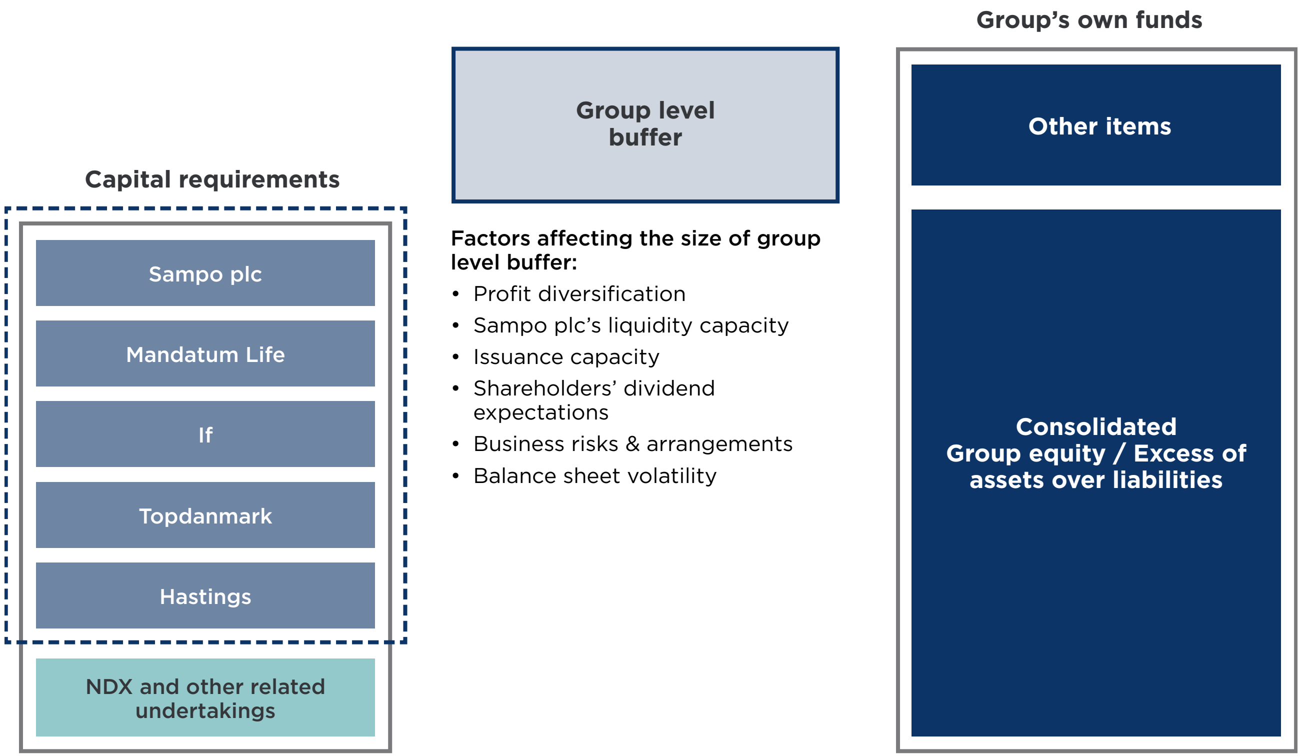
Sampo Group Capitalization

Capitalization at the Group Level

The sub-group level balance of profits, risks and capital is the primary focus of Sampo Group. In addition, capitalization is managed via the Group level buffer. Changes in the Solvency Capital Requirements of the subsidiaries and Nordea's market value effect the level of capitalization in Sampo Group, and investment in subordinated loans issued by the Group companies are eliminated from own funds, decreasing solvency.

However, at Sampo Group level there are more factors affecting capitalization than at the sub-group level. These factors are illustrated in the graph Sampo Group's Capitalization Framework.

Sampo Group's Capitalization Framework



The Group's capital requirement is dependent mainly on the capital requirements of the business areas. The market risk stemming from Nordea holding is a significant part of Sampo plc's capital requirement, but apart from that the parent company's contribution to the Group capital need is minor most of the time, because Sampo plc does not have any business activities of its own other than the management of its capital structure and liquidity portfolio. In addition, investments in the Nordic financial service companies increase Sampo plc's capital requirement.

Diversification benefit exists at two levels, within the companies and between the companies. The former is included in the companies' SCRs.

Conceptually, the Group's own funds is the difference between the market value of assets and liabilities plus the subordinated liabilities. This difference has accrued during the lifetime of the Group and it includes the following main components:

- Accrued profits that have not been paid as dividends over the years.
- Market value adjustment to the book values of assets and liabilities.
- Issued capital and subordinated liabilities meeting Solvency II requirements.

