SAMPO GROUP

# BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

# 2019

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REPORTS FOR THE YEAR 2019
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# BOARD OF DIRECTORS' REPORT

# Sampo plc - Board of Directors' Report for 2019

## Sampo Group

Sampo Group's profit before taxes for 2019 amounted to EUR 1,541 million (2,094). The profit includes a loss of EUR 155 million incurred when distributing Nordea shares as dividends in the third quarter of 2019. The profit for the for the comparison year contains a positive non-recurring item of EUR 197 million from the Danske Bank co-operation agreement that Mandatum Life completed in the second quarter of 2018. The total comprehensive income for the period, taking changes in the market value of assets into account, rose to EUR 1,565 million (1,034).

Earnings per share was EUR 2.04 (3.04) and marked-to-market earnings per share was EUR 2.63 (1.70). Marked-to-market earnings were boosted by strong equity market development. Return on equity for the Group amounted to 12.0 per cent (7.5) for 2019. Net asset value per share on 31 December 2019 increased to EUR 20.71 (20.60).

Sampo plc's Board of Directors is proposing at the Annual General Meeting to be held on 23 April 2020 a dividend of EUR 2.20 per share (2.85). The proposed dividend payment amounts in total to EUR 1,222 million (1,583). The Board has on 6 February 2020 approved a new dividend policy according to which total annual dividends paid will be at least 70 per cent of Group's net profit for the year (excluding extraordinary items). In addition share buy-backs can be used to complement the cash dividend.

If segment's profit before taxes rose to EUR 884 million (848). Underwriting performance continues on its excellent track. Insurance technical result amounted to EUR 685 million (643) and combined ratio for full-year 2019 was 84.5 per cent (85.2). Return on equity amounted to 34.5 per cent (11.2). Premiums grew strongly in all business areas in the Nordics amounting to 5.7 per cent with fixed currencies. If lowered the discount rate applied in Finland from 1.2 per cent to 0.95 per cent. This had a negative impact of EUR 62 million on the results. If paid a dividend of SEK 7.5 billion (EUR 710 million) to Sampo plc in December 2019.

Topdanmark had another strong year and segment's profit before taxes rose to EUR 238 million (199). The combined ratio amounted to 82.1 per cent (82.3). Topdanmark's Board of Directors proposes to the AGM of 2020 a dividend of DKK 17 per share. If approved Sampo plc's share of the dividend payment is EUR 96 million.

Sampo's share of Nordea's net profit for 2019 amounted to EUR 290 million (625). Nordea made encouraging progress in the fourth quarter of 2019 towards achieving its financial targets. In segment reporting the share of Nordea's profit is included in the segment 'Holding'. For 2019 Nordea targets a dividend of EUR 0.40 per share (0.69). If the AGM approves this, Sampo plc will receive a dividend of EUR 322 million (594).

Profit before taxes for the segment Mandatum amounted to EUR 280 million (450). The profit for the comparison year includes a contribution of EUR 197 million from the Danske Bank co-operation agreement in the second quarter of 2018. Return on equity rose to 23.5 per cent (8.7). Mandatum Life's Board proposes a dividend of EUR 150 million to be paid to Sampo plc in the first quarter of 2020.

Sampo Group's total investment assets, excluding Topdanmark's life insurance assets, on 31 December 2019 amounted to EUR 21.8 billion (21.7), of which 76 per cent was invested in fixed income instruments (79), 16 per cent in equities (14) and 8 per cent in other assets (7). If's share of assets was 50 per cent (50), Topdanmark's 13 per cent (13), Mandatum Life's 26 per cent (26) and Sampo plc's 11 per cent (11).

Sampo Group's equity as at 31 December 2019 amounted to EUR 11,908 million (12,386), excluding the minority share of EUR 635 million (628). Dividend payments, both cash dividend and dividend in kind, of EUR 1,902 million reduced the equity and the comprehensive income for the year of EUR 1,565 million increased it.

Sampo Group's solvency capital is as of October 2019 calculated according to the Solvency II rules. At the end of 2019 the solvency ratio stood at 167 per cent (140).

Sampo Group will issue a report on non-financial information in accordance with Chapter 3a, Section 5 of the Accounting Act. The report, Corporate Responsibility Report 2019, will be separate from the Board of Directors' Report and will be published in May 2020.

## Key Figures

Sampo Group, 2019

| EURm | 2019 | 2018 | Change, % |
|---|---|---|---|
| Profit before taxes *) | 1,541 | 2,094 | -26 |
| If | 884 | 848 | 4 |
| Topdanmark | 238 | 199 | 20 |
| Associates (Nordea & NDX Intressenter) | 298 | 621 | -52 |
| Mandatum *) | 280 | 450 | -38 |
| Holding (excl. Associates) | -159 | -3 | - |
| **Profit for the period **)** | **1,237** | **1,778** | **-30** |

| | 2019 | 2018 | Change |
|---|---|---|---|
| Earnings per share, EUR *) | 2.04 | 3.04 | -1.00 |
| EPS (incl. change in FVR), EUR | 2.63 | 1.70 | 0.93 |
| NAV per share, EUR | 20.71 | 20.60 | 0.11 |
| Average number of staff (FTE) | 9,813 | 9,509 | 304 |
| Group solvency ratio, % | 167 | 140 | 27 |
| RoE, % | 12.0 | 7.5 | 4.5 |

**) the comparison year includes the contribution of EUR 197 million from the Danske Bank co-operation agreement in the second quarter of 2018.*

***) of which non-controlling interests are EUR 107 million (91) for 2019.*

*Income statement items are compared on a year-on-year basis and comparison figures for balance sheet items are from 31 December 2018 unless otherwise stated.*

## Exchange Rates used in Reporting

| | 1-12/2019 | 1-9/2019 | 1-6/2019 | 1-3/2019 | 1-12/2018 |
|---|---|---|---|---|---|
| **EURSEK** | | | | | |
| Income statement (average) | 10.5853 | 10.5679 | 10.5181 | 10.4187 | 10.2583 |
| Balance sheet (at end of period) | 10.4468 | 10.6958 | 10.5633 | 10.3980 | 10.2548 |
| **DKKSEK** | | | | | |
| Income statement (average) | 1.4183 | 1.4158 | 1.4090 | 1.3959 | 1.3764 |
| Balance sheet (at end of period) | 1.3982 | 1.4326 | 1.4153 | 1.3929 | 1.3733 |
| **NOKSEK** | | | | | |
| Income statement (average) | 1.0749 | 1.0816 | 1.0810 | 1.0694 | 1.0688 |
| Balance sheet (at end of period) | 1.0591 | 1.0809 | 1.0897 | 1.0765 | 1.0308 |
| **EURDKK** | | | | | |
| Income statement (average) | 7.4661 | 7.4644 | 7.4651 | 7.4637 | 7.4533 |
| Balance sheet (at end of period) | 7.4715 | 7.4662 | 7.4636 | 7.4652 | 7.4673 |

# Economic Environment

The global economy is expected to have grown at a modest pace of 2.8 per cent in 2019, which is slightly less than the previous year's figure. One of the main reasons for the expected drop has to do with decreased investments among major economies, such as the EU, USA and China, driven by perceived threats surrounding the fluidity of international trade. Earlier in the year, the US-China trade spat escalated in a tit-for-tat increase on imposed tariffs. In addition, the risks posed by a hard Brexit decreased foreign investments into the UK. While some of the major politico-economic hurdles were overcome as of late 2019, concrete solutions to other issues, such as climate change, still remained to be found.

The Nordic economies experienced somewhat of a slowdown from the previous year, although Norway did post a slight uptick in its growth figures. As the export-driven Nordic cluster is naturally sensitive to global economic shocks, the global slowdown due to escalated trade tensions markedly decreased intraregional investments. While Denmark and Norway weathered the downward growth pressures somewhat better due to greater utilisation of their respective labour forces, structural issues in both Sweden and Finland hindered overall growth potential.

In Finland expected growth dropped to 1.5 per cent, with investments falling by 0.7 per cent and private consumption stalling, 2019 was a generally challenging year for the Finnish economy. Investments were depressed particularly due to decreased construction starts and private consumption only saw somewhat of a rebound in the latter half of the year. Despite a global economic slowdown, Finland did experience a moderately strong pickup in exports compared to imports balancing out the current account. The unemployment rate has been falling since 2016 although the trend did not continue into 2019, as the unemployment has been flat at 6.7 per cent since April.

In Sweden growth figures were slightly gloomier at an expected 1.1 per cent, driven internally by weak consumption growth and decreased levels of investment particularly in the housing sector. Housing prices saw a recovery from a drop in 2017, and towards the end of the year a lot of the past housing starts came into fruition. One big driver for price increases has been the urban sprawl driving up demand in major cities, such as Stockholm and Gothenburg. However, unemployment rose to 6.8 per cent thereby placing a lot of potential consumers without a paycheque and further contributing to a weakish consumption growth figure of 1.0 per cent. One of the bigger surprises in Sweden was the Riksbank's decision to raise rates towards the end of the year despite weak economic data. The rate hike was largely motivated by concerns over possible adverse effects stemming from negative rates.

In Norway the economy grew at an expected 2.5 per cent, which was propped up by a stable global demand for oil and new investments into oil production. During the year, oil related investments grew by 14 per cent, which partly off-set the slump in foreign direct investments within the Nordic region. Unemployment dropped to 3.7 per cent, which was the lowest out of the Nordics. Compared to the rest of the world, Norway's economy weathered the global trade uncertainties well. Due to a strong economy, Norway's central bank hiked rates three times during the year.

In Denmark the economy grew at an expected 2.1 per cent, driven by increased exports as well as investments especially into the pharmaceutical industry. In addition, positive developments in real wages buffed by low interest rate payments increased Danish households' disposable incomes during the year leading to lower demand sided risks. This has also increased aggregate real savings to create a cushy buffer for a rainy day. Overall, Denmark's economy performed solidly despite slower global growth.

# 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.

Profit before taxes for 2019 for the If segment was EUR 884 million (848). Combined ratio amounted to 84.5 per cent (85.2) and risk ratio to 62.7 per cent (63.3).

In 2019 EUR 190 million (173) was released from technical reserves relating to prior year claims. Return on equity increased to 34.5 per cent (11.2) and the fair value reserve on 31 December 2019 amounted to EUR 457 million (234).

Technical result was EUR 685 million (643). Insurance margin (technical result in relation to net premiums earned) rose to 15.9 per cent (15.1).

### Results
If, 2019

| EURm | 2019 | 2018 | Change, % |
|---|---|---|---|
| Premiums, net | 4,475 | 4,325 | 3 |
| Net income from investments | 229 | 229 | 0 |
| Other operating income | 33 | 30 | 13 |
| Claims incurred | -2,751 | -2,716 | 1 |
| Change in insurance liabilities | -87 | -35 | 147 |
| Staff costs | -558 | -529 | 6 |
| Other operating expenses | -443 | -445 | -1 |
| Finance costs | -16 | -15 | 7 |
| Share of associates' profit/loss | 1 | 4 | -87 |
| Profit before taxes | 884 | 848 | 4 |

| Key figures | 2019 | 2018 | Change |
|---|---|---|---|
| Combined ratio, % | 84.5 | 85.2 | -0.7 |
| Risk ratio, % | 62.7 | 63.3 | -0.6 |
| Cost ratio, % | 21.8 | 21.9 | -0.1 |
| Expense ratio, % | 16.1 | 16.4 | -0.3 |
| Return on equity, % | 34.5 | 11.2 | 23.3 |
| Average number of staff (FTE) | 6,865 | 6,603 | 262 |

| | Combined ratio, % | | | Risk ratio, % | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Change | 2019 | 2018 | Change |
| Private | 82.0 | 83.7 | -1.7 | 60.3 | 61.8 | -1.5 |
| Commercial | 88.3 | 86.9 | 1.4 | 65.9 | 64.4 | 1.5 |
| Industrial | 89.3 | 92.3 | -3 | 69.8 | 71.2 | -1.4 |
| Baltic | 87.0 | 88.8 | -1.8 | 58.4 | 60.0 | -1.6 |
| | | | | | | |
| Sweden | 76.5 | 79.7 | -3.2 | 57.3 | 60.5 | -3.2 |
| Norway | 88.4 | 85.7 | 2.7 | 66.7 | 63.1 | 3.6 |
| Finland | 87.4 | 88.6 | -1.2 | 64.7 | 66.2 | -1.5 |
| Denmark | 94.1 | 98.1 | -4.0 | 66.0 | 69.0 | -3 |

Large claims for If were EUR 4 million (29) worse than expected for the full-year 2019. In BA Industrial they were EUR 8 million better and in BA Commercial EUR 13 million worse than expected in 2019.

The Swedish discount rate used to discount the annuity reserves was -0.77 per cent (-0.41) at the end of 2019 and had a negative effect on the full-year results of EUR 22 million. In Finland the discount rate for annuities was lowered from 1.2 per cent to 0.95 during the fourth quarter which had a negative effect of EUR 62 million on the results.

Gross written premiums amounted to EUR 4,675 million (4,502) in 2019. With fixed currency rates premiums grew 5.7 per cent in January – December 2019. All business areas had growth. The growth was highest in the BA Industrial, at 16.5 per cent. In BA Private the premium growth amounted to 5.1 per cent and in BA Commercial 2.8 per cent. Gross written premiums grew by 5.1 per cent in Sweden, 9.5 per cent in Norway, 2.2 per cent in Finland and 5.0 per cent in Denmark. Positive customer development continued in all business areas in 2019, the customer base in BA Private increased by 2 per cent.

The cost ratio was 21.8 per cent (21.9) and expense ratio 16.1 per cent (16.4).

On 31 December 2019, the total investment assets of If amounted to EUR 10.8 billion (10.9), of which fixed income investments constituted 86 per cent (88), money market 2 per cent (2) and equity 12 per cent (10). Net income from investments amounted to EUR 229 million (229). Investment return marked-to-market for the full-year 2019 was 5.0 per cent (-0.8). Duration for interest bearing assets was 1.3 years (1.4) and average maturity 2.8 years (2.7). Fixed income running yield without taking into account the FX hedging cost as at 31 December 2019 was 1.8 per cent (1.7).

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

# Topdanmark

Topdanmark is the second largest non-life insurance company and a major life insurance company in Denmark. The company is listed on Nasdaq Copenhagen. In non-life insurance, Topdanmark has a 17 per cent market share. Topdanmark focuses on the private, agricultural and SME market. The company has around 620,000 customers and handles around 300,000 claims a year. In life insurance, Topdanmark has a 10 per cent market share in Denmark.

At the end of 2019 Sampo plc held 41,997,070 Topdanmark shares, corresponding to 46.7 per cent of all shares and 48.2 per cent of related voting rights in the company. The market value of the holding was EUR 1,846 million on 31 December 2019.

The Board of Directors recommends to the AGM of 2020 a dividend of DKK 1,530 million (EUR 205 million), i.e. DKK 17 per share. If the AGM approves the proposal, Sampo plc's share of the dividend payment is EUR 96 million.

Topdanmark's profit before taxes for 2019 increased in Sampo Group's profit and loss account to EUR 238 million (199). The combined ratio amounted to 82.1 per cent (82.3) in 2019. The expense ratio was 16.0 per cent (16.3).

## Results

Topdanmark, 2019

| EURm | 2019 | 2018 | Change, % |
|---|---|---|---|
| Premiums, net | 2,677 | 2,509 | 7 |
| Net income from investments | 1,037 | -280 | - |
| Other operating income | 3 | 3 | -17 |
| Claims incurred | -1,223 | -1,198 | 2 |
| Change in insurance liabilities | -1,864 | -458 | 307 |
| Staff costs | -272 | -269 | 1 |
| Other operating expenses | -131 | -119 | 10 |
| Finance costs | -10 | -11 | -4 |
| Share of associates' profit/loss | 22 | 22 | 2 |
| Profit before taxes | 238 | 199 | 20 |

| Key figures | 2019 | 2018 | Change |
|---|---|---|---|
| Combined ratio, % | 82.1 | 82.3 | -0.2 |
| Loss ratio, % | 66.2 | 66.0 | 0.2 |
| Expense ratio, % | 16.0 | 16.3 | -0.3 |
| Average number of staff (FTE) | 2,322 | 2,314 | 8 |

*The following text is based on Topdanmark's full-year 2019 result release published on 23 January 2020.*

In non-life insurance, result was positively impacted by higher run-off profit and an improved claims trend in the SME and the agricultural business. On the other hand, the result from illness and accident and lower yield curve had a negative impact on results. In the life insurance, the result was impacted positively by improved investment returns.

Topdanmark's premium income increased by 2.9 per cent in non-life insurance and by 9.8 per cent in life insurance.

In non-life insurance, the run-off profit of EUR 58 was primarily generated in motor third-party liability, in workers' compensation, and in illness and accident. Weather-related claims were EUR 13 million below normal level and amounted to EUR 10 million. Large claims were EUR 6 million below normal level and amounted to EUR 7 million.

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

Further information on Topdanmark A/S and its January-December 2019 result is available at **www.topdanmark.com**.

## Associated Company Nordea

Nordea is the largest bank in the Nordic region and among the ten largest financial groups in Europe in terms of total market capitalization with around 11 million customers. Nordea's shares are listed on the Nasdaq exchanges in Stockholm, Helsinki and Copenhagen. In Sampo Group's reporting Nordea is treated as an associated company and is included in the segment Holding.

On 31 December 2019 Sampo plc held 804,922,858 Nordea shares corresponding to a holding of 19.87 per cent. The average price paid per share amounted to EUR 6.46 and the book value in the Group accounts was EUR 8.34 per share. The closing price as at 31 December 2019 was EUR 7.24.

Nordea targets a dividend of EUR 0.40 per share (0.69) for 2019. Sampo plc's share amounts to EUR 322 million (594) if approved by the AGM.