At the Group level, the capital requirement and own funds are both exposed to foreign currency translation risk. The actual capital and the capital needs of If, Topdanmark and Hastings are converted from their reporting currencies to the euro. When the reporting currencies of If, Topdanmark and Hastings depreciate, the actual amount of the Group's capital in the euros decreases and the capital requirements of If, Topdanmark and Hastings will be lower in the euro terms. Translation currency risk is monitored internally and its effect on Sampo Group's solvency on a going concern basis is analyzed regularly. However, internally no capital need is set for translation risk, because it is realized only when a sub-group is divested.

The Group level buffer is the difference between the amount of the Group's own funds and the Group capital requirement. In addition to the sub-group level factors – expected profits and their volatility, business growth prospects and ability to issue Solvency II compliant capital instruments – there are Group level factors that are also relevant when considering the size of the Group level buffer. The most material Group level factors affecting the size of the buffer are correlation of sub-groups' reported profits, volatility of the balance sheet due to fluctuations in the market value of the equity portfolio and the insurance liabilities, parent company's capacity to generate liquidity, probability of business risks and arrangements and shareholders' dividend expectations.

SAMPO PLC'S FINANCIAL STATEMENTS

Sampo plc's Financial Statements

Sampo plc's Income Statement

EURm	Note	2020	2019
Other operating income	1	17	16
Staff expenses			
Salaries and remunerations		-13	-13
Social security costs			
Pension costs		-2	-2
Other		-2	0
Other operating expenses	2	-18	-57
Operating profit		**-19**	**-56**
Financial income and expense	4		
Income from shares in Group companies		655	936
Income from other shares		6	602
Other interest and financial income			
Group companies		12	12
Other		7	17
Other investment income and expense		116	11
Other interest income		15	27
Interest and other financial expense		-108	-79
Exchange result		13	22
Proft before appropriations and taxes		**697**	**1,491**
Group contribution		3	-
Income taxes		0	-1
Profit for the financial year		**700**	**1,490**

Sampo plc's Balance Sheet

EURm	Note	2020	2019
ASSETS			
Intangible assets		1	2
Property, plant and equipment			
Buildings		1	1
Other		2	2
Investments			
Shares in Group companies		4,712	3,401
Receivables from Group companies	5	242	269
Participating interests		4,394	5,440
Receivables from participating interests		82	90
Other shares and participations	6	786	973
Other receivables	7	86	46
Short-term receivables			
Other receivables	8	35	45
Prepayments and accrued income	9	54	35
Cash and cash equivalents		1,120	1,320
TOTAL ASSETS		**11,515**	**11,625**

EURm	Note	2020	2019
LIABILITIES			
Equity	10		
Share capital		98	98
Fair value reserve		124	114
Invested unrestricted equity		1,527	1,527
Other reserves		273	273
Retained earnings		4,751	4,095
Profit for the financial year		700	1,490
		7,472	**7,596**
Liabilities			
Long-term liabilities			
Bonds		2,448	3,414
Subordinated debt securities		1,486	494
Short-term liabilities			
Deferred tax liability	14	17	15
Other liabilities	12	44	34
Accruals and deferred income	13	48	73
TOTAL LIABILITIES		**11,515**	**11,625**

Sampo plc's Statement of Cash Flows

EURm	2020	2019
Operating activities		
Profit before taxes	687	1,491
Adjustments:		
Realised gains and losses on investments	12	-1
Other adjustments	-9	-559
Adjustments total	**3**	**-559**
Change (+/-) in assets of operating activities		
Investments *)	170	55
Other assets	-2	49
Total	**168**	**104**
Change (+/-) in liabilities of operating activities		
Financial liabilities	-34	1
Other liabilities	22	-21
Paid interests	-82	4
Paid taxes	0	-1
Total	**-94**	**-17**
Net cash from operating activities	**764**	**1,018**

EURm	2020	2019
Investing activities		
Investments in Group and associated undertakings	-123	594
Financing activities		
Dividends paid	-833	-1,588
Issue of debt securities	1,191	496
Repayments of debt securities in issue	-1,199	-647
Net cash used in financing activities	**-841**	**-1,739**
Total cash flows	**-200**	**-127**
Cash and cash equivalents at 1 January	1,320	1,447
Cash and cash equivalents at 31 December	1,120	1,320
Net change in cash and cash equivalents	**-200**	**-127**

*) *Investments include both investment property and financial assets.*

Additional information to the statement of cash flows:

EURm	2020	2019
Interest income received	36	65
Interest expense paid	-80	-74
Dividend income received	660	1,538

SAMPO PLC'S NOTES TO THE ACCOUNTS

Sampo plc's Notes to the Accounts

Summary of Significant Accounting Policies

The presentation of Sampo Plc's financial statements together with the notes has been prepared in accordance with the Finnish Accounting Act and Ordinance. The accounting policies applied to the separate financial statements of Sampo plc do not materially differ from those of the Group, prepared in accordance with the International Financial Reporting Standards (IFRSs). The financial assets are measured at fair value derived from the markets.