Sampo's share of Nordea's 2019 profit before taxes amounted to EUR 290 million (625).

# 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.

Profit before taxes for Mandatum Life in 2019 amounted to EUR 280 million (450). The comparison figure includes the contribution of EUR 197 million from the Danske Bank co-operation agreement in the second quarter of 2018. The total comprehensive income for the period after tax reflecting the changes in market values of assets, increased to EUR 308 million (112). Return on equity amounted to 23.5 per cent (8.7).

Premium income on own account increased to EUR 1,596 million (1,074). Premiums from unit-linked policies increased to EUR 1,476 million (976). Claims incurred increased to EUR 1,492 million (1,116). Both premium income and claims paid include around EUR 400 million one-off items caused by changes in the tax treatment of life insurance products.

## Results

Mandatum Life, 2019

| EURm | 2019 | 2018 | Change, % |
|---|---|---|---|
| Premiums written | 1,596 | 1,074 | 49 |
| Net income from investments | 1,267 | -26 | - |
| Other operating income | 23 | 212 | -89 |
| Claims incurred | -1,492 | -1,116 | 34 |
| Change in liabilities for inv. and ins. contracts | -971 | 426 | - |
| Staff costs | -52 | -46 | 13 |
| Other operating expenses | -81 | -67 | 21 |
| Finance costs | -9 | -7 | 24 |
| Profit before taxes | 280 | 450 | -38 |

| Key figures | 2018 | 2018 | Change |
|---|---|---|---|
| Expense ratio, % | 98.7 | 92.1 | 6.6 |
| Return on equity, % | 23.5 | 8.7 | 14.8 |
| Average number of staff (FTE) | 563 | 531 | 32 |

Net investment income, excluding income on unit-linked contracts, increased to EUR 358 million (232). Net income from unit-linked contracts was EUR 908 million (-259). During 2019 the fair value reserve increased to EUR 438 million (352).

The expense result decreased to EUR 24 million (35). The risk result increased to EUR 35 million (33).

The total technical reserves of Mandatum Life Group were EUR 12.0 billion (11.2). The unit-linked reserves exceeded EUR 8 billion for the first time and were EUR 8.1 billion (7.0) at the end of 2019. Unit-linked reserves corresponded to 67 per cent (62) of total technical reserves.

With-profit reserves decreased as planned during 2019 and amounted to EUR 3.9 billion (4.2) on 31 December 2019. With-profit reserves related to the higher guarantees of 4.5 and 3.5 per cent decreased by EUR 264 million to EUR 2.2 billion at the end of 2019.

Mandatum Life has overall supplemented its technical reserves with a total of EUR 230 million (232), of which EUR 189 million is allocated to years 2020 – 2022. The figure does not take into account the reserves relating to the segregated fund. The discount rate used for 2020 and 2021 is 0.25 per cent. In the fourth quarter of 2019, the rate used for 2022 was lowered from 2.50 per cent to 1.25 per cent.

Discount rate of segregated liabilities was decreased from 0.50 per cent to 0.0 per cent and discount rate reserve of segregated liabilities amounted to EUR 263 million (250).

At the end of 2019 Mandatum Life Group's investment assets, excluding the assets of EUR 8.2 billion (7.0) covering unit-linked liabilities, amounted to EUR 5.7 billion (5.6) at market values.

The assets covering Mandatum Life's original with profit liabilities at the end of 2019 amounted to EUR 4.7 billion (4.6) at market values. 46 per cent (49) of the assets are in fixed income instruments, 15 per cent (9) in money market, 25 per cent (27) in equities and 14 per cent (15) in alternative investments. The investment return marked-to-market for 2019 was 9.2 per cent (-2.4). The duration of fixed income assets at the end of 2019 was 2.8 years (2.5) and average maturity 2.9 years (2.8). The fixed income running yield without taking into account the FX hedging cost was 2.4 per cent (2.7) on 31 December 2019.

The assets covering the segregated fund amounted to EUR 1.0 billion (1.0), of which 68 per cent (77) was in fixed income, 13 per cent (5) in money market, 13 per cent (11) in equities and 4 per cent (6) in alternative investments. Segregated fund's investment return marked-to-market was 6.4 per cent (-1.9). On 31 December 2019 the duration of fixed income assets was 2.8 years (2.5) and average maturity 3.2 years (3.1). Fixed income running yield without taking into account the FX hedging cost was 1.9 per cent (2.4).

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 2019 approximately 19.9 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 NDX Intressenter AB, of which Sampo plc owns 36.25 per cent, as an associate. The company was established for the takeover of Nordax Group AB.

Holding segment's profit before taxes for January – December 2019 amounted to EUR 139 million (618), which includes EUR 155 million loss incurred when distributing Nordea shares as dividends in the third quarter of 2019. Sampo's share of profits of associated companies Nordea and NDX Intressenter for January – December 2019 amounted to EUR 298 million (621) of which Nordea's share was EUR 290 million (625) and NDX Intressenter's EUR 8 million (-4). Nordea's result was impacted by one-off items amounting to EUR 1.3 billion.

## Results

Holding, 2019

| EURm | 2019 | 2018 | Change, % |
|---|---|---|---|
| Net investment income | -2 | 2 | - |
| Other operating income | 16 | 17 | -5 |
| Staff costs | -15 | -11 | 38 |
| Other operating expenses | -13 | -14 | -10 |
| Finance costs | 10 | 3 | 232 |
| Share of associates' profit | 298 | 621 | -52 |
| Valuation loss on distribution of Nordea shares | -155 | - | - |
| Profit before taxes | 139 | 618 | -77 |

| Key figures | 2019 | 2018 | Change |
|---|---|---|---|
| Average number of staff (FTE) | 63 | 61 | 2 |

The segment's profit before taxes excluding the associates for January – December 2019 was EUR -159 million (-3).

Changes in market values of derivative instruments and currency exchange rates can cause volatility in the net investment income and finance cost lines.

Sampo plc's holding in Nordea was booked in the consolidated balance sheet at EUR 6.7 billion, i.e. EUR 8.34 per share. The market value of the holding was EUR 5.8 billion, i.e. EUR 7.24 per share, on 31 December 2019.

# Other Developments

## Changes in the Group Structure

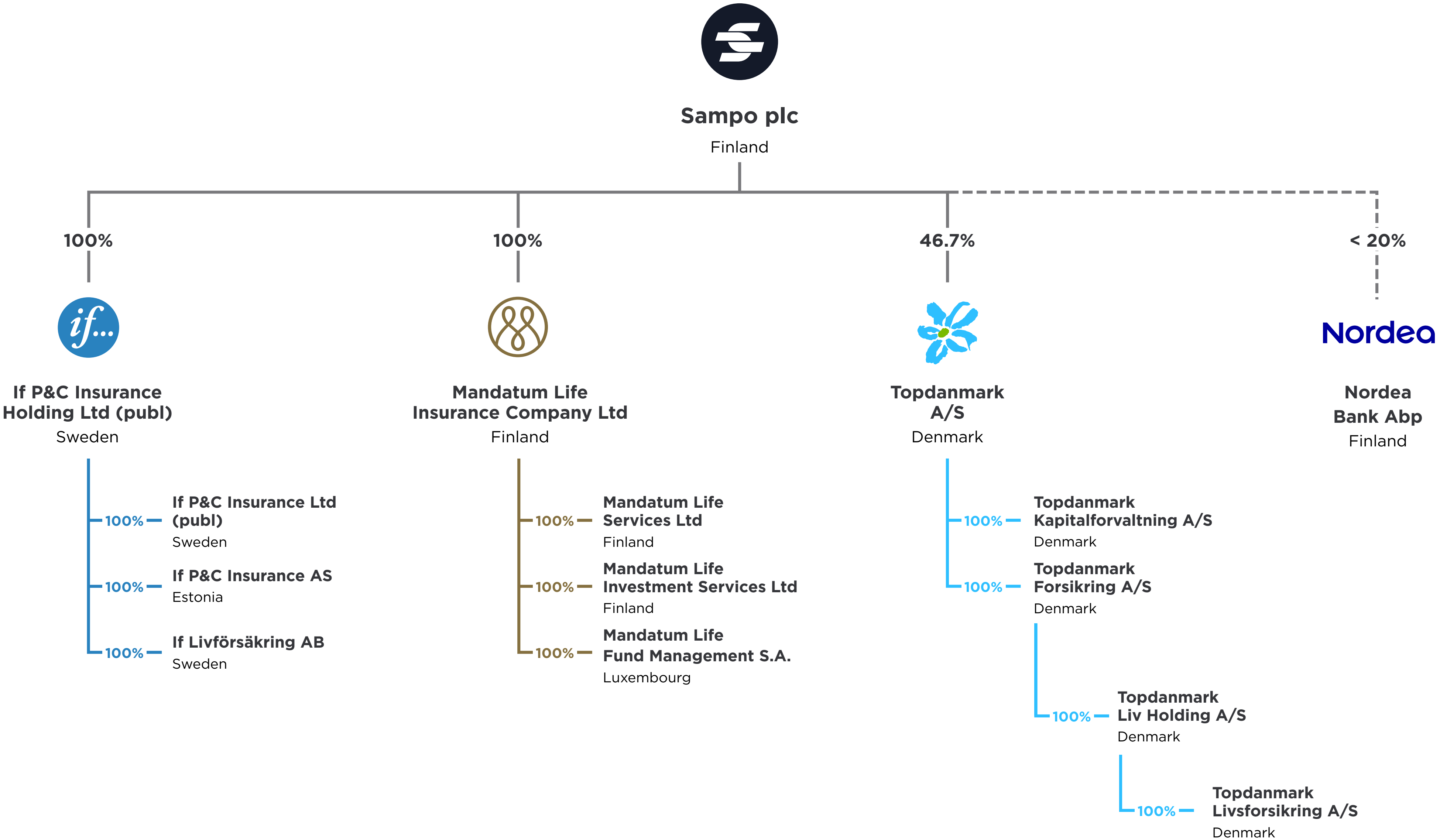
If P&C Insurance Holding Ltd (publ) signed on 28 November 2019 an agreement to buy Viking Redningstjeneste TOPCO A/S. The acquisition price for 100 per cent ownership was EUR 32 million (NOK 325 million) which was paid in cash. The enterprise value amounted to EUR 114 million.

Viking is a Nordic roadside assistance company headquartered in Norway. It serves its customers through an extensive nationwide network of stations in Norway, Sweden, Denmark and Finland. The acquisition of Viking will strengthen If's offering towards its partners and further improve If's position as the leading Nordic insurance and service provider within the mobility area.

With this strategic acquisition If strengthens its position in the Nordics by providing more comprehensive service for its insurance customers and partners such as carmakers. The financial effect of the acquisition on Sampo Group is not expected to be significant.

The transaction was subject to approval by competition authorities in Norway and Sweden which were received in early January 2020 and the transaction was completed.

## Group Structure
31 December 2019



## Changes in Group Management

**Knut Arne Alsaker**, 45, took over as the new Group CFO as of 1 of January 2019. He was earlier CFO of If P&C Group and is a member of the Sampo Group Executive Committee.

Sampo's Group CEO and President **Kari Stadigh** retired on 31 December 2019. He also stepped down as Chairman of If P&C Insurance as of 7 February 2019 and as Chairman of Mandatum Life Insurance Company 30 June 2019. **Patrick Lapveteläinen** took over as the Chairman of Mandatum Life on the same day.

On 7 February 2019 Sampo's Board of Directors appointed **Torbjörn Magnusson**, the CEO of If, to succeed Stadigh as Group CEO and President of Sampo Group, effective 1 January 2020. Magnusson took immediately over as Chairman of If P&C.

The Sampo and If Boards appointed **Morten Thorsrud**, the Head of If Business Area Private, on 7 February 2019 to succeed Magnusson as the CEO of If, effective immediately. Thorsrud was in turn succeeded by **Ingrid Janbu Holthe** as Head of If BA Private. She was also nominated a member of the Group Executive Committee of Sampo Group.

Torbjörn Magnusson was elected as Chairman of Nordea Bank at the AGM held on 28 March 2019.

On 6 November 2019 **Ricard Wennerklint**, 50, was appointed Chief of Strategy in Sampo Group as of 1 January 2020. He has held various positions in Sampo Group since 2002 and been a member of the Sampo Group Executive Committee since 2005.

## Organization
31 December 2019

- **Group CEO and President**
  Kari Stadigh
  (Until 31 Dec 2019)
  Torbjörn Magnusson
  (as of 1 Jan 2020)
  - **If**
    Morten Thorsrud
    - **Finance** – Måns Edsman
    - **Private** – Ingrid Janbu Holthe
    - **Commercial** – Ivar Martinsen
    - **Industrial** – Poul Steffensen
    - **Baltic** – Andris Morozovs
    - **Risk Management** – Karin Friberg
    - **Human Resources** – Johan Börjesson
    - **IT** – Kjell Rune Tveita
    - **Legal Affairs** – Dag Rehme
    - **Marketing and Communications** – Katarina Mohlin
  - **Mandatum Life**
    Petri Niemisvirta
    - **Finance** – Jukka Kurki
    - **Investment Solutions** – Lauri Vaittinen
    - **Danske Bank and Alliances** – Risto Honkanen*
    - **Key Customers and Sales Support** – Tarja Tyni
    - **Private Customers, Customer Service, IT and Baltics** – Sanna Rajaniemi
    - **Business Development** – Petri Vieraankivi
    - **Legal Affairs** – Timo Vuokila
    - **Marketing and Communications** – Niina Riihelä
  - **Investments**
    Patrick Lapveteläinen
  - **Group Finance**
    Knut Arne Alsaker
  - **Risk Management**
    Kai Sotamaa
  - **Strategy**
    Ricard Wennerklint (as of 1 Jan 2020)
  - **Investor Relations and Group Communications**
    Jarmo Salonen
  - **Internal Audit**
    Ann-Marie Andtback Beckman
  - **Topdanmark**
    Peter Hermann
    - **Finance** – Lars Thykier
    - **Operations** – Brian Rothemejer Jacobsen
    - **Technology** – Thomas Erichsen

*Until 31 December 2019, Jussi Karppinen as of 1 January 2020

# Governance and Related Issues

## Governance

During 2019 Sampo complied in full with the Finnish Corporate Governance Code 2015 approved by the Securities Market Association on 1 October 2015, effective from 1 January 2016 (the "CG Code 2015").

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/year2019**.

## Annual General Meeting

The Annual General Meeting of Sampo plc, held on 9 April 2019, decided to distribute a dividend of EUR 2.85 per share for 2018. The record date for dividend payment was 11 April 2019 and the dividend was paid on 18 April 2019. In addition to the cash dividend, the Annual General Meeting decided to authorize the Board of Directors to resolve, in its discretion, on the distribution of an extra dividend up to EUR 500,000,000 (EUR 0.9 per share) either in cash and/or in financial instruments. The authorization is valid until the next Annual General Meeting.

The Annual General Meeting adopted the financial accounts for 2018 and discharged the Board of Directors and the Group CEO and President 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**, **Jannica Fagerholm**, **Veli-Matti Mattila**, **Risto Murto**, **Antti Mäkinen** and **Björn Wahlroos**. **Fiona Clutterbuck** and **Johanna Lamminen** were elected as new members to 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 Chairman and Jannica Fagerholm as Vice Chairperson. Veli-Matti Mattila, Risto Murto, Antti Mäkinen and Björn Wahlroos (Chairman) were elected to the Nomination and Compensation Committee and Christian Clausen, Fiona Clutterbuck, Jannica Fagerholm (Chairman), and Johanna Lamminen to the Audit Committee.

All the Board members have been determined to be independent of the company under the rules of the Finnish Corporate Governance Code 2015. Furthermore, all Board members but Antti Mäkinen have been determined to be independent of the major shareholders.

The Annual General Meeting decided to pay the following fees to the members of the Board of Directors until the close of the 2020 Annual General Meeting: the Chairman of the Board will be paid an annual fee of EUR 175,000 and other members of the Board will be paid EUR 90,000 each. Furthermore, the members of the Board and its Committees will be paid the following annual fees: the Vice Chairperson of the Board EUR 25,000, the Chairperson of the Audit Committee EUR 25,000 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.

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.

There were 1,052 shareholders represented at the beginning of the meeting holding altogether 360,849,587 shares and 365,649,587 votes in the company.

# Corporate Responsibility

Sampo is committed to developing the corporate responsibility activities, targets, measurements, and reporting of the Group. This is in the interests of, and expected, by the Group's various internal and external stakeholders. During 2019, Sampo continued to work on corporate responsibility in line with the Group's updated corporate responsibility themes: Responsible Business Management and Practices, Responsible Corporate Culture, Responsible Investments Management and Operations, and Responsibility in Communities.

*Responsible Business Management and Practice:* During the year, the group-level Corporate Responsibility Steering Group started its work and convened two times. Corporate responsibility covers a wide range of topics relevant for key business operations, therefore a steering group helps to guide the work on a group-level. In August 2019, Sampo Group joined the UN Global Compact and is committed to its ten principles concerning human rights, labor practices, environment, and anti-corruption. Further, Sampo updated group-level principles, e.g. Sampo Group Code of Conduct, to better reflect the needs of the corporate responsibility in general and the Global Compact. Sampo also initiated group-level greenhouse gas reporting to support the previously available company-level reporting.

*Responsible Corporate Culture:* In 2019, Sampo focused on identifying group-level key performance indicators to improve group-level reporting for example in terms of employee well-being, diversity and equality, and employee engagement. This is to better measure Sampo Group's performance in these areas. The work continues in 2020.

*Responsible Investment Management and Operations:* During 2019, Sampo strengthened the investment policies of the Group companies by adding further instructions on how to take the environmental, social, and governance (ESG) issues into account in the investment process. Depending on the asset classes, different ESG strategies, such as ESG integration, norm-based screening, sector-based screening, and active ownership, are used as of 2020. Sampo Group also signed the UN Principles for Responsible Investment (PRI) in April 2019.