Notes to the Income Statement 1–4

1 Other operating income

EURm	2020	2019
Income from investment operations	17	16
Other	0	0
Total	**17**	**16**

2 Other operating expenses

EURm	2020	2019
Rental expenses	-1	-1
IT expenses	-2	-2
External services	-8	-4
Other staff costs	-1	-1
Loss from extra dividend	-	-44
Other	-6	-5
Total	**-18**	**-57**

Item Other includes e.g. administration fees.

3 Auditors' fees

EURm	2020	2019
Authorised Public Accountants Ernst & Young Oy		
Auditing fees	-0.3	-0.3
Tax consultancy	0.0	0.0
Other fees	-0.2	-0.1
Total	**-0.5**	**-0.4**

4 Financial income and expense

EURm	2020	2019
Dividend income in total	660	1,538
Interest income in total	34	53
Interest expense in total	-84	-79
Gains on disposal in total	157	2
Exchange result	13	22
Other	-65	11
Total	**715**	**1,547**

Notes to the Assets 5–9

5 Receivables from Group companies

EURm	2020	2019
Cost at beginning of year	**269**	**261**
Additions	0	8
Disposals	-27	0
Carrying amount at end of year	**242**	**269**

Receivables are subordinated loans issued by subsidiaries. More information in the consolidated note 28 Financial liabilities.

6 Other shares and participations

	2020	Fair value changes		2019	Fair value changes	
EURm	Fair value	Recognised in p/l	Recognised in fair value reserve	Fair value	Recognised in p/l	Recognised in fair value reserve
Avalaible-for-sale equity securities	786	-15	-9	973	0	-131

7 Other investment receivables

	2020	Fair value changes		2019	Fair value changes	
EURm	Fair value	Recognised in p/l	Recognised in fair value reserve	Fair value	Recognised in p/l	Recognised in fair value reserve
Bonds	36	0	10	46	-	-16
Market money	50	0	0	-	-	-
Total	**86**	**0**	**10**	**46**	**0**	**-16**

8 Other receivables

EURm	2020	2019
Trading receivables	1	1
Derivatives	0	1
Other	34	43
Total	**35**	**45**

9 Prepayments and accrued income

EURm	2020	2019
Accrued interest	11	13
Derivatives	27	20
Other	16	3
Total	**54**	**35**

Notes to the Liabilities 10–13

10 Movements in the parent company's equity

	Restricted equity			Unrestricted equity		
EURm	**Share capital**	**Fair value reserve**	**Invested unrestricted capital**	**Other reserves**	**Retained earnings**	**Total**
Carrying amoun at 1 January 2019	**98**	**-3**	**1,527**	**273**	**5,996**	**7,890**
Dividends					-1,902	-1,902
Financial assets available-for-sale						
- recognised in equity		118				118
- recognised in p/l		0				0
Profit for the year					1,490	1,490
Carrying amount at 31 December 2019	**98**	**114**	**1,527**	**273**	**5,584**	**7,596**

	Restricted equity			Unrestricted equity		
EURm	**Share capital**	**Fair value reserve**	**Invested unrestricted capital**	**Other reserves**	**Retained earnings**	**Total**
Carrying amount at 1 January 2020	**98**	**114**	**1,527**	**273**	**5,584**	**7,596**
Dividends					-833	-833
Financial assets available-for-sale						
- recognised in equity		-1				-1
- recognised in p/l		11				11
Profit for the year					700	700
Carrying amount at 31 December 2020	**98**	**124**	**1,527**	**273**	**5,451**	**7,472**

Distributable assets

EURm	**2020**	**2019**
Parent company		
Profit for the year	700	1,490
Retained earnings	4,751	4,095
Invested unrestricted capital	1,527	1,527
Other reserves	273	273
Total	**7,250**	**7,384**

11 Share capital

Information on share capital is disclosed in Note 33 in the consolidated financial statements.

12 Other liabilities

EURm	2020	2019
Derivatives	2	4
Guarantees for derivate contracts	29	20
Other	13	10
Total	**44**	**34**

13 Accruals and deferred income

EURm	2020	2019
Deferred interest	35	31
Derivatives	2	29
Other	11	13
Total	**48**	**73**

Note to the Income Taxes 14

14 Deferred tax assets and liabilities

EURm	2020	2019
Deferred tax assets		
Losses	14	14
Deferred tax liabilities		
Fair value reserve	-31	-28
Total, net	**-17**	**-15**

Notes to the Off-Balance Sheet Liabilities and Commitments 15–16

15 Pension liabilities

The basic and suplementary pension insurance of Sampo plc's staff is handled through insurance policies in pension insurance companies in Finland and Sweden.

16 Future rental commitments

EURm	2020	2019
Not more than one year	1	1
Over one year but not more than five years	3	4
Total	**4**	**5**

Notes to the Staff and Management 17–19

17 Staff numbers

	2020 Average during the year	2019 Average during the year
Full-time staff	67	63
Part-time staff	0	1
Temporary staff	0	1
Total	**67**	**65**

18 Board fees and management remuneration

(EUR thousand)		2020	2019
Group Executive Director	Torbjörn Magnusson	1,314	3,891
Members of the Board of Directors			
Björn Wahlroos		180	175
Fiona Clutterbuck		99	96
Christian Clausen		93	96
Georg Ehrnrooth		99	-
Jannica Fagerholm		145	140
Johanna Lamminen		99	96
Veli-Matti Mattila		-	90
Risto Murto		93	90
Antti Mäkinen		93	90

In accordance with the decision of the Annual General Meeting in 2020, the company has compensated the transfer tax related to the acquisition of the company shares, in total EUR 6,626.27 (EUR 1,436.29 pertaining to the Chairman, EUR 1,156.68 EUR to the Vice Chairman and EUR 4,033.30 to the other Finnish members of the Board).

19 Pension contributions to the CEO, deputy CEO and the members of the Board

(EURk)	Supplementary pension costs	Statutory pension costs	Total
Pension contributions paid during the year			
President/CEO [1]	530	191	721
Former Chairmen of the Board			
Kalevi Keinänen [2]	18	-	18
Former Presidents/CEO:s			
Harri Hollmen [2]	44	-	44
	592	**191**	**783**

[1] The Group CEO is entitled to a supplementary defined contribution pension in accordance with the present pension contract. The pension expense includes also related taxes and social security cost.

[2] Group pension agreement with a retirement age of 60 years and a pension benefit of 66 per cent of the pensionable TyEL-salary (TyEL: Employee's Pension Act). The payment for 2020 is based on a TyEL index adjustment.

Note to the Shares Held 20

20 Shares held as of 31 Dec, 2020

Company name	Percentage of share capital held	Carrying amount EURm
Group undertakings		
P&C insurance		
If P&C Insurance Holding Ltd, Stockholm Sweden	100.00	1,886
P&C and life insurance		
Topdanmark A/S, Copenhague Denmark	46.66	1,031
P&C insurance		
Hastings Group (Consolidated) Plc, London United Kingdom	70.00	1,311
Life insurance		
Mandatum Life Ltd, Helsinki Finland	100.00	484
Other		
Sampo Capital Oy, Helsinki Finland	100.00	1

Approval of the Financial Statements and the Board of Directors' Report

Helsinki, 11 February 2021

Sampo plc

Board of Directors

Christian Clausen	**Fiona Clutterbuck**	**Georg Ehrnrooth**
Jannica Fagerholm	**Johanna Lamminen**	**Risto Murto**
	Antti Mäkinen	

Björn Wahlroos Chairman	**Torbjörn Magnusson** Group CEO

Auditor's Report

To the Annual General Meeting of Sampo plc

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Sampo plc (business identity code 0142213-3) for the year ended 31 December 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the *Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 36 to the consolidated financial statements and note 3 to the parent company financial statements.