*Responsibility in Communities:* In 2019, Sampo assessed the UN Sustainable Development Goals (SDGs) and the underlying targets in order to identify group-level SDGs. During the project, all 17 SDGs and 169 targets were evaluated in relation to the Group companies' businesses and the Group's corporate responsibility themes. The assessment showed that Sampo Group can have an impact on all the SDGs, but the positive impact is the strongest on goals 3, 4, 5, 8, 10, 11, 12, 13, and 17.

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 2019**, will be separate from the Board of Directors' Report and published in May 2020 at **www.sampo.com/year2019**.

In addition to the group-level report, further information on If and Topdanmark's corporate responsibility activities can be found in their respective reports. **The reports of If and Topdanmark** are available at **www.sampo.com/year2019**. More information on Mandatum Life's activities can be found from the company website **uusi.mandatumlife.fi/en/company/Corporate-Responsibility**.

# Personnel

The average number of Sampo Group's employees (FTE) in 2019 amounted to 9,813 (9,509).

If is Sampo Group's largest business area and employed on average 70 per cent of the personnel. Topdanmark employed 24 per cent and Mandatum Life approximately 6 per cent of the personnel. The parent company Sampo plc employed 1 per cent of the work force.

In geographical terms Denmark had 30 per cent of the personnel, Finland 23 per cent, Sweden 23 per cent and Norway 14 per cent. The share of other countries was 10 per cent.

The total number of staff in If increased 4 per cent. As of 31 December 2019 If employed 6,925 persons.

Topdanmark employed 2,366 persons at the end of the year and the total number of staff increased 2 per cent.

The total number of staff in Mandatum Life increased 8 per cent. As of 31 December 2019 Mandatum Life employed 573 persons.

Sampo plc had 64 employees (61) at the end of 2019.

At the end of the year, the total number of staff in Sampo Group totaled 9,927 persons.

More detailed information on personnel in Sampo Group is available in **Sampo Group Corporate Responsibility Report 2019** to be published in May 2020 at **www.sampo.com/year2019**.

# 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 shall be responsible 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 salaries 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 2019, altogether EUR 10.5 million (7.0) of short-term and long-term incentives has been deferred.

The Board of Directors decides on multiannual long-term incentive schemes for the management and other key employees of Sampo Group. In the long-term incentive scheme 2014:1/2, altogether 21,525 units remain and will vest during 2020. In the long-term incentive scheme 2017:1, altogether 4,033,000 allocated incentive units remain and will vest during 2020 – 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 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 key employees who are considered as identified staff and are subject to the deferral rule in accordance with the remuneration policies of the relevant Sampo Group companies in force at the launch of the incentive schemes. At payout from the schemes, the identified staff shall 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 2019 EUR 18 million (23), including social cost, was paid on the basis of the long-term incentive schemes. EUR 40 million (36), including social costs, was paid as short-term incentives during the same period. The result impact of the long-term incentive schemes in force in 2019 was EUR 12 million (5).

Sampo Group will publish in March 2020 the **Remuneration Report 2019** at **www.sampo.com/year2019**. The Remuneration Report 2019 is part of the Remuneration Statement, which is available at **www.sampo.com/remunerationstatement**. The statement has been prepared in accordance with the Corporate Governance Code 2015 issued by the Securities Market Association and effective as of 1 January 2016. The Remuneration Report prepared in accordance with the new Corporate Governance Code 2020, approved by the Securities Market Association on 19 September 2019, effective from 1 January 2020 has to be published first time for the financial year starting on 1 January 2020.

# 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.

The second target is ensuring stable profitability at business portfolio level. Potential risk concentrations and more generally the correlation of reported profits are monitored closely and their sources are analyzed. To the extent possible risk concentrations are proactively managed by strategic decisions.

Thirdly, Sampo prefers low leverage and adequate liquidity buffers to be able to generate liquidity as needed. The size of assessed diversification benefits of the Group companies' profits is reflected in Sampo's decisions on its capital structure and liquidity position.

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 2019** at **www.sampo.com/year2019**.

# Shares, Share Capital and Shareholders

## Shares and Share Capital

As at 31 December 2019, 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 2019 Sampo plc's share capital amounted to EUR 98 million (98) and the equity capital in total to EUR 12,542 million (12,386).

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

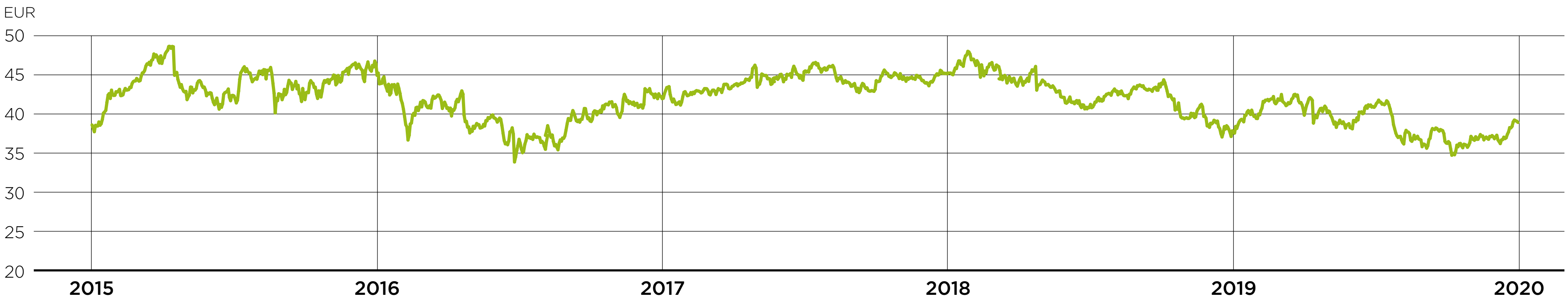
Sampo plc, 31 December 2019

| Number of shares | Shareholders, number | Share-holders, % | Shares, number | Shares, % | Voting rights, number | Voting rights, % |
|---|---|---|---|---|---|---|
| 1-100 | 58,736 | 46.10 | 2,881,309 | 0.52 | 2,881,309 | 0.51 |
| 101-500 | 45,978 | 36.08 | 11,435,251 | 2.06 | 11,435,251 | 2.04 |
| 501-1,000 | 10,968 | 8.61 | 8,290,298 | 1.49 | 8,290,298 | 1.48 |
| 1,001-5,000 | 9,742 | 7.65 | 20,587,899 | 3.71 | 20,587,899 | 3.68 |
| 5,001-10,000 | 1,102 | 0.87 | 7,892,207 | 1.42 | 7,892,207 | 1.41 |
| 10,001-50,000 | 711 | 0.56 | 14,049 144 | 2.53 | 14,049,144 | 2.51 |
| 50,001-100,000 | 82 | 0.06 | 5,950,097 | 1.07 | 5,950,097 | 1.06 |
| 100,001-500,000 | 69 | 0.05 | 13,668,419 | 2.46 | 13,668,419 | 2.44 |
| 500,001- | 36 | 0.03 | 470,597,226 | 84.74 | 475,397 226 | 84.87 |
| **Total** | **127,424** | **100** | **555,351,850** | **100** | **560,151,850** | **100** |
| of which nominee registered | 11 | | 352,026,281 | 63.39 | 352,026,281 | 62.85 |
| 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.

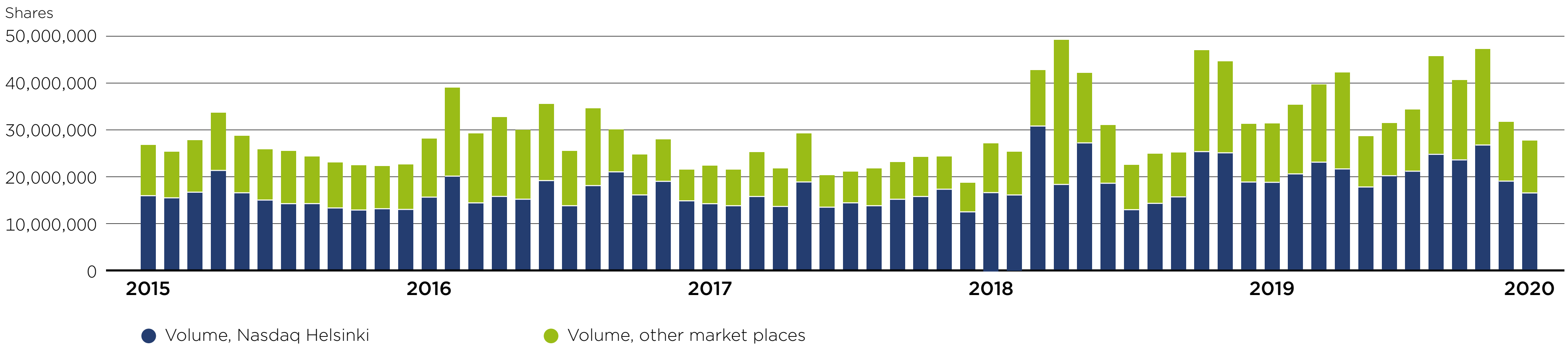
## Share Price Performance

Sampo plc, 2015–2019




## Monthly Trading Volume

Sampo plc, 2015–2019



# 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 2019 and has not purchased its own shares after the end of the reporting period.

# Shareholders

The number of Sampo plc's shareholders increased during 2019 by 11,309 holders to 127,424 as at 31 December 2019. The holdings of nominee-registered and foreign share-holders decreased to 64.6 per cent (66.5) of the shares and 64.1 per cent of the votes (66.3).

**Shareholders**

Sampo plc, 31 December 2019

| A and B shares | Number of shares | % of share capital | % of votes |
|---|---|---|---|
| Solidium Oy | 55,278,580 | 9.95 | 9.87 |
| Varma Mutual Pension Insurance Company | 22,248,420 | 4.01 | 3.97 |
| Ilmarinen Mutual Pension Insurance Company | 6,917,673 | 1.25 | 1.23 |
| State Pension Fund | 3,600,000 | 0.65 | 0.64 |
| Elo Mutual Pension Insurance Company | 2,939,300 | 0.53 | 0.52 |
| Schweizerische Nationalbank | 2,781,910 | 0.50 | 0.50 |
| Kaleva Mutual Insurance Company*) | 2,672,719 | 0.48 | 1.33 |
| OP-Finland Fund | 2,521,892 | 0.45 | 0.45 |
| Keva | 2,465,300 | 0.44 | 0.44 |
| Oy Lival Ab | 2,155,397 | 0.39 | 0.38 |
| Svenska Litteratursällskapet I Finland r.f. | 1,617,950 | 0.29 | 0.29 |
| ODIN Norden | 1,414,071 | 0.25 | 0.25 |
| OP Life Assurance Company Ltd. | 1,357,859 | 0.24 | 0.24 |
| Nordea Pro Finland Fund | 1,131,663 | 0.20 | 0.20 |
| Danske Invest Finnish Equity Fund | 1,110,000 | 0.20 | 0.20 |
| Nordea Nordic Fund | 982,749 | 0.18 | 0.18 |
| Åbo Akademi University Foundation | 906,550 | 0.16 | 0.16 |
| Oppiva Invest Oy | 778,780 | 0.14 | 0.14 |
| Sigrid Jusélius Foundation | 752,150 | 0.14 | 0.13 |
| Nordea Life Assurance Finland Ltd. | 727,149 | 0.13 | 0.13 |
| Foreign and nominee registered total | 358,819,987 | 64.61 | 64.06 |
| Other | 82,171,751 | 14.80 | 14.67 |
| **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 2019

| Sector | Number of shares | % |
|---|---|---|
| Corporations | 68,476,008 | 12.33 |
| Financial institutions and insurance corporations | 19,681,305 | 3.54 |
| Public institutions | 39,312,155 | 7.08 |
| Non-profit institutions | 12,385,832 | 2.23 |
| Households | 56,676,563 | 10.21 |
| Foreign ownership and nominee registered | 358,819,987 | 64.61 |
| **Total** | **555,351,850** | **100** |

During 2019 Sampo plc received one notification of a change in holding pursuant to Chapter 9, Section 5 of the Securities Markets Act, according to which the total number of Sampo A shares and voting rights owned by Solidium Oy decreased on 2 April 2019 below ten (10) per cent of Sampo plc's entire stock and voting rights. After the notification Solidium holds 9.95 per cent of Sampo's shares and 9.87 per cent of the voting right.

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 2019, members of Sampo plc's Board of Directors and their close family members owned either directly or indirectly 4,969,859 (6,651,102) 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 spouses owned either directly or indirectly 888,544 (842,582) Sampo A shares representing 0.2 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 2019 and 31 December 2018

| Board of Directors | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Wahlroos | 4,946,969 | 6,633,436 |
| Fagerholm | 4,701 | 3,598 |
| Clausen | 2,129 | 1,479 |
| Clutterbuck | 753 | 0 |
| Lamminen | 711 | 0 |
| Mattila | 6,870 | 6,203 |
| Murto | 2,595 | 1,922 |
| Mäkinen | 5,131 | 4,464 |
| **Total** | **4,969,859** | **6,651,102** |
| Board of Directors ownership of shares, % | 0.9 | 1.2 |
| Board of Directors share of votes, % | 0.9 | 1.2 |

| Group Executive Committee | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Stadigh | 317,514 | 302,429 |
| Magnusson | 46,460 | 39,842 |
| Alsaker | 33,844 | 30,219 |
| Janbu Holthe | 0 | 0 |
| Lapveteläinen | 254,549 | 250,033 |
| Martinsen | 54,060 | 50,455 |
| Niemisvirta | 86,879 | 82,270 |
| Thorsrud | 55,524 | 51,591 |
| Wennerklint | 39,714 | 35,743 |
| **Total** | **888,544** | **842,582** |
| Group Executive Committee's ownership of shares, % | 0.2 | 0.2 |
| Group Executive Committee's share of votes, % | 0.2 | 0.2 |

# Financial Standing

## Extra Dividend in the Form of Nordea Shares

Sampo plc's Board of Directors announced on 13 June 2019 that it plans to distribute an extra dividend in the form of Nordea Bank Abp shares. The distribution was decided upon on 7 August 2019. Each shareholder received 1 Nordea share for each 10 Sampo shares. Fractional entitlements to Nordea shares resulting from the distribution ratio were not distributed in the form of shares, but an equivalent amount was compensated to shareholders in cash. The amount of Nordea Bank Abp shares distributed amounted to 55,517,639 shares and the value of the share dividend, based on the volume weighted average price of Nordea on 12 August 2019, was EUR 5.661. The ex-dividend date was 8 August 2019 and the record date 9 August 2019. The payment date was 12 August 2019 for the share dividend and 16 August 2019 for the cash compensation.

In Finland, a share dividend is taxed similarly as cash dividend. Sampo paid the Finnish transfer tax of 1.6 per cent resulting from the distribution of the share dividend on behalf of shareholders. As a result of the distribution of the extra dividend, Sampo's ownership in Nordea decreased below 20 per cent. Going forward, the Group's solvency is only calculated by the Solvency II rules and Nordea is treated as a normal equity investment.

## Internal Dividends

Sampo plc, Sampo Group's parent company, received more than EUR 1.5 billion in dividends from its subsidiaries and associated company Nordea during 2019. The following dividend payments were received:

- Mandatum Life; EUR 150 million in March 2019,
- Nordea; EUR 594 million in April 2019,
- Topdanmark; EUR 84 million in April 2019 and
- If; SEK 7.5 billion (EUR 710 million) in December 2019

Nordea targets a dividend of EUR 0.40 per share for 2019. Sampo plc's share amounts to EUR 322 million if approved by the AGM on 25 March 2020.

Topdanmark's Board of Directors proposed to the Annual General Meeting of 2 April 2020 a dividend of DKK 17 per share. If the AGM approves the proposal, Sampo's share of the Topdanmark's total dividend amounts to EUR 96 million.

Mandatum Life's Board proposes a dividend of EUR 150 million to be paid to Sampo plc in the first quarter of 2020. If normally pays its dividend towards the end of the calendar year.

# Ratings

Relevant ratings for Sampo Group companies on 31 December 2019 are presented in the table below.

| | 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

Sampo's capital requirement on Nordea holding increased more than EUR 800 million during the first half of 2019 although the underlying risks for Sampo's holding in Nordea did not change. Sampo took active measures to counter the negative impact by issuing EUR 500 million of hybrid capital in May 2019. More importantly, the Board received from the AGM in April 2019 an authorization to distribute an extra dividend either in cash and/or in financial instruments held by Sampo plc and announced on 13 June 2019 that it planned to resolve on the distribution of an extra dividend in the form of Nordea shares in its meeting scheduled 7 August 2019.

On 7 August 2019 Sampo Board made the formal decision to distribute a total of 55,517,639 shares of Nordea Bank Abp as an extra dividend (See section Extra dividend in the form of Nordea shares). As a result of the dividend, Sampo's ownership in Nordea decreased below 20 per cent.

Hence, the conglomerate rules (FICO) solvency calculation was terminated by a formal approval by the Finnish FSA received on 21 October 2019. After the approval Sampo Group calculates its group solvency only under the Solvency II rules and Nordea is treated as an equity investment. Sampo Group's solvency ratio according to the Solvency II directive amounted to 167 per cent (140) at the end of December 2019. The proposed dividend has been deducted from own funds in the Solvency II calculation.

The consolidation of Nordea as an associated company in Sampo Group's Financial Statements (IFRS) will remain unchanged.

# 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.

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 2019 If Group's Solvency II capital requirement under standard formula amounted to EUR 1,890 million (1,833) and own funds to EUR 3,592 million (3,599). The solvency ratio amounted to 190 per cent (196).

The S&P A+ rating capital requirement for If Group amounted to EUR 3,083 million (2,949) on 31 December 2019 and the capital base was EUR 3,151 million (3,149).

Topdanmark calculates most of its non-life and health risks and their respective solvency capital requirement by a partial internal model approved by the DFSA. Other risks are calculated by Solvency II SCR standard formula. Topdanmark's solvency ratio under the partial internal model was 177 per cent (196) at the end of December 2019.

Mandatum Life's solvency ratio after transitional measures amounted to 176 per cent (176) on 31 December 2019. Own funds were EUR 2,117 million (1,740) and Solvency Capital Requirement (SCR) was EUR 1,204 million (990). The increase in own funds is mainly due to the Tier 2 issue of EUR 250 million in September 2019 and the positive equity market development during the reporting year. SCR grew because of increased market risk due to positive equity market development, a change in the symmetrical adjustment and changes in contract boundary interpretations applied in calculating technical provisions. Without transitional measures, own funds would have amounted to EUR 1,756 million (1,348) and the solvency capital requirement to EUR 1,234 million (1,030) leading to a solvency ratio of 142 per cent (131).

More information on Sampo Group's capital policy is available in the **Risk Management Report 2019** at **www.sampo.com/year2019**.

# Debt Financing

Sampo plc's debt financing on 31 December 2019 amounted to EUR 3,908 million (4,067) and interest bearing assets to EUR 1,725 million (1,959). Interest bearing assets include bank accounts, fixed income instruments and EUR 359 million (489) of hybrid capital and subordinated debt instruments issued by the subsidiaries and associated companies.

At the end of 2019 the interest bearing net debt of Sampo plc amounted to EUR 2,183 million (2,108). The net debt calculation takes into account interest bearing assets and liabilities. Gross debt to Sampo plc's equity was 51 per cent (52) and financial leverage 34 per cent (34).

On 23 May 2019 Sampo plc issued 30NC10 Fixed/Floating rate subordinated notes of EUR 500 million due 23 May 2049.

On 24 May 2019 Sampo plc repaid EUR 500 million senior notes maturing on that date.

On 26 September 2019 Mandatum Life issued 30NC5 Tier 2 notes of EUR 250 million due 4 October 2049.

On 31 December 2019 financial liabilities in Sampo plc's balance sheet consisted of issued senior bonds and notes of EUR 3,414 million (3,943). In addition Sampo plc has issued subordinated notes of EUR 494 million. No CPs were outstanding (124). The average interest, net of interest rate swaps, on Sampo plc's debt as of 31 December 2019 was 1.2 per cent (0.8).

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

## Outstanding Debt instruments

Sampo plc, 31 December 2019

| Instrument & Nominal | Coupon | Swap | Effective Rate | Maturity |
|---|---|---|---|---|
| Senior Bond 2,000 SEKm | Stibor3M + 0.77% | Euribor3M + 0.59% | 0.19% | 28 May 2020 |
| Senior Bond 1,000 SEKm | 1.25% | EUR 1.01% | 1.01% | 28 May 2020 |
| Senior Bond 500 EURm | 1.50% | --- | 1.59% | 16 September 2021 |
| Senior Bond 700 SEKm | 0.88% | Euribor6M + 0.38% | 0.04% | 23 May 2022 |
| Senior Bond 1,300 SEKm | Stibor3M + 0.55% | Euribor6M + 0.39% | 0.05% | 23 May 2022 |
| Senior Bond 750 EURm | 1.000% | --- | 1.01% | 18 September 2023 |
| Senior Bond 500 EURm | 1.250% | Euribor6M + 0.74% | 0.39% | 20 May 2025 |
| Senior Bond 500 EURm | 1.625% | | 0.85% | 21 February 2028 |
| Senior Bond under separate documentation 1,000 NOKm | 3.100% | Euribor6M + 0.77% | 0.34% | 7 September 2028 |
| Hybrid Tier2 Bond 500 EURm | 3.375% | --- | 3.48% | 23 May 2029 |
| Senior Bond 500 EURm | 2.25% | --- | 1.49% | 27 September 2030 |
| **Public debt, 3,830 EURm** | | | **1.3%** | |
| Private placements 100 EURm | | | 0.76% | |
| **Total 3,930 EURm** | | | **1.2%** | |

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 the underlying bonds. As a result Sampo plc maintains the flexibility to adjust theth 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.

# Outlook

## Outlook for 2020

Sampo Group's business areas are expected to report good operating results for 2020.

However, the marked-to-market results are, particularly in life insurance, highly dependent on capital market developments. The continuing low interest rate level also creates a challenging environment for reinvestment in fixed income instruments.

If P&C is expected to reach a combined ratio of 85 – 89 per cent in 2020.

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

Nordea's contribution to the Group's profit is expected to be significant.

## The Major Risks and Uncertainties to 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, but they are not directly additive because of diversification effects.

Uncertainties in the form of major unforeseen events may have an immediate impact on the Group's profitability. Identification of unforeseen events is easier than estimation of their probabilities, timing and potential outcomes.

Currently there are a number of widely identified macroeconomic, political and other sources of uncertainty which can, in various ways, affect the financial services industry negatively. In particular the political risks are at an elevated level at the moment.

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 long-term impacts on how business shall be conducted. Examples of already identified trends are technological development in areas such as artificial intelligence and digitalization, demographic changes and sustainability issues that may have profound effects on financial sector companies as well.

# Dividends

## The New Dividend Policy

Sampo has for several years had the ambition of annually increasing its nominal dividend per share. On 24 October 2019 Sampo management, however, concluded that in the present operating environment and with government bond yields expected to remain negative for some time to come, an increase in the dividend would not best serve the company or its shareholders. This view was further reinforced by a change in Nordea's dividend policy announced earlier on the same day.

Sampo plc's Board of Directors has on 6 February 2020 approved a new dividend policy according to which total annual dividends paid will be at least 70 per cent of Group's net profit for the year (excluding extraordinary items). In addition share buy-backs can be used to complement the cash dividend.

## Dividend Proposal

The parent company's distributable capital and reserves totalled EUR 7,383,547,646.18 of which profit for the financial year was EUR 1,489,678,098.42.

The Board proposes to the Annual General Meeting a dividend of EUR 2.20 per share to company's 555,351,850 shares. The dividends to be paid are EUR 1,221,774,070.00 in total. The remainder of funds are left in the equity capital.

The dividend will be paid to shareholders registered in the Register of Shareholders held by Euroclear Finland Ltd as at the record date of 27 April 2020. The Board proposes that the dividend be paid on 5 May 2020.

No significant changes have taken place in the company's financial position since the end of the financial year. 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 | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Profit before taxes | EURm | 1,541 | 2,094 | 2,482 | 1,871 | 1,888 |
| Return on equity (at fair values) | % | 12.0 | 7.5 | 17.1 | 15.0 | 14.0 |
| Return on assets (at fair values) | % | 5.5 | 3.2 | 7.6 | 7.3 | 7.2 |
| Equity/assets ratio | % | 23.0 | 25.1 | 26.1 | 31.5 | 32.1 |
| Group solvency [1)] | EURm | 4,079 | 2,942 | 3,945 | 3,895 | 3,687 |
| Group solvency ratio [1)] | % | 167 | 140 | 156 | 155 | 154 |
| Average number of staff | | 9,813 | 9,509 | 9,364 | 6,780 | 6,755 |

| If | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Premiums written before reinsurers' share | EURm | 4,675 | 4,502 | 4,525 | 4,458 | 4,559 |
| Premiums earned | EURm | 4,388 | 4,290 | 4,293 | 4,286 | 4,344 |
| Profit before taxes | EURm | 884 | 848 | 818 | 824 | 960 |
| Return on equity (at fair values) | % | 34.5 | 11.2 | 21.3 | 25.3 | 21.5 |
| Risk ratio [2)] | % | 62.7 | 63.3 | 63.3 | 62.3 | 66.6 |
| Cost ratio [2)] | % | 21.8 | 21.9 | 22.0 | 22.1 | 18.8 |
| Loss ratio [2)] | % | 68.4 | 68.8 | 68.9 | 67.8 | 72.4 |
| Expense ratio [2)] | % | 16.1 | 16.4 | 16.4 | 16.6 | 13.0 |
| Combined ratio | % | 84.5 | 85.2 | 85.3 | 84.4 | 85.4 |
| Average number of staff | | 6,865 | 6,603 | 6,367 | 6,180 | 6,176 |

| Topdanmark[*)] | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Premiums written before reinsurers' share, life insurance | EURm | 1,487 | 1,357 | 294 | - | - |
| Premiums written before reinsurers' share, P&C insurance | EURm | 1,272 | 1,235 | 210 | - | - |
| Premiums earned, P&C insurance | EURm | 1,178 | 1,144 | 281 | - | - |
| Profit before taxes | EURm | 238 | 199 | 848 | - | - |
| Loss ratio [2)] | % | 66.2 | 66.0 | 64.0 | - | - |
| Expense ratio [2)] | % | 16.0 | 16.3 | 16.4 | - | - |
| Combined ratio | % | 82.1 | 82.3 | 80.5 | - | - |
| Average number of staff | | 2,322 | 2,314 | 2,412 | - | - |

| Mandatum | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Premiums written before reinsurers' share | EURm | 1,603 | 1,082 | 967 | 1,122 | 1,149 |
| Profit before taxes | EURm | 280 | 450 | 236 | 210 | 181 |
| Return on equity (at fair values) | % | 23.5 | 8.7 | 13.3 | 15.9 | 12.7 |
| Expense ratio | % | 98.7 | 92.1 | 94.7 | 100.5 | 100.0 |
| Average number of staff | | 563 | 531 | 525 | 543 | 522 |

| Holding | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Profit before taxes | EURm | 139 | 618 | 576 | 778 | 749 |
| Average number of staff | | 63 | 61 | 60 | 57 | 57 |

| Per share key figures | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Earnings per share | EUR | 2.04 | 3.04 | 3.96 | 2.95 | 2.96 |
| Earnings per share, incl. items in other comprehensive income | EUR | 2.63 | 1.70 | 3.79 | 3.14 | 2.79 |
| Equity per share | EUR | 21.44 | 22.30 | 23.14 | 21.31 | 20.38 |
| Net asset value per share | EUR | 20.71 | 20.60 | 25.37 | 24.86 | 23.79 |
| Dividend per share [3)] | EUR | 2.20 | 2.85 | 2.60 | 2.30 | 2.15 |
| Dividend per earnings | % | 107.8 | 93.8 | 65.7 | 78.0 | 72.6 |
| Effective dividend yield | % | 5.7 | 7.4 | 5.7 | 5.4 | 4.6 |
| Price/earnings ratio | | 19.1 | 12.6 | 11.6 | 14.4 | 15.9 |
| Adjusted number of shares at 31 Dec | 1,000 | 555,352 | 555,352 | 555,352 | 560,000 | 560,000 |
| Average adjusted number of shares | 1,000 | 555,352 | 555,352 | 559,873 | 560,000 | 560,000 |
| Weighted average number of shares, incl. dilutive potential shares | 1,000 | 555,352 | 555,352 | 559,873 | 560,000 | 560,000 |
| Market capitalisation | EURm | 21,609 | 21,331 | 24,858 | 23,850 | 26,320 |

| A shares | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Adjusted number of shares at 31 Dec | 1,000 | 554,152 | 554,152 | 554,152 | 558,800 | 558,800 |
| Average adjusted number of shares | 1,000 | 554,152 | 554,152 | 554,152 | 558,800 | 558,800 |
| Weighted average number of shares, incl. dilutive potential shares | 1,000 | 554,152 | 554,152 | 554,152 | 558,800 | 558,800 |
| Weighted average share price | EUR | 39.15 | 43.11 | 44.76 | 40.35 | 44.34 |
| Adjusted share price, high | EUR | 43.38 | 48.92 | 47.46 | 46.56 | 49.40 |
| Adjusted share price, low | EUR | 34.45 | 37.61 | 41.53 | 34.42 | 37.72 |
| Adjusted closing price | EUR | 38.91 | 38.41 | 45.80 | 42.59 | 47.00 |
| Share trading volume during the financial year | 1,000 | 250,282 | 239,051 | 179,568 | 203,996 | 182,762 |
| Relative share trading volume | % | 45.2 | 43.1 | 32.4 | 36.5 | 32.7 |

| B shares | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| 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) *The Board of Director's proposal to the Annual General Meeting for the accounting period 2019.*

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 has been calculated according to the consolidation method defined in Chapter 3 of the Act on the Supervision of Financial and Insurance Conglomerates.**

## 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 (X 100%)

+ 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.)

### *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 (X 100%)

+ 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.)

### *Equity/assets ratio (at fair values), %*

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

divided by (X 100%)

+ balance sheet total
± valuation differences on investments

### *Average number of staff*

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

## Property & Casualty Insurance Key Figures

### *Risk ratio, %*

\+ claims incurred
– claims settlement expenses
───────────── X 100%
premiums earned

### *Cost ratio, %*

\+ operating expenses
\+ claims settlement expenses
───────────── X 100%
premiums earned

### *Loss ratio excl. unwinding of discount, %*

claims incurred before unwinding of discount
───────────── X 100%
premiums earned

### *Expense ratio, %*

operating expenses
───────────── X 100%
premiums earned

### *Combined ratio excl. unwinding of discount, %*

Loss ratio before unwinding of discount + expense ratio

## Life Insurance Key Figures

### *Expense ratio*

\+ operating expenses before change in deferred acquisition costs
\+ claims settlement expenses
───────────── X 100%
expense charges

## Per Share Key Figures

### *Earnings per share*

profit for the financial period attributable to the parent company's equity holders
─────────────
adjusted average number of shares

### *Earnings per share, incl. change in fair value reserve*

total comprehensive income for the financial period attributable to the parent company's equity holders
─────────────
adjusted average number of shares

### *Equity per share*

equity attributable to the parent company 's equity holders
─────────────
adjusted number of shares at balance sheet date

### *Net asset value per share*

\+ equity attributable to the parent company's equity holders
± valuation differences on listed associate in the Group
± valuation differences on investments less deferred tax
───────────── X 100%
adjusted number of shares at balance sheet date

### *Dividend per share, %*

dividend for the accounting period
───────────── X 100%
adjusted number of shares at balance sheet date

### *Dividend per earnings, %*

dividend per share
───────────── X 100%
earnings per share

### *Effective dividend yield, %*

dividend per share
───────────── X 100%
adjusted closing share price at balance sheet date

### *Price/earnings ratio*

adjusted closing share price at balance sheet date
─────────────
earnings per share

### *Market capitalisation*

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

### *Relative share trading volume, %*

number of shares traded through the Helsinki Exchanges
───────────── X 100%
adjusted average number of shares

# GROUP'S IFRS FINANCIAL STATEMENTS

# Group's IFRS Financial Statements

## Statement of Profit and Other Comprehensive Income, IFRS

| EURm | Note | 1-12/2019 | 1-12/2018 |
|---|---|---|---|
| Insurance premiums written | 1 | 8,749 | 7,907 |
| Net income from investments | 2, 9 | 2,515 | -104 |
| Other operating income | 36 | 60 | 244 |
| | | | |
| Claims incurred | 3 | -5,466 | -5,015 |
| Change in liabilities for insurance and investment contracts | 4 | -2,919 | -85 |
| Staff costs | 5 | -897 | -855 |
| Other operating expenses | 6 | -653 | -627 |
| | | | |
| Finance costs | 9 | -13 | -18 |
| Share of associates' profit/loss | 13 | 321 | 647 |
| - Valuation loss on dividend distribution of associate shares | 13 | -155 | - |
| | | | |
| **Profit before taxes** | | **1,541** | **2,094** |
| | | | |
| Taxes | 21, 22, 23 | -304 | -317 |
| | | | |
| **Profit for the period** | | **1,237** | **1,778** |

| EURm | Note | 1-12/2019 | 1-12/2018 |
|---|---|---|---|
| **Other comprehensive income for the period** | | | |
| | | | |
| **Items reclassifiable to profit or loss** | 23, 24 | | |
| Exchange differences | | -39 | -97 |
| Available-for-sale financial assets | | 566 | -739 |
| Share of associate's other comprehensive income | | -30 | -61 |
| Taxes | | -123 | 159 |
| **Total items reclassifiable to profit or loss, net of tax** | | **373** | **-739** |
| | | | |
| **Items not reclassifiable to profit or loss** | | | |
| Actuarial gains and losses from defined pension plans | | -58 | -6 |
| Taxes | | 13 | 1 |
| **Total items not reclassifiable to profit or loss, net of tax** | | **-45** | **-5** |
| | | | |
| **TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR** | | **1,565** | **1,034** |
| | | | |
| **Profit attributable to** | | | |
| Owners of the parent | | 1,130 | 1,687 |
| Non-controlling interests | | 107 | 91 |
| | | | |
| **Total comprehensive income attributable to** | | | |
| Owners of the parent | | 1,458 | 943 |
| Non-controlling interests | | 107 | 91 |
| | | | |
| **Earnings per share (EUR)** | 8 | **2.04** | **3.04** |

# Consolidated Balance Sheet, IFRS

| EURm | Note | 12/2019 | 12/2018 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 10 | 302 | 162 |
| Investment property | 11 | 679 | 665 |
| Intangible assets | 12 | 2,151 | 2,143 |
| Investments in associates | 13 | 7,217 | 8,065 |
| Financial assets | 9, 14, 15, 16, 17, 18, 19 | 23,443 | 22,693 |
| Investments related to unit-linked insurance contracts | 20 | 12,975 | 10,671 |
| Tax assets | 21 | 19 | 24 |
| Reinsurers' share of insurance liabilities | 26 | 289 | 294 |
| Other assets | 25 | 2,185 | 2,263 |
| Cash and cash equivalents | | 2,677 | 2,361 |
| **Total assets** | | **51,939** | **49,340** |
| | | | |
| **Liabilities** | | | |
| Liabilities for insurance and investment contracts | 26 | 18,041 | 18,415 |
| Liabilities for unit-linked insurance and investment contracts | 27 | 14,368 | 11,390 |
| Subordinated debt | 9, 15, 17, 28 | 1,202 | 464 |
| Other financial liabilities | 9, 15, 17, 28 | 3,592 | 4,247 |
| Tax liabilities | 21 | 587 | 487 |
| Provisions | 29 | 20 | 18 |
| Employee benefits | 30 | 99 | 51 |
| Other liabilities | 31 | 1,489 | 1,254 |
| **Total liabilities** | | **39,396** | **36,326** |

| EURm | Note | 12/2019 | 12/2018 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | | 98 | 98 |
| Reserves | | 1,530 | 1,530 |
| Retained earnings | | 10,062 | 10,944 |
| Other components of equity | | 217 | -186 |
| **Equity attributable to owners of the parent** | | **11,908** | **12,386** |
| Non-controlling interests | | 635 | 628 |
| **Total equity** | | **12,542** | **13,014** |
| | | | |
| **Total equity and liabilities** | | **51,939** | **49,340** |

# 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 2018** | **98** | **4** | **1,527** | **10,692** | **-656** | **1,184** | **12,848** | **660** | **13,508** |
| **Changes in equity** | | | | | | | | | |
| Dividends | | | | -1,444[4] | | | -1,444 | -112 | **-1,556** |
| Share-based payments | | | | 8 | | | 8 | 9 | **17** |
| Share of associate's other changes in equity | | | | 31 | | | 31 | | **31** |
| Other changes in equity | | | | | | | - | -20 | **-20** |
| Profit for the period | | | | 1,687 | | | 1,687 | 91 | **1,778** |
| Other comprehensive income for the period | | | | -31 | -124 | -590 | -744 | | **-744** |
| **Equity at 31 December 2018** | **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 | |
| 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** |

[1] *IAS 19 Pension benefits had a net effect of EURm -90 (-34) 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 -30 (-26) of Nordea's actuarial gains/losses The exchange differences include the share of Nordea's exchange differences EURm 3 (-26). Respectively, available-for-sale financial assets include EURm -3 (-10) 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 718 (-409). The amount transferred to p/l amounted to EURm -255 (-192). EURm -21 (20) was transferred to the Segregated Suomi portfolio.*

[4] *Dividend per share 2.20 (2.85) euro.*

The amount 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 | 2019 | 2018 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxes | 1,541 | 2,094 |
| **Adjustments:** | | |
| Depreciation and amortisation | 78 | 59 |
| Unrealised gains and losses arising from valuation | -637 | 374 |
| Realised gains and losses on investments | -500 | -280 |
| Change in liabilities for insurance and investment contracts | 2,775 | 35 |
| Other adjustments | 66 | -665 |
| **Adjustments total** | **1,783** | **-478** |
| | | |
| **Change (+/-) in assets of operating activities** | | |
| Investments *) | -1,526 | -1,193 |
| Other assets | 37 | -359 |
| **Total** | **-1,489** | **-1,552** |
| | | |
| **Change (+/-) in liabilities of operating activities** | | |
| Financial liabilities | -2 | 85 |
| Other liabilities | 88 | 41 |
| Paid taxes | -390 | -381 |
| **Total** | **-305** | **-255** |
| | | |
| **Net cash from operating activities** | **1,530** | **-190** |
| | | |
| **Investing activities** | | |
| Investments in group and associated undertakings | 594 | 439 |
| Net investment in equipment and intangible assets | -64 | -33 |
| **Net cash from investing activities** | **530** | **406** |

| EURm | 2019 | 2018 |
|---|---|---|
| **Financing activities** | | |
| Dividends paid | -1,588 | -1,444 |
| Issue of debt securities | 496 | 1,482 |
| Repayments of debt securities in issue | -647 | -609 |
| **Net cash used in financing activities** | **-1,739** | **-571** |
| | | |
| **Total cash flows** | **322** | **-355** |
| | | |
| Cash and cash equivalents at 1 January | 2,361 | 2,734 |
| Effects of exchange rate changes | -5 | -18 |
| Cash and cash equivalents at 31 December | 2,677 | 2,361 |
| **Net increase in cash and cash equivalents** | **322** | **-355** |

| **Additional information to the cash flow statement:** | **2019** | **2018** |
|---|---|---|
| Interest income received | 543 | 474 |
| Interest expense paid | -189 | -126 |
| Dividend income received | 216 | 183 |
| | | |
| Total out-going cashflows from leases | -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 2,662 (2,361) and short-term deposits (max 3 months) EURm 15 (-).

# 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 2019 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, 2019.

From January 2019 on, Sampo has applied the new standard IFRS 16 *Leases*. The standard superseded IAS 17 according to which leases were recognised either in the balance sheet as finance leases, or as other leases in which case the related liability was disclosed in the notes. The new standard requires all the leases, apart from low-value and short-term leases, to be recognised in the balance sheet. The related interest expenses and amortisations are recognised in the income statement.

In the transition, the modified retrospective approach was applied meaning that the comparison years were not restated. In addition, the Group applied the exemption, allowed by the standard, of not recognising short-term leases and leases of low-value assets in the balance sheet. The adoption of the standard had no material impact on the Group's financial result. The Group's assets increased by 141 million euro and liabilities by 137 million euro.

During the financial year, other adopted standards or annual improvements to the standards 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 6 February 2020.

## 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. 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 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 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 on the 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) | 10.4468 | 10.5853 |
| Danish krona (DKK) | 7.4715 | 7.4661 |

## 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 is organised in accordance with the business segments. The Group's business segments are If, Topdanmark, 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 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 on a line-by-line basis.

## 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 as earned on a pro rata basis, adjusting them 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'.

## 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, added by 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 the bid price or at the last trade price, if there is an auction policy in the stock market of the price source. 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 decease 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 the credit rating of an issuer has declined or the entity is placed on watch list, or 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 security 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 the carrying amount 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 previously in profit or loss recognised impairment losses.

When assessed that there is objective evidence of impairment in debt or equity securities classified as financial assets available-for-sale, the cumulative loss recognised in other comprehensive income is transferred from equity and recognised in profit or loss as an impairment loss.

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 shall be reversed by recognising the amount in profit or loss.

If the fair value of an equity security increases after the impairment loss was recognised in profit or loss, the increase shall be recognised in other comprehensive income. If the value keeps decreasing below the acquisition cost, an impairment loss is recognised through profit or loss.

## 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, the fair value hedging has been applied in Mandatum.

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 undertaking 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.

#### 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.

## Securities lending

Securities lent to counterparties are retained in the balance sheet. Conversely, securities borrowed are not recognised in the balance sheet, unless these are sold to third parties, in which case the purchase is recorded as a trading asset and the obligation to return the securities as a trading liability at fair value through profit or loss

## Leases

### *Group as lessee*

All lease contracts are primarily recognised in the balance sheet in accordance with the new 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.

### *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 |

## 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 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:

| | |
|---|---|
| Residential, business premises and offices | 20–60 years |
| Industrial buildings and warehouses | 30–60 years |
| Components of buildings | 10–15 years |
| IT equipment and motor vehicles | 3–5 years |
| Other equipment | 3–10 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 in the Holding segment is measured at fair value in item 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 national accounting standards, except for the equalisation reserve and its changes which is reported in equity and profit or loss, in accordance with the IFRS.

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.

## *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 provisions for unearned premiums and unexpired risks and for claims outstanding, correspond to the obligations under insurance contracts.

The provision 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 provision 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 provision for unearned premiums must be augmented by a provision for unexpired risks. Calculation of the provision for unexpired risks must also take into account instalment premiums not yet due.

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; i.e. the IBNR (incurred but not reported) provision. The provision for claims outstanding includes claims payments plus all estimated costs of claim settlements.

The provision 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.

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.

### Pay-as-you-go system for P&C insurance

Pensions and compensation for healthcare or medical rehabilitation paid on the basis of Finland's statutory P&C insurance (accident, motor third party liability and patient insurance) are raised annually by the TEL (Employee Pensions Act) index in order to maintain the real value of the pensions. The index raises are not the responsibility of the insurance companies, but are funded by the so-called pay-as-you-go principle, i.e. each year premiums written include index raises to the same amount that is paid out in that year. In practice, the P&C insurance companies collect a so-called expense loading along with their premiums written, which is then forwarded to the central organisation for the particular insurance line. The central organisation distributes the pay-as-you-go contributions collected so that the company undertaking the type of insurance in question receives an amount equal to the compensation falling under the pay-as-you-go system it has paid that year. The insurer's participation in the payment is proportional to the insurer's market share in the insurance line in question.

The pay-as-you-go system related to pension index raises is not treated as an insurance activity under IFRS 4 and does not generate any risk for the insurance company. Thus, the pay-as-you-go contribution collected together with the insurance premium is not deemed to be premium income, and the pension index raise paid out is not deemed to be claims incurred. Because the collected index raise corresponds in amount to the paid out pension index raise, the said items are set-off in the Income Statement item 'Other expenses from operations'. The share of a balancing figure not yet received from, or not paid by, a central organisation is presented as current receivables or liabilities in the balance sheet items 'Other assets' or 'Other liabilities'.

### 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% 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 I, 2014 II,2017 I and 2017 II 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.

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 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 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 2022.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.

As the upcoming IFRS 4 superseding standard IFRS 17 *Insurance Contracts* (by IASB tentative decision effective for annual periods beginning on 1 Jan 2022 or after) will have an impact on the insurance liabilities valuation, 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 2022. The temporary exemption may be applied, if the Group's amount of insurance liabilities is greater than 90% of the total amount of liabilities. The application is also possible, if the ratio is greater than 80%, 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. In addition, IASB has announced that it might take into consideration some amendments to IFRS 17 standard before its effective date.

# Segment Information

Geographical information has been disclosed about income from external customers and non-current assets. The reported areas are Finland, Sweden, Norway, Denmark 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 2019

| EURm | If | Top-danmark | Mandatum | Holding | Elimi-nation | Group |
|---|---|---|---|---|---|---|
| | | | | | | |
| Insurance premius 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 | Top-danmark | Mandatum | Holding | Elimi-nation | 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 Income Statement by Business Segment for Year Ended 31 December 2018

| EURm | If | Top-danmark | Mandatum | Holding | Elimi-nation | Group |
|---|---|---|---|---|---|---|
| Insurance premius written | 4,325 | 2,509 | 1,074 | - | -1 | 7,907 |
| Net income from investments | 229 | -280 | -26 | 2 | -28 | -104 |
| Other operating income | 30 | 3 | 212 | 17 | -18 | 244 |
| Claims incurred | -2,716 | -1,198 | -1,116 | - | 15 | -5,015 |
| Change in liabilities for insurance and investment contracts | -35 | -458 | 426 | - | -18 | -85 |
| Staff costs | -529 | -269 | -46 | -11 | - | -855 |
| Other operating expenses | -445 | -119 | -67 | -14 | 18 | -627 |
| Finance costs | -15 | -11 | -7 | 3 | 12 | -18 |
| Share of associates' profit/loss | 4 | 22 | 0 | 621 | - | 647 |
| **Profit before taxes** | **848** | **199** | **450** | **618** | **-20** | **2,094** |
| Taxes | -187 | -43 | -91 | 0 | 4 | -317 |
| **Profit for the year** | **661** | **156** | **360** | **618** | **-16** | **1,778** |

| EURm | If | Top-danmark | Mandatum | Holding | Elimi-nation | Group |
|---|---|---|---|---|---|---|
| **Other comprehensive income for the period** | | | | | | |
| **Items reclassifiable to profit or loss** | | | | | | |
| Exchange differences | -87 | -9 | - | -2 | - | -97 |
| Available-for-sale financial assets | -364 | - | -314 | -61 | - | -739 |
| Share of associate's other comprehensive income | - | - | - | -61 | - | -61 |
| Taxes | 80 | - | 67 | 12 | - | 159 |
| **Total items reclassifiable to profit or loss, net of tax** | **-372** | **-9** | **-247** | **-112** | **-** | **-739** |
| **Items not reclassifiable to profit or loss** | | | | | | |
| Actuarial gains and losses from defined pension plans | -6 | - | - | - | - | -6 |
| Taxes | 1 | - | - | - | - | 1 |
| **Total items not reclassifiable to profit or loss, net of tax** | **-5** | **-** | **-** | **-** | **-** | **-5** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **284** | **147** | **112** | **506** | **-16** | **1,034** |
| **Profit attributable to** | | | | | | |
| Owners of the parent | | | | | | 1,687 |
| Non-controlling interests | | | | | | 91 |
| **Total comprehensive income attributable to** | | | | | | |
| Owners of the parent | | | | | | 943 |
| Non-controlling interests | | | | | | 91 |

# Consolidated Balance Sheet by Business Segment at 31 December 2019

| EURm | If | Top-danmark | Mandatum | Holding | Elimi-nation | 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 contracts | - | 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** |

# Consolidated Balance Sheet by Business Segment at 31 December 2018

| EURm | If | Top-danmark | Mandatum | Holding | Elimi-nation | Group |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Property, plant and equipment | 24 | 130 | 5 | 3 | - | 162 |
| Investment property | 4 | 513 | 148 | - | - | 665 |
| Intangible assets | 512 | 1,472 | 158 | 0 | - | 2,143 |
| Investments in associates | 14 | 225 | 3 | 7,823 | - | 8,065 |
| Financial assets | 10,753 | 6,028 | 4,902 | 5,069 | -4,058 | 22,693 |
| Investments related to unit-linked insurance | - | 3,735 | 6,960 | - | -24 | 10,671 |
| Tax assets | 11 | 2 | - | 15 | -4 | 24 |
| Reinsurers' share of insurance liabilities | 208 | 85 | 1 | - | - | 294 |
| Other assets | 1,704 | 279 | 182 | 107 | -8 | 2,263 |
| Cash and cash equivalents | 294 | 34 | 586 | 1,448 | - | 2,361 |
| **Total assets** | **13,525** | **12,502** | **12,944** | **14,465** | **-4,095** | **49,340** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Liabilities for insurance and investment contracts | 8,934 | 5,259 | 4,221 | - | - | 18,415 |
| Liabilities for unit-linked insurance and investment contracts | - | 4,460 | 6,955 | - | -24 | 11,390 |
| Subordinated debt | 400 | 234 | 100 | | -271 | 464 |
| Other financial liabilities | 4 | 105 | 33 | 4,104 | - | 4,247 |
| Tax liabilities | 207 | 188 | 96 | - | -4 | 487 |
| Provisions | 18 | - | - | - | - | 18 |
| Employee benefits | 51 | - | - | - | - | 51 |
| Other liabilities | 785 | 227 | 173 | 78 | -9 | 1,254 |
| **Total liabilities** | **10,401** | **10,473** | **11,578** | **4,182** | **-308** | **36,326** |

| EURm | Group |
|---|---|
| **Equity** | |
| Share capital | 98 |
| Reserves | 1,530 |
| Retained earnings | 10,944 |
| Other components of equity | -186 |
| **Equity attributable to parent company's equity holders** | **12,386** |
| Non-controlling interests | 628 |
| **Total equity** | **13,014** |
| | |
| **Total equity and liabilities** | **49,340** |

# Geographical Information

| EURm | Finland | Sweden | Norway | Denmark | Baltic | Total |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| **Revenue from external customers** | 2,515 | 1,510 | 1,382 | 3,162 | 176 | **8,744** |
| **Non-current assets** | 437 | 7,483 | 73 | 2,350 | 7 | **10,350** |
| | | | | | | |
| **2018** | | | | | | |
| **Revenue from external customers** | 1,992 | 1,488 | 1,327 | 2,989 | 169 | **7,965** |
| **Non-current assets** | 404 | 8,263 | 13 | 2,353 | 1 | **11,034** |

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.

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

# Material Partly-Owned Subsidiairies

| Name | Country | Equity interest held by non-controlling interests 2019 | 2018 |
|---|---|---|---|
| Topdanmark A/S | Denmark | 51.8 | 51.4 |
| | | | |
| Accumulated balances of material non-controlling interests | | 635 | 628 |

## The summarised financial information.

Figures are before inter-company eliminations.

**Summarised statement of profit or loss**

| EURm | 2019 | 2018 |
|---|---|---|
| Insurance premius written | 1,386 | 1,290 |
| Net income from investments | 537 | -144 |
| Other operating income | 1 | 2 |
| | | |
| Claims incurred | -633 | -616 |
| Change in liabilities for insurance and investment contracts | -965 | -236 |
| Staff costs | -143 | -138 |
| Other operating expenses | -52 | -47 |
| | | |
| Finance costs | -5 | -6 |
| Share of associates' profit/loss | 11 | 11 |
| | | |
| **Profit before taxes** | **137** | **116** |
| | | |
| Taxes | -30 | -25 |
| | | |
| **Profit for the year attributable to non-controlling interests** | **107** | **91** |

**Share of non-controlling interests of the balance sheet**

| EURm | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | 66 | 67 |
| Investment property | 279 | 264 |
| Intangible assets | 357 | 341 |
| Investments in associates | 116 | 116 |
| Financial assets | 3,580 | 3,099 |
| Investments related to unit-linked insurance | 2,501 | 1,920 |
| Tax assets | 2 | 1 |
| Reinsurers' share of insurance liabilities | 41 | 44 |
| Other assets | 124 | 143 |
| Cash and cash equivalents | 38 | 17 |
| **Total assets** | **7,103** | **6,011** |
| | | |
| **Liabilities** | | |
| Liabilities for insurance and investment contracts | 2,762 | 2,704 |
| Liabilities for unit-linked insurance and investment contracts | 3,250 | 2,293 |
| Subordinated debt | 121 | 120 |
| Other financial liabilities | 52 | 54 |
| Tax liabilities | 118 | 96 |
| Other liabilities | 166 | 117 |
| **Total liabilities** | **6,469** | **5,383** |
| | | |
| **Total equity attributable to non-controlling interests** | **635** | **628** |

# Business Acquisitions

## Year 2019

In December 2019, the Group's subsidiary If Skadeförsäkring Holding AB(p) 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.

## Year 2018

The Swedish NDX Intressenter AB became an associate of the Group in March 2018 with an ownership of 36.25%. The p/l and balance sheet of the company are presented in the Holding segment.

**The purchase price allocation on the acquisition is presented below:**

| EURm | |
|---|---|
| Cost of the business acquisition | 241 |
| Net assets acquired without the pre-acquisition goodwill | 84 |
| | |
| Purchase consideration to be allocated | **157** |
| | |
| **Allocated to other intangible assets** | |
| Customer relations | 54 |
| Other intangible assets | 1 |
| Deferred tax liability related to allocations | -12 |
| Goodwill | 114 |
| **Total** | **157** |

The allocations to the customer relations and other intangible assets are amortised over 8 years. Their total net effect sums to about EUR 43 million. The net effect of annual amortisation is about EUR 5 million.

# Group's Other Notes to the Accounts

## 1 Insurance premiums written

| EURm | 2019 | 2018 |
|---|---|---|
| | | |
| P&C insurance | 5,947 | 5,737 |
| Life insurance | | |
| Insurance contracts | 2,060 | 1,751 |
| Investment contracts | 1,030 | 687 |
| **Insurance premiums written, gross** | **9,037** | **8,174** |
| | | |
| **Reinsurers' share** | | |
| P&C insurance | -281 | -259 |
| Life insurance, insurance contracts | -7 | -7 |
| **Reinsurers' share, total** | **-288** | **-267** |
| | | |
| **Group insurance premiums written total, net [1)]** | **8,749** | **7,907** |

[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 | 2019 | 2018 |
|---|---|---|
| **Financial assets** | | |
| **Derivative financial instruments** | | |
| Gains/losses | -15 | -34 |
| | | |
| **Loans and receivables** | | |
| Interest income | 9 | 10 |
| | | |
| **Financial assets available-for-sale** | | |
| Debt securities | | |
| Interest income | 162 | 158 |
| Impairment losses | 0 | 15 |
| Gains/losses | 10 | 18 |
| Exchange differences | 0 | -2 |
| Equity securities | | |
| Gains/losses | 92 | 109 |
| Impairment losses | -20 | -36 |
| Dividend income | 40 | 47 |
| **Total** | **286** | **310** |
| | | |
| **Total from financial assets** | **279** | **286** |
| | | |
| **Other assets** | | |
| Investment properties | | |
| Gains/losses | 2 | 1 |
| | | |
| Expense on other than financial liabilities | -6 | -6 |
| | | |
| Effect of discounting annuities | -29 | -31 |
| | | |
| **Fee and commission expenses** | | |
| Asset management | -18 | -21 |
| | | |
| **If insurance, total** | **229** | **229** |

Included in gains/losses from financial assets available-for-sale is a net gain of EURm -84 (-23) transferred from the fair value reserve.

## *Topdanmark*

| EURm | 2019 | 2018 |
|---|---|---|
| **Financial assets** | | |
| **Derivative financial instruments** | | |
| Gains/losses | 44 | -32 |
| | | |
| **Financial assets for trading** | | |
| Debt securities | | |
| Interest income | 103 | 89 |
| Gains/losses | -27 | -54 |
| Equity securities | | |
| Gains/losses | 146 | -46 |
| Dividend income | 23 | 26 |
| **Total** | **244** | **15** |
| | | |
| **Investments related to unit-linked contracts** | | |
| Debt securities | | |
| Interest income | 82 | 71 |
| Gains/losses | -35 | -51 |
| Equity securities | | |
| Gains/losses | 627 | -166 |
| Dividend income | 87 | 43 |
| Derivatives | | |
| Interest income | -44 | -35 |
| Gains/losses | 158 | -108 |
| Other financial assets | | |
| Gains/losses | 55 | -26 |
| **Total** | **929** | **-273** |
| | | |
| **Loans and receivables** | | |
| Interest income | 3 | 2 |
| | | |
| **Total from financial assets** | **1,221** | **-287** |

| EURm | 2019 | 2018 |
|---|---|---|
| | | |
| Net income from investment properties | 48 | 18 |
| | | |
| Pension tax return | -147 | 4 |
| | | |
| Effect of discounting annuities, insurance liabilities | -82 | -12 |
| | | |
| Other expenses related to investment activities | -3 | -2 |
| | | |
| **Topdanmark, total** | **1,037** | **-280** |

## *Mandatum*

| EURm | 2019 | 2018 |
|---|---|---|
| **Financial assets** | | |
| **Derivative financial instruments** | | |
| Gains/losses | -63 | -125 |
| | | |
| **Investments related to unit-linked contracts** | | |
| Debt securities | | |
| Interest income | 39 | 49 |
| Gains/losses | 51 | -45 |
| Equity securities | | |
| Gains/losses | 752 | -303 |
| Dividend income | 59 | 48 |
| Loans and receivables | | |
| Interest income | 0 | 6 |
| Other financial assets | | |
| Gains/losses | 8 | -15 |
| **Total** | **908** | **-259** |
| | | |
| **Loans and receivables** | | |
| Interest income | 2 | 1 |
| Exchange differences | 2 | 1 |
| **Total** | **4** | **2** |

| EURm | 2019 | 2018 |
|---|---|---|
| **Financial assets available-for-sale** | | |
| Debt securities | | |
| Interest income | 71 | 80 |
| Gains/losses | -3 | -3 |
| Impairment losses | 0 | 5 |
| Exchange differences | 18 | 50 |
| Equity securities | | |
| Gains/losses | 235 | 152 |
| Impairment losses | -15 | -57 |
| Dividend income | 106 | 112 |
| **Total** | **410** | **339** |
| | | |
| **Total financial assets** | **1,259** | **-43** |
| | | |
| **Other assets** | | |
| Investment properties | | |
| Gains/losses | 2 | 0 |
| Other | 0 | 3 |
| **Total other assets** | **2** | **3** |
| | | |
| **Net fee income** | | |
| Asset management | -19 | -15 |
| Fee income | 25 | 28 |
| **Total** | **6** | **13** |
| | | |
| **Mandatum, total** | **1,267** | **-26** |

Included in gains/losses from financial assets available-for-sale is a net gain of EURm -236 (-117) transferred from the fair value reserve.

## *Holding*

| EURm | 2019 | 2018 |
|---|---|---|
| **Financial assets** | | |
| **Derivative financial instruments** | | |
| Gains/losses | -32 | -27 |
| | | |
| **Loans and receivables** | -15 | -24 |
| | | |
| **Financial assets available-for-sale** | | |
| Debt securities | | |
| Interest income | 27 | 28 |
| Gains/losses | - | 0 |
| Exchange differences | 8 | 12 |
| Equity securities | | |
| Gains/losses | 1 | 10 |
| Dividend income | 8 | 3 |
| **Total** | **44** | **53** |
| | | |
| Other assets | 1 | 0 |
| | | |
| **Holding, total** | **-2** | **2** |

Included in gains/losses from financial assets available for-sale is a net gain of EURm -0 (-10) transferred from the fair value reserve.

| EURm | 2019 | 2018 |
|---|---|---|
| Elimination items between segments | -15 | -28 |
| | | |
| **Group net investment income, total** | **2,515** | **-104** |

The changes in the fair value reserve are disclosed in the Statement of changes in equity. 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 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 | 2019 | 2018 |
|---|---|---|
| **Claims paid** | | |
| P&C insurance | -3,831 | -3,567 |
| Life insurance | | |
| Insurance contracts | -1,543 | -1,315 |
| Investment contracts | -607 | -373 |
| **Claims paid, gross** | **-5,982** | **-5,254** |
| | | |
| **Reinsurers' share** | | |
| P&C insurance | 146 | 107 |
| Life insurance, insurance contracts | 1 | 1 |
| **Reinsurers's share, total** | **147** | **108** |
| | | |
| **Claims paid total, net** | **-5,835** | **-5,146** |
| | | |
| **Change in claims provision** | | |
| P&C insurance | 280 | 104 |
| Life insurance, insurance contracts | 104 | 36 |
| **Change in claims provision, gross** | **384** | **140** |
| | | |
| **Reinsurers' share** | | |
| P&C insurance | -16 | -9 |
| Life insurance, insurance contracts | 0 | 1 |
| **Reinsurers's share, total** | **-16** | **-9** |
| | | |
| **Change in claims provision, net** | **369** | **131** |
| | | |
| **Group claims incurred, total** | **-5,466** | **-5,015** |

# 4 Change in liabilities for insurance and investment contracts

| EURm | 2019 | 2018 |
|---|---|---|
| **Change in unearned premium provision** | | |
| P&C insurance | -98 | -37 |
| Life insurance | | |
| Insurance contracts | -2,142 | 136 |
| Investment contracts | -685 | -186 |
| **Total change in liabilities, gross** | **-2,926** | **-86** |
| | | |
| **Reinsurers' share** | | |
| P&C insurance | 7 | 2 |
| | | |
| **Group change in liabilities for insurance and investment contracts total, net** | **-2,919** | **-85** |

# 5 Staff costs

| EURm | 2019 | 2018 |
|---|---|---|
| Wages and salaries | -650 | -626 |
| Cash-settled share-based payments | -10 | -3 |
| Share-settled share-based payments | -8 | -7 |
| Pension costs | | |
| - defined contribution plans | -85 | -88 |
| - defined benefit plans (Note 30) | -15 | -8 |
| Other social security costs | -128 | -123 |
| **Group staff costs, total** | **-897** | **-855** |

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

## 6 Other operating expenses

| EURm | 2019 | 2018 |
|---|---|---|
| IT costs | -171 | -153 |
| Other staff costs | -28 | -30 |
| Marketing expenses | -55 | -57 |
| Depreciation and amortisation | -58 | -55 |
| Depreciation on leases | -24 | - |
| Rental expenses *) | -44 | -68 |
| Change in deferred acquisition costs | 6 | -3 |
| Direct insurance comissions | -154 | -161 |
| Comissions of reinsurance assumed | 0 | 0 |
| Commissions on reinsurance ceded | 30 | 28 |
| Other | -154 | -128 |
| **Group other operating expenses, total** | **-653** | **-627** |

*) *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 | 2019 | 2018 |
|---|---|---|
| Insurance premiums earned | 4,388 | 4,290 |
| Claims incurred | -3,000 | -2,954 |
| Operating expenses | -706 | -702 |
| Other insurance technical income and expense | -13 | -4 |
| Allocated investment return transferred from the non-technical account | 16 | 13 |
| **Technical result** | **685** | **643** |
| Net investment income account | 242 | 245 |
| Allocated investment return transferred to the technical account | -44 | -44 |
| Other income and expense | 2 | 3 |
| **Operating result** | **884** | **848** |

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

| EURm | 2019 | 2018 |
|---|---|---|
| Claims-adjustment expenses (claims paid) | -249 | -237 |
| Acquisition expenses (operating expenses) | -501 | -483 |
| Joint administrative expenses for insurance business (operating expenses) | -227 | -230 |
| Administrative expenses pertaining to other technical operations (operating expenses) | -45 | -34 |
| Asset management costs (investment expenses) | -18 | -21 |
| **Total** | **-1,039** | **-1,005** |

## 8 Earnings per share

| EURm | 2019 | 2018 |
|---|---|---|
| **Earnings per share** | | |
| Profit or loss attributable to the equity holders of the parent company | 1,130 | 1,687 |
| Weighted average number of shares outstanding during the period | 555 | 555 |
| Earnings per share (EUR per share) | 2.04 | 3.04 |

# 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.

| | 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** | | |

| | 2018 | | | | |
|---|---|---|---|---|---|
| **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 | 72 | -11 | -207 | - | - |
| Financial assets for trading | 5,429 | 89 | -99 | - | 26 |
| **Loans and receivables** | 3,046 | 12 | -18 | - | - |
| **Financial assets available-for-sale** | 16,507 | 254 | 325 | -73 | 162 |
| **Group financial assets, total** | **25,053** | **344** | **1** | **-73** | **189** |
| **FINANCIAL LIABILITIES** | | | | | |
| **Financial liabilities at fair value through p/l** | | | | | |
| Derivative financial instruments | 169 | - | - | | |
| **Other financial liabilities** | 4,542 | -71 | 53 | | |
| **Group financial liabilities, total** | **4,711** | **-71** | **53** | | |

# 10 Property, plant and equipment

| | 2019 | | | |
|---|---|---|---|---|
| EURm | 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** |
| | | | | |
| **Carrying amount at 1 January** | **-** | **117** | **44** | **162** |
| IFRS 16 adoption | 140 | - | - | 140 |
| Additions | 23 | 1 | 17 | 42 |
| Disposals | - | -3 | -2 | -5 |
| Depreciation | -24 | 0 | -14 | -38 |
| Exchange differences | 2 | 0 | -1 | 1 |
| **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** |

| | 2018 | | |
|---|---|---|---|
| EURm | Land and buildings | Plant and equipment 2) | Total |
| At 1 January | | | |
| Cost | 119 | 122 | 241 |
| Accumulated depreciation | -2 | -81 | -83 |
| **Net carrying amount at 1 January** | **118** | **40** | **158** |
| | | | |
| **Net carrying amount at 1 January** | **118** | **40** | **158** |
| Additions | 0 | 19 | 19 |
| Disposals | - | -2 | -2 |
| Depreciation | 0 | -12 | -13 |
| Exchange differences | 0 | 0 | -1 |
| **Net carrying amount at 31 December** | **117** | **44** | **162** |
| | | | |
| At 31 December | | | |
| Cost | 119 | 138 | 257 |
| Accumulated depreciation | -2 | -94 | -96 |
| **Net carrying amount at 31 December** | **117** | **44** | **162** |

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 | 2019 | 2018 |
|---|---|---|
| **At 1 January** | | |
| Cost | 771 | 753 |
| Accumulated depreciation | -75 | -71 |
| Accumulated impairment losses | -32 | -29 |
| **Net carrying amount at 1 January** | **665** | **653** |
| | | |
| **Net carrying amount at 1 January** | **665** | **653** |
| Transfers to property, plant and equipment | - | -9 |
| Additions | 121 | 64 |
| Disposals | -101 | -35 |
| Depreciation | -3 | -4 |
| Impairment losses | -1 | -3 |
| Exchange differences | -1 | -1 |
| **Net carrying amount at 31 December** | **679** | **665** |
| | | |
| **At 31 December** | | |
| Cost | 790 | 771 |
| Accumulated depreciation | -78 | -75 |
| Accumulated impairment losses | -33 | -32 |
| **Net carrying amount at 31 December** | **679** | **665** |
| | | |
| **Rental income from investment property** | 50 | 46 |
| | | |
| **Property rented out under operating lease** | | |
| **Non-cancellable minimum rental** | | |
| - not later than one year | 46 | 38 |
| - later than one year and not later than five years | 59 | 57 |
| - later than five years | 24 | 30 |
| **Total** | **129** | **124** |

| EURm | 2019 | 2018 |
|---|---|---|
| **Expenses arising from investment property** | | |
| - direct operating expenses arising from investment property generating rental income during the period | -22 | -28 |
| - direct operating expenses arising from investment property not generating rental income during the period | -2 | 0 |
| **Total** | **-23** | **-28** |
| | | |
| **Fair value of investment property at 31 December** | **833** | **745** |

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 is 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

| 2019 EURm | 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** |

| 2018 EURm | Goodwill | Customer relations and trademark | Other intangible assets | Total |
|---|---|---|---|---|
| **At 1 January** | | | | |
| Cost | 1,476 | 632 | 210 | 2,318 |
| Accumulated amortisation | - | - | -122 | -122 |
| **Net carrying amount at 1 January** | **1,476** | **632** | **87** | **2,196** |
| | | | | |
| **Net carrying amount at 1 January** | 1,476 | 632 | 87 | 2,196 |
| Additions | - | - | 39 | 39 |
| Disposals | - | -30 | - | -30 |
| Depreciation | - | -27 | -11 | -38 |
| Exchange differences | -23 | 0 | -1 | -24 |
| **Net carrying amount at 31 December** | **1,454** | **575** | **115** | **2,143** |
| | | | | |
| **At 31 December** | | | | |
| Cost | 1,454 | 602 | 247 | 2,303 |
| Accumulated amortisation | - | -27 | -133 | -160 |
| **Net carrying amount at 31 December** | **1,454** | **575** | **115** | **2,143** |

| Goodwill is split between the segments as follows: | 2019 | 2018 |
|---|---|---|
| If | 507 | 490 |
| Topdanmark | 810 | 811 |
| Mandatum | 153 | 153 |
| **Total** | **1,471** | **1,454** |

At the business acquisition of Topdanmark, EURm 95 were 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 8.8% and for Mandatum Life 9.6%. 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 2020 – 2022. The cash flows beyond that have been extrapolated using a 2% growth rate. A 2% growth rate for years beyond 2029 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 EURm 570. With the calculation method used, e.g. an increase of about 2% point in the cost of equity combined with a long term 0% 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. Topdanmark's share price at the acquisition date 30 September 2017 was 247.70 Danish crowns and 328.40 Danish crowns on 31 December 2019. The fair value of Topdanmark 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 2019*

| EURm Name | Domicile | Carrying amount | Fair value*) | Interest held % |
|---|---|---|---|---|
| Nordea Bank Abp | Finland | 6,712 | 5,828 | 19.87 |
| NDX Intresserter AB | Sweden | 267 | | 36.25 |
| Precast Holding Oy | Finland | 3 | | 20.43 |
| CAP Group AB | Sweden | 3 | | 22.00 |
| Svithun Assuranse AS | Norway | 1 | | 33.00 |
| Digiconsept AS | Norway | 1 | | 34.00 |
| Boligselskapenes Service Senter AS | Norway | 1 | | 34.00 |
| SOS International A/S | Denmark | 7 | | 25.74 |
| 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*

## *Associates that have been accounted for by the equity method at 31 December 2018*

| EURm Name | Domicile | Carrying amount | Fair value*) | Interest held % |
|---|---|---|---|---|
| Nordea Bank Abp | Finland | 7,535 | 6,255 | 21.25 |
| NDX Intresserter AB | Sweden | 289 | | 36.25 |
| Precast Holding Oy | Finland | 3 | | 20.43 |
| CAP Group AB | Sweden | 3 | | 21.98 |
| Svithun Assuranse AS | Norway | 1 | | 33.00 |
| Digiconsept AS | Norway | 1 | | 34.00 |
| Boligselskapenes Service Senter AS | Norway | 1 | | 34.00 |
| SOS International A/S | Denmark | 8 | | 25.23 |
| Bornholms Brandforsikring A/S | Denmark | 8 | | 27.00 |
| Komplementarselskabet Margretheholm ApS | Denmark | 0 | | 50.00 |
| Komplementarselskabet Havneholmen ApS | Denmark | 0 | | 50.00 |
| Margretheholm P/S | Denmark | 34 | | 50.00 |
| Havneholmen P/S | Denmark | 66 | | 50.00 |
| P/S Ejendomsholding Banemarksvej | Denmark | 6 | | 40.00 |
| Komplementarselskabet Banemarksvej ApS | Denmark | 0 | | 40.00 |
| Carlsberg Byen P/S | Denmark | 75 | | 22.51 |
| P/S Ottilia København | Denmark | 0 | | 50.00 |
| Komplementarselskabet Ottilia København ApS | Denmark | 35 | | 50.00 |

*) *Published price quatation*

## *Changes in investments in associates*

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **EURm** | **Nordea** | **Other associates** | **Total** | **Nordea** | **Other associates** | **Total** |
| **At 1 January** | 7,535 | 530 | 8,065 | 7,578 | 187 | 7,765 |
| Share of loss/profit | 290 | 31 | 321 | 625 | 19 | 644 |
| Valuation loss on dividend distribution of associate shares *) | -155 | - | -155 | - | - | - |
| Additions | - | 0 | 0 | - | 279 | 279 |
| Disposals | -941 | 0 | -941 | -585 | -3 | -588 |
| Changes in the equity of associates | -17 | -50 | -67 | -83 | 50 | -33 |
| Exchange differences | - | -6 | -6 | - | -3 | -3 |
| **At 31 December** | **6,712** | **505** | **7,217** | **7,535** | **530** | **8,065** |

*) *The valuation loss on dividend distribution of associate shares comprises the valuation difference between the consolidated carrying amount and the fair value of the shares EURm -143, on the date of the distribution, and the recycling of Nordea-related other comprehensive income items to the profit or loss EURm -11.*

The carrying amount of investments in associates included goodwill EURm 922 (986), including goodwill from the Nordea acquisition EURm 915 (978).

## *Financial information on Nordea*

| EURm | 2019 | 2018 |
|---|---|---|
| Assets | 554,848 | 551,408 |
| Liabilities | 523,320 | 518,507 |
| Goodwill included in the assets | 1,969 | 1,816 |
| Revenue | 8,635 | 9,172 |
| Other comprehensive income items | -185 | -326 |
| Comprehensive income statement | 1,357 | 2,755 |
| Dividend income from the associate during the financial year | 594 | 585 |

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

| EURm | 2019 | 2018 |
|---|---|---|
| Net assets of Nordea | 28,771 | 30,329 |
| Sampo's share of 19.87% (21.25) | 5,717 | 6,445 |
| Remaining allocations | | |
| Goodwill | 915 | 978 |
| Trademark and customer relations, net | 80 | 111 |
| **Total carrying amount** | **6,712** | **7,535** |

In August 2019 Sampo distributed an extra dividend in a form of 55,517,639 Nordea shares. As a result, Sampo's ownership of Nordea's shares and voting power decreased from 21.25% to 19.87%. 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, and concluded that despite the decrease in the ownership, the significant influence continues to exist on 31 December 2019.

At the end of the financial year 2019, Nordea's book value per share 8.34 euro exceeded its market value 7.24 euro. As a consequence, 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 using a discounted cash flow model, where the cash flows were based on the public information on Nordea and Sampo's estimates of Nordea's future based on this information. Based on the test, the recoverable amount exceeded Nordea's carrying amount and no impairment losses were recognised.

# 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. Fair value hedging has been applied during the financial year in Mandatum.

| EURm | 2019 | 2018 |
|---|---|---|
| **If** | | |
| Derivative financial instruments | 13 | 9 |
| Loans and receivables | 180 | 98 |
| Financial assets available-for-sale | 10,533 | 10,646 |
| **If, total** | **10,726** | **10,753** |
| | | |
| **Topdanmark** | | |
| Derivative financial instruments | 27 | 12 |
| Financial assets at fair value through p/l | 6,522 | 5,429 |
| Loans and receivables | 368 | 587 |
| **Topdanmark, total** | **6,916** | **6,028** |
| | | |
| **Mandatum** | | |
| Derivative financial instruments | 20 | 7 |
| Financial assets available-for-sale | 4,652 | 4,895 |
| **Mandatum, total** | **4,671** | **4,902** |
| | | |
| **Holding** | | |
| Derivative financial instruments | 22 | 44 |
| Financial assets available-for-sale | 1,378 | 1,257 |
| Investments in subsidiaries | 3,767 | 3,767 |
| **Holding, total** | **5,168** | **5,069** |
| | | |
| Elimination items between segments | -4,039 | -4,058 |
| | | |
| **Group financial assets, total** | **23,443** | **22,693** |

## Derivative financial instruments

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | | 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 | 2,741 | 53 | 44 | 2,750 | 48 | 100 |
| Inflation cover | 470 | 0 | - | - | - | - |
| Interest options, bought and sold | 503 | - | 68 | - | - | - |
| **Total interest rate derivatives** | **3,714** | **53** | **112** | **2,750** | **48** | **100** |
| | | | | | | |
| **Foreign exchange derivatives** | | | | | | |
| OTC derivatives | | | | | | |
| Currency forwards | 7,063 | 24 | 57 | 10,890 | 21 | 63 |
| Currency options, bought and sold | 154 | 2 | 0 | 414 | 3 | 2 |
| **Total foreign exchange derivatives** | **7,217** | **26** | **57** | **11,304** | **24** | **65** |
| | | | | | | |
| **Equity derivatives** | | | | | | |
| OTC derivatives | | | | | | |
| Equity futures | 73 | 0 | 0 | 41 | - | - |
| | | | | | | |
| **Total derivatives held for trading** | **11,004** | **79** | **168** | **14,096** | **72** | **166** |
| | | | | | | |
| **Derivatives held for hedging** | | | | | | |
| **Fair value hedges** | | | | | | |
| Currency forwards | 364 | 3 | - | 364 | - | 4 |
| | | | | | | |
| **Group financial derivatives, total** | **11,369** | **82** | **168** | **14,460** | **72** | **169** |

**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 6 (12). Net result from hedged risks in fair value hedges of available for sale financial assets amounted to EURm -6 (-12).

## Other financial assets

| EURm | 2019 | 2018 |
|---|---|---|
| **Financial assets designated as at fair value through p/l** | | |
| Debt securities | 5,840 | 4,432 |
| Equity securities | 682 | 726 |
| **Total financial assets designated as at fair value through p/l** | **6,522** | **5,158** |
| | | |
| **Loans and receivables** | 548 | 685 |
| | | |
| **Financial assets available-for-sale** | | |
| Debt securities | 12,016 | 12,888 |
| Equity securities | 4,275 | 3,889 |
| **Total financial assets available-for-sale** | **16,291** | **16,777** |
| | | |
| **Group other financial assets, total** | **23,361** | **22,620** |

Financial assets available-for-sale include impairment losses EURm 187 (269).

| | | |
|---|---|---|
| **Group financial assets, total** | **23,443** | **22,693** |

# 15 Fair values

| | 2019 | | 2018 | |
|---|---|---|---|---|
| EURm | Fair value | Carrying ammount | Fair value | Carrying amount |
| **Financial assets, group** | | | | |
| Financial assets | 23,444 | 23,443 | 22,693 | 22,693 |
| Investments related to unit-linked contracts | 12,975 | 12,975 | 10,671 | 10,671 |
| Other assets | 17 | 17 | 39 | 39 |
| Cash and cash equivalents | 2,677 | 2,677 | 2,361 | 2,361 |
| **Total** | **39,114** | **39,113** | **35,764** | **35,763** |
| | | | | |
| **Financial liablities, group** | | | | |
| Financial liabilities | 5,068 | 4,794 | 4,793 | 4,711 |
| Other liabilities | 46 | 46 | 43 | 43 |
| **Total** | **5,113** | **4,839** | **4,836** | **4,754** |

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 2019 | Fair value 2018 | Change |
|---|---|---|---|
| **Financial assets** | | | |
| | | | |
| **Financial assets measured at amortised cost** | | | |
| Loans and receivables | 308 | 272 | 36 |
| Deposits | 89 | 34 | 55 |
| **Total** | **397** | **306** | **90** |
| | | | |
| **Financial assets at fair value through p/l** | | | |
| Equity securities | 3,127 | 2,774 | 353 |
| Debt securities | 18,131 | 17,591 | 540 |
| Funds | 1,830 | 1,861 | -30 |
| Derivatives | 82 | 72 | 10 |
| Loans guaranteed by mortgages and other loans | 1 | 1 | 0 |
| Deposits | 368 | 587 | -219 |
| **Total** | **23,539** | **22,886** | **654** |
| | | | |
| **Financial assets at fair value through p/l related to unit-linked insurance** | | | |
| Equity securities | 3,466 | 2,444 | 1,021 |
| Debt securities | 2,612 | 3,130 | -518 |
| Funds | 6,377 | 4,716 | 1,661 |
| Other | 431 | 364 | 67 |
| **Total** | **12,886** | **10,654** | **2,232** |
| | | | |
| **Group financial assets, total** | **36,822** | **33,846** | **2,976** |

**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:

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

| | 2018 | | |
|---|---|---|---|
| | **BB+ - BB-** | **B+ - B-** | **Total** |
| Loans and receivables | 49 | 49 | 98 |

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 2022, when the Group finalises 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 quatations 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 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** |
| | | | | |
| **Assets held for trading** | | | | |
| 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 | 3,472 | 61 | 12,016 |
| Other assets | 903 | 48 | 879 | 1,830 |
| **Total** | **11,452** | **3,520** | **1,318** | **16,291** |
| | | | | |
| **Total financial assests measured at fair value** | **26,253** | **7,043** | **2,528** | **35,824** |

| EURm | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| ***Other financial assets*** | | | | |
| | | | | |
| **Financial assets at amortised cost** | | | | |
| Loans and receivables | - | 414 | 180 | 595 |
| | | | | |
| **Group financial assets, total** | **26,253** | **7,458** | **2,708** | **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 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** | **-** | **5,052** |

| EURm | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **FINANCIAL ASSETS AT 31 DECEMBER 2018** | | | | |
| | | | | |
| ***Financial assets at fair value*** | | | | |
| | | | | |
| **Derivative financial instruments** | | | | |
| Interest rate swaps | - | 48 | - | 48 |
| Foreign exchange derivatives | - | 24 | - | 24 |
| **Total** | **-** | **72** | **-** | **72** |
| | | | | |
| **Financial assets designated at fair value through profit or loss** | | | | |
| Equity securities | 533 | 191 | - | 725 |
| Debt securities | 3,957 | 695 | 51 | 4,703 |
| **Total** | **4,490** | **886** | **51** | **5,428** |
| | | | | |
| **Financial assets designated at fair value through profit or loss** | | | | |
| Deposits | - | 587 | - | 587 |
| | | | | |
| **Financial assets related to unit-linked insurance** | | | | |
| Equity securities | 2,433 | 4 | 7 | 2,444 |
| Debt securities | 1,209 | 1,894 | 27 | 3,130 |
| Funds | 3,119 | 918 | 678 | 4,716 |
| Derivative financial instruments | - | 5 | - | 5 |
| Other assets | - | - | 41 | 41 |
| **Total** | **6,761** | **2,822** | **754** | **10,337** |
| | | | | |
| **Financial assets available-for-sale** | | | | |
| Equity securities | 1,683 | 0 | 322 | 2,005 |
| Debt securities | 9,289 | 3,315 | 13 | 12,617 |
| Other assets | 907 | 44 | 909 | 1,860 |
| **Total** | **11,878** | **3,359** | **1,245** | **16,482** |
| | | | | |
| **Total financial assests measured at fair value** | **23,130** | **7,727** | **2,050** | **32,907** |

| EURm | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| ***Other financial assets*** | | | | |
| | | | | |
| **Financial assets at amortised cost** | | | | |
| Loans and receivables | - | 358 | 98 | 456 |
| | | | | |
| **Group financial assets, total** | **23,130** | **8,086** | **2,148** | **33,363** |
| | | | | |
| **FINANCIAL LIABILITIES AT 31 DECEMBER 2018** | | | | |
| | | | | |
| ***Financial liabilities at fair value*** | | | | |
| | | | | |
| **Derivative financial instruments** | | | | |
| Interest rate derivatives | - | 100 | - | 100 |
| Foreign exchange derivatives | - | 69 | - | 69 |
| **Total** | **-** | **169** | **-** | **169** |
| | | | | |
| **Financial liabilities designated as at fair value through p/l** | | | | |
| Deposits | - | - | 11 | 11 |
| | | | | |
| **Total financial liabilities measured at fair value** | **-** | **169** | **11** | **180** |
| | | | | |
| ***Other financial liabilities*** | | | | |
| | | | | |
| **Subordinated debt securities** | | | | |
| Subordinated loans | 147 | 321 | - | 468 |
| | | | | |
| **Debt securities in issue** | | | | |
| Commercial papers | 3,547 | 419 | - | 3,966 |
| Bonds | - | 124 | - | 124 |
| **Total** | **3,547** | **543** | **-** | **4,090** |
| | | | | |
| **Total other liabilities** | **3,695** | **864** | **-** | **4,558** |
| | | | | |
| **Group financial liabilities, total** | **3,695** | **1,033** | **11** | **4,738** |

## *Transfers between levels 1 and 2*

| EURm | 2019 Transfers from level 2 to level 1 | 2019 Transfers from level 1 to level 2 | 2018 Transfers from level 2 to level 1 | 2018 Transfers from level 1 to level 2 |
|---|---|---|---|---|
| **Financial assets held for trading** | | | | |
| Debt securities | - | - | 1 | 58 |
| | | | | |
| **Financial assets related to unit-linked insurance** | | | | |
| Equity securities | 8 | 0 | 17 | 64 |
| Funds | 3 | - | - | 44 |
| **Total** | **11** | **0** | **17** | **108** |
| | | | | |
| **Financial assets available-for-sale** | | | | |
| Debt securities | 582 | 302 | 461 | 477 |

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

## *Sensitivity analysis of fair values*

The sensitivity of financial assets and liabilites 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 EURm 12 (1) and in a decrease recognised directly in equity of EURm -10 (-1). In Topdanmark, 10 percentage depreciation of all other currencies against DKK would result in a decrease recognised in profit/loss of EURm -5 (0), 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 EURm 48 (29) and in a decrease recognised directly in equity of EURm -68 (-67). In Holding, 10 percentage point depreciation of all other currencies against EUR would have no impact in profit/loss, but a decrease recognised in equity of EURm -156 (-249).

The sensitivity analysis of the Group's fair values of financial assets and liabilities in differenct 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 2019.

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 1% parallel shift down | Interest rate 1% parallel shift up | Equity 20% fall in prices | Other financial investments 20% fall in prices |
|---|---|---|---|---|
| Effect recognised in profit/ loss | 372 | -181 | -97 | -73 |
| Effect recognised directly in equity | 285 | -258 | -656 | -195 |
| | | | | |
| **Total effect** | **658** | **-440** | **-753** | **-268** |

# 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 | 31 Dec | Gains/losses included in p/l for financial assets at 31 Dec 2019 |
|---|---|---|---|---|---|---|---|
| **FINANCIAL ASSETS AT 31 DECEMBER 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 | 380 | -1 |
| Debt securities | 13 | 0 | 0 | 138 | -91 | 60 | 0 |
| Funds | 909 | 3 | -33 | 124 | -125 | 878 | -28 |
| | **1,245** | **4** | **-34** | **329** | **-226** | **1,318** | **-29** |
| | | | | | | | |
| **Total financial assests measured at fair value** | **2,009** | **17** | **-34** | **846** | **-430** | **2,408** | **-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** |

| 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 2018 |
|---|---|---|---|---|---|---|---|
| **FINANCIAL ASSETS AT 31 DECEMBER 2018** | | | | | | | |
| | | | | | | | |
| **Financial assets held for trading** | | | | | | | |
| Debt securities | 77 | 1 | - | 14 | -40 | 51 | 1 |
| | | | | | | | |
| **Financial assets related to unit-linked insurance** | | | | | | | |
| Equity securities | 6 | 30 | - | 7 | -35 | 7 | - |
| Debt securities | 38 | 0 | - | 4 | -16 | 27 | - |
| Funds | 359 | 21 | - | 355 | -56 | 678 | 21 |
| | **403** | **51** | **-** | **366** | **-107** | **713** | **21** |
| | | | | | | | |
| **Financial assets available-for-sale** | | | | | | | |
| Equity securities | 43 | 1 | 4 | 519 | -245 | 323 | 4 |
| Debt securities | 34 | 0 | -1 | 95 | -115 | 13 | 0 |
| Funds | 674 | 5 | -4 | 350 | -116 | 909 | 1 |
| | **751** | **6** | **-1** | **964** | **-476** | **1,245** | **4** |
| | | | | | | | |
| **Total financial assests measured at fair value** | **1,231** | **58** | **-1** | **1,344** | **-623** | **2,009** | **27** |

| | | **2018** | |
|---|---|---|---|
| **EURm** | **Realised gains/losses** | **Fair value gains and losses** | **Total** |
| Total gains or losses included in profit or loss for the financial year | 57 | 0 | **57** |
| Total gains or losses included in profit and loss for assets held at the end of the financial year | 27 | 0 | **27** |

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| 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 | 370 | -74 | 322 | -64 |
| Debt securities | 61 | -4 | 13 | -1 |
| Funds | 887 | -177 | 909 | -182 |
| **Total** | **1,318** | **-255** | **1,245** | **-248** |

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 EURm -4 (-1) for the debt instruments, and EURm -252 (-246) 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 2.1 per cent (2.0).

## 20 Investments related to unit-linked insurance contracts

| EURm | 2019 | 2018 |
|---|---|---|
| **Financial assets designated at fair value through p/l** | | |
| Debt securities | 2,611 | 3,130 |
| Equity securities | 9,528 | 6,901 |
| Loans and receivables | 414 | 358 |
| Financial derivative instruments | 17 | 5 |
| Other | 406 | 277 |
| **Group investments related to unit-linked contracts, total** | **12,975** | **10,671** |

# 21 Deferred tax assets and liabilities

## *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** |

## *Changes in deferred tax during the financial period 2018*

| 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 | 20 | -6 | 1 | -1 | 15 |
| Other deductible temporary differences | 15 | 5 | -3 | 0 | 17 |
| **Total** | **50** | **-1** | **-1** | **-1** | **47** |
| | | | | | |
| Netting of deferred taxes | | | | | -23 |
| | | | | | |
| **Deferred tax assets in the balance sheet** | | | | | **24** |
| | | | | | |
| **Deferred tax liabilities** | | | | | |
| Depreciation differences and untaxed reserves | 189 | 0 | 0 | -4 | 185 |
| Changes in fair values | 271 | 0 | -142 | -3 | 126 |
| Other taxable temporary differences | 209 | -5 | -4 | 0 | 200 |
| **Total** | **670** | **-5** | **-146** | **-8** | **510** |
| | | | | | |
| Netting of deferred taxes | | | | | -23 |
| | | | | | |
| **Total deferred tax liabilities in the balance sheet** | | | | | **487** |

In Sampo plc, EURm 26 of deferred tax asset has not been recognised on unused tax losses. The first losses will expire at the end of fiscal year 2019.

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

## 22 Taxes

| EURm | 2019 | 2018 |
|---|---|---|
| | | |
| Profit before tax | 1,541 | 2,094 |
| | | |
| Tax calculated at parent company's tax rate | -308 | -419 |
| Different tax rates on overseas earnings | -16 | -19 |
| Income not subject to tax | 4 | 4 |
| Expenses not allowable for tax purposes | -7 | -5 |
| Consolidation procedures and eliminations | 25 | 125 |
| Tax losses for which no deferred tax asset has been recognised | 0 | -1 |
| Changes in tax rates | 0 | 0 |
| Tax from previous years | -2 | -2 |
| **Total** | **-304** | **-317** |

## 23 Components of other comprehensive income

| EURm | 2019 | 2018 |
|---|---|---|
| **Other comprehensive income:** | | |
| **Items reclassifiable to profit or loss** | | |
| Exchange differences | -39 | -97 |
| Available-for-sale financial assets | | |
| Gains/losses arising during the year | 907 | -609 |
| Reclassification adjustments (IAS 1.93) | -320 | -150 |
| The share of the segretated Suomi portfolio | -21 | 20 |
| Share of associate's other comprehensive income | -30 | -61 |
| Taxes | -123 | 159 |
| **Total items reclassifiable to profit or loss, net of tax** | **373** | **-739** |
| | | |
| **Items not reclassifiable to profit or loss** | | |
| Actuarial gains and losses from defined pension plans | -58 | -6 |
| Taxes | 13 | 1 |
| **Total items not reclassifiable to profit or loss, net of tax** | **-45** | **-5** |

# 24 Tax effects relating to components of other comprehensive income

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **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 | -39 | - | -39 | -97 | - | -97 |
| Available-for-sale financial assets | 566 | -123 | 442 | -739 | 159 | -580 |
| Share of associate's other comprehensive income | -30 | - | -30 | -61 | - | -61 |
| **Total** | **496** | **-123** | **373** | **-898** | **159** | **-739** |

# 25 Other assets

| EURm | 2019 | 2018 |
|---|---|---|
| Interests | 125 | 131 |
| Assets arising from direct insurance operations | 1,431 | 1,357 |
| Assets arising from reinsurance operations | 79 | 59 |
| Settlement receivables | 17 | 39 |
| Deferred acquisition costs *) | 154 | 147 |
| Assets related to Patient Insurance Pool | 71 | 119 |
| Other | 309 | 411 |
| **Group other assets, total** | **2,185** | **2,263** |

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

Other assets include non-current assets EURm 66 (114).

### *) Change in deferred acquisition costs in the period

| EURm | 2019 | 2018 |
|---|---|---|
| **At 1 January** | **147** | **152** |
| Net change in the period | 7 | -3 |
| Exchange differences | 0 | -2 |
| **At 31 December** | **154** | **147** |

# 26 Liabilities from insurance and investment contracts

## P&C liabilities from insurance contracts

| EURm | Gross 2019 | Reinsurance 2019 | Net 2019 | Gross 2018 | Reinsurance 2018 | Net 2018 |
|---|---|---|---|---|---|---|
| Provision for unearned premiums | 2,532 | 63 | 2,469 | 2,422 | 55 | 2,367 |
| Provision for claims outstanding | 8,411 | 224 | 8,187 | 8,663 | 237 | 8,426 |
| Incurred and reported losses | 2,516 | 167 | 2,348 | 2,963 | 194 | 2,769 |
| Incurred but not reported losses (IBNR) | 2,602 | 48 | 2,554 | 2,813 | 43 | 2,770 |
| Provisions for claims-adjustment costs | 248 | - | 248 | 268 | - | 268 |
| Provisions for annuities and sickness benefits | 3,045 | 8 | 3,037 | 2,619 | 0 | 2,619 |
| **P&C insurance total** | **10,943** | **287** | **10,656** | **11,084** | **291** | **10,793** |

As Topdanmark and 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

| EURm | Gross 2019 | Reinsurance 2019 | Net 2019 | Gross 2018 | Reinsurance 2018 | Net 2018 |
|---|---|---|---|---|---|---|
| **Provision for unearned premiums** | | | | | | |
| **At 1 January** | **2,422** | **55** | **2,367** | **2,399** | **51** | **2,348** |
| Exchange differences | 7 | 1 | 8 | -15 | 2 | -13 |
| Change in provision | 103 | 7 | 110 | 38 | 1 | 39 |
| **At 31 December** | **2,532** | **63** | **2,469** | **2,422** | **55** | **2,367** |

| EURm | Gross 2019 | Reinsurance 2019 | Net 2019 | Gross 2018 | Reinsurance 2018 | Net 2018 |
|---|---|---|---|---|---|---|
| **Provision for claims outstanding** | | | | | | |
| **At 1 January** | **8,663** | **237** | **8,426** | **8,882** | **243** | **8,640** |
| Acquired/disposed insurance holdings | 29 | - | 29 | 31 | - | 31 |
| Exchange differences | -31 | 3 | -15 | -110 | 3 | -113 |
| Change in provision | -250 | -15 | -234 | -141 | -9 | -132 |
| **At 31 December** | **8,411** | **224** | **8,187** | **8,663** | **237** | **8,426** |

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 | < 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At the close of the claims year | 21,243 | 2,654 | 2,735 | 2,774 | 2,681 | 2,661 | 2,687 | 2,729 | 2,766 | 2,910 | 3,032 | |
| One year later | 21,106 | 2,691 | 2,842 | 2,763 | 2,706 | 2,654 | 2,705 | 2,761 | 2,803 | 3,012 | | |
| Two years later | 20,923 | 2,639 | 2,838 | 2,777 | 2,708 | 2,661 | 2,693 | 2,760 | 2,798 | | | |
| Three years later | 20,746 | 2,638 | 2,826 | 2,768 | 2,713 | 2,673 | 2,669 | 2,719 | | | | |
| Four years later | 20,706 | 2,632 | 2,801 | 2,739 | 2,719 | 2,678 | 2,643 | | | | | |
| Five years later | 20,667 | 2,630 | 2,786 | 2,706 | 2,707 | 2,648 | | | | | | |
| Six years later | 20,782 | 2,615 | 2,764 | 2,687 | 2,695 | | | | | | | |
| Seven years later | 20,687 | 2,608 | 2,759 | 2,673 | | | | | | | | |
| Eight years later | 20,636 | 2,592 | 2,759 | | | | | | | | | |
| Nine years later | 20,489 | 2,579 | | | | | | | | | | |
| Ten years later | 20,366 | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Current estimate of total claims costs | 20,366 | 2,579 | 2,759 | 2,673 | 2,695 | 2,648 | 2,643 | 2,719 | 2,798 | 3,012 | 3,032 | 47,924 |
| Total disbursed | 17,715 | 2,407 | 2,570 | 2,491 | 2,457 | 2,379 | 2,382 | 2,407 | 2,410 | 2,475 | 1,823 | 41,517 |
| | | | | | | | | | | | | |
| **Provision reported in the balance sheet** | **2,651** | **172** | **189** | **182** | **238** | **268** | **261** | **312** | **388** | **536** | **1,209** | **6,407** |
| | | | | | | | | | | | | |
| of which established vested annuities | 1,608 | 79 | 75 | 77 | 84 | 85 | 72 | 60 | 52 | 56 | 4 | 2,251 |
| | | | | | | | | | | | | |
| Provision for claims-adjustment costs | | | | | | | | | | | | 221 |
| | | | | | | | | | | | | |
| **Total provision reported in the BS of If** | | | | | | | | | | | | **6,628** |

*If*

## Claims cost trend of P&C insurance

*Claims costs after reinsurance*

**Estimated claims cost**

| EURm | < 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At the close of the claims year | 19,943 | 2,527 | 2,588 | 2,591 | 2,635 | 2,625 | 2,644 | 2,673 | 2,707 | 2,856 | 2,970 | |
| One year later | 19,841 | 2,570 | 2,657 | 2,577 | 2,660 | 2,614 | 2,658 | 2,682 | 2,749 | 2,939 | | |
| Two years later | 19,682 | 2,529 | 2,644 | 2,591 | 2,664 | 2,606 | 2,643 | 2,678 | 2,740 | | | |
| Three years later | 19,536 | 2,523 | 2,639 | 2,593 | 2,670 | 2,617 | 2,628 | 2,647 | | | | |
| Four years later | 19,505 | 2,521 | 2,611 | 2,568 | 2,673 | 2,618 | 2,600 | | | | | |
| Five years later | 19,477 | 2,519 | 2,601 | 2,535 | 2,662 | 2,585 | | | | | | |
| Six years later | 19,582 | 2,503 | 2,577 | 2,520 | 2,649 | | | | | | | |
| Seven years later | 19,486 | 2,495 | 2,566 | 2,505 | | | | | | | | |
| Eight years later | 19,441 | 2,480 | 2,554 | | | | | | | | | |
| Nine years later | 19,301 | 2,468 | | | | | | | | | | |
| Ten years later | 19,178 | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Current estimate of total claims costs | 19,178 | 2,468 | 2,554 | 2,505 | 2,649 | 2,585 | 2,600 | 2,647 | 2,740 | 2,939 | 2,970 | 45,836 |
| Total disbursed | 16,552 | 2,297 | 2,388 | 2,325 | 2,417 | 2,333 | 2,345 | 2,351 | 2,365 | 2,424 | 1,792 | 39,589 |
| | | | | | | | | | | | | |
| **Provision reported in the balance sheet** | **2,627** | **171** | **167** | **180** | **232** | **252** | **255** | **296** | **375** | **515** | **1,178** | **6,247** |
| | | | | | | | | | | | | |
| of which established vested annuities | 1,607 | 79 | 75 | 77 | 84 | 85 | 72 | 60 | 52 | 56 | 4 | 2,251 |
| | | | | | | | | | | | | |
| Provision for claims-adjustment costs | | | | | | | | | | | | 221 |
| | | | | | | | | | | | | |
| **Total provision reported in the BS of If** | | | | | | | | | | | | **6,468** |

# *Topdanmark*

## 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 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At the close of the claims year | 912 | 964 | 859 | 1,010 | 890 | 883 | 866 | 793 | 857 | 874 | |
| One year later | 915 | 983 | 862 | 1,038 | 899 | 895 | 863 | 809 | 879 | | |
| Two years later | 930 | 975 | 864 | 1,040 | 896 | 882 | 852 | 811 | | | |
| Three years later | 927 | 974 | 857 | 1,036 | 890 | 882 | 849 | | | | |
| Four years later | 919 | 965 | 846 | 1,023 | 866 | 876 | | | | | |
| Five years later | 911 | 958 | 844 | 1,013 | 853 | | | | | | |
| Six years later | 906 | 953 | 834 | 1,001 | | | | | | | |
| Seven years later | 905 | 941 | 832 | | | | | | | | |
| Eight years later | 902 | 941 | | | | | | | | | |
| Nine years later | 907 | | | | | | | | | | |
| | | | | | | | | | | | |
| Current estimate of total claims costs | 907 | 941 | 832 | 1,001 | 853 | 876 | 849 | 811 | 879 | 874 | 8,823 |
| Total disbursed | 847 | 885 | 763 | 926 | 770 | 760 | 715 | 660 | 651 | 450 | 7,427 |
| Discounting | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | | | | | | | | | | |
| **Provision reported in the balance sheet** | **60** | **56** | **69** | **75** | **83** | **116** | **135** | **151** | **228** | **424** | **1,397** |
| | | | | | | | | | | | |
| Discounting of previous years | | | | | | | | | | | 353 |
| | | | | | | | | | | | |
| **Total provision reported in the BS of Topdanmark** | | | | | | | | | | | **1,749** |

# *Topdanmark*

## 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 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At the close of the claims year | 855 | 825 | 807 | 855 | 838 | 828 | 804 | 768 | 805 | 841 | |
| One year later | 861 | 839 | 816 | 865 | 843 | 839 | 807 | 781 | 826 | | |
| Two years later | 879 | 832 | 818 | 867 | 842 | 829 | 795 | 784 | | | |
| Three years later | 877 | 830 | 812 | 863 | 835 | 827 | 793 | | | | |
| Four years later | 871 | 823 | 802 | 850 | 812 | 816 | | | | | |
| Five years later | 863 | 817 | 799 | 840 | 798 | | | | | | |
| Six years later | 858 | 812 | 789 | 827 | | | | | | | |
| Seven years later | 857 | 800 | 788 | | | | | | | | |
| Eight years later | 854 | 799 | | | | | | | | | |
| Nine years later | 859 | | | | | | | | | | |
| | | | | | | | | | | | |
| Current estimate of total claims costs | 859 | 799 | 788 | 827 | 798 | 816 | 793 | 784 | 826 | 841 | 8,131 |
| Total disbursed | 799 | 743 | 719 | 754 | 720 | 714 | 663 | 635 | 613 | 439 | 6,799 |
| Discounting | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | | | | | | | | | | |
| **Provision reported in the balance sheet** | **60** | **56** | **69** | **73** | **78** | **102** | **130** | **149** | **214** | **402** | **1,333** |
| | | | | | | | | | | | |
| Discounting of previous years | | | | | | | | | | | 353 |
| | | | | | | | | | | | |
| **Total provision reported in the BS of Topdanmark** | | | | | | | | | | | **1,685** |

## Life insurance liabilities from insurance and investment contracts

| EURm | 2019 Gross | 2019 Reinsurance | 2019 Net | 2018 Gross | 2018 Reinsurance | 2018 Net |
|---|---|---|---|---|---|---|
| Provision for unearned premiums | | | | | | |
| Insurance contracts | 4,992 | 2 | 4,991 | 5,043 | 2 | 5,040 |
| Investment contracts | 25 | - | 25 | 24 | - | 24 |
| Provision for claims outstanding | 2,080 | 1 | 2,080 | 2,263 | 1 | 2,262 |
| **Group liabilities from insurance and investment contracts, total** | **7,097** | **2** | **7,095** | **7,330** | **3** | **7,326** |

## Change in liabilities from insurance contracts

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

| EURm | Gross<br>Contracts with discretionary participation features |
|---|---|
| **At 1 January 2018** | **7,791** |
| Premiums | 286 |
| Claims paid | -678 |
| Expense charge | -48 |
| Guaranteed interest | 200 |
| Bonuses | 1 |
| Exchange differences | -10 |
| Other | -237 |
| **Total life insurance liabilities at 31 December 2018** | **7,305** |

### Life insurance liabilities from investment contracts

| EURm | 2019 | 2018 |
|---|---|---|
| Investment contracts with discretionary participation feature | 25 | 24 |

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 2019** | **24** |
| Other | 1 |
| **Life insurance liabilities from investment contracts at 31 December 2019, total** | **25** |

| EURm | Contracts with discretionary participation features |
|---|---|
| **At 1 January 2018** | **26** |
| Other (includes i.e. conversions between different insurance classes) | -2 |
| **Life insurance liabilities from investment contracts at 31 December 2018, total** | **24** |

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 | 2019 | 2018 |
|---|---|---|
| P&C insurance | 10,943 | 11,084 |
| Life insurance | 7,097 | 7,330 |
| **Group consolidated insurance and investment contracts, total** | **18,041** | **18,414** |

## 