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 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, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities *We refer to the Summary of significant accounting policies, Accounting policies regarding management judgment and key sources of estimation uncertainties and Notes 26 and 27.*	
At 31.12.2020 the Group has insurance contract liabilities amounting to mEUR 36,241 (31.12.2019: mEUR 32,409) which represents 82% of the Group's total liabilities and it is thus the single largest liability of the Group. The insurance contract liabilities comprise life and non-life insurance contract liabilities. The life insurance contract liabilities are based on estimate of future claims payments. The estimate is based on assumptions which include uncertainty. Changes in assumptions can result in material impacts to the valuation of the liabilities. Key assumption areas include interest rate and life expectancy of policy holders. The estimation of non-life insurance contract liabilities involves significant assumptions to be made in provisions for claims outstanding. Key assumption areas include inflation rate and life expectancy of beneficiaries. The liabilities are based on a best estimate of ultimate cost of all claims incurred but not settled, whether reported or not, together with claims handling costs.	Our audit procedures included, among other, evaluation of the governance around the overall Group reserving process and included testing the operating effectiveness of key controls over the completeness, measurement and management of the Group's calculation of insurance liabilities. We evaluated the appropriateness of methodologies and assumptions used, and independently re-projected the reserve balances for certain classes of business. We involved our internal actuarial specialists to assist us in assessing the appropriateness of assumptions used. We assessed the adequacy of disclosures relating to insurance contracts liabilities.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Valuation of financial assets *We refer to the Summary of significant accounting policies, Accounting policies regarding management judgment and key sources of estimation uncertainties and Notes 9 and 14-20.* The Group's investment portfolio excluding investments in associates amounts to mEUR 39,257 (2019: mEUR 36,418 which represents 69% of the Group's total assets. Fair value measurement can be subjective, specifically in areas where fair value is based on a model-based valuation. Valuation techniques for private equity funds, non-listed bonds and non-listed equities involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could lead to different estimates of fair value. Specific areas of audit focus include the valuation of level 2 and 3 assets according to IFRS where valuation techniques use unobservable inputs. The investment portfolio includes level 2 assets amounting to mEUR 7,342 and level 3 assets amounting to mEUR 4,113 (refer to note 17). This matter is a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement in respect of valuation of financial assets our audit procedures included testing the effectiveness of controls in place over recording fair values of assets using unobservable input. We performed additional procedures for areas of higher risk and estimation, involving our valuation specialists. In respect of the investments in private equity funds, we evaluated and tested the procedures of the Group to determine the fair value of these investments. The procedures include assessment of fund net asset value based on the fair value of underlying investment, independent broker valuations and evidence of underlying financial data. We assessed the adequacy of disclosures relating to the financial assets.

Key Audit Matter	How our audit addressed the Key Audit Matter
Associated company Nordea *We refer to the Summary of significant accounting policies and note 13.* The value of the Nordea shares in the consolidated balance sheet amounts to mEUR 4,822 (31.12.2019: mEUR 6,712). The holding in Nordea Bank Abp represents 9% of the Group's total assets. Nordea Bank Abp is an associated company of the Group and is accounted for based on equity accounting. At 31.12.2020 the Group's ownership in Nordea Bank Abp is 15.87% (31.12.2019: 19.87%). The book value of the Nordea holding exceeded the market value of the Group's ownership at the reporting date, due to which an impairment test has been prepared at 31.12.2020. An impairment amounting to mEUR 899 has been recognized based on the impairment test.	Our audit procedures included identifying controls that verify that the Group's share of Nordea has been booked appropriately based on the Group's share of Nordea's financial information and testing the consolidation procedures performed by the Group. Our audit procedures included, among others, involving our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group in preparing the impairment test and evaluating the analysis prepared by the Group, which concludes that the Group still exercises significant influence, as defined in IAS 28, over Nordea Bank Abp. We assessed the adequacy of disclosures relating to associated companies.
Hastings Group Holdings Plc (Hastings) business combination *We refer to the Summary of significant accounting policies and note Business Combinations.* The Group acquired the Hastings business during the financial year. The acquisition date was determined to be November 16, 2020. The purchase consideration of mEUR 1,299 was paid in cash. Assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at acquisition date fair value. Management judgement relates specifically to determining the fair value of acquired assets and liabilities, in particular determining the fair values of separately identifiable intangible assets such as customer contracts, technology and trademarks. The significant business combination is a key audit matter as it involves valuation processes and methods, and judgments made by management.	Our audit procedures included, among others, assessing together with our valuation specialists the valuation processes and methodologies to identify acquired assets and liabilities and to determine the fair value of these. We assessed the adequacy of disclosures relating to business combination.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine 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 Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on 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 good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director'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 parent company's or the group'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 parent company or the group 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 so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group 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 any significant deficiencies in internal control 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 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.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 10.4.2002, and our appointment represents a total period of uninterrupted engagement of 19 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors with referred statements and the Corporate Governance Statement, Remuneration Report for Governing Bodies and the Group CEO's review, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the other reports and statements mentioned above are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

Opinions based on the assignment of the Audit Committee

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki 2 March 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Kristina Sandin
Authorized Public Accountant

2020

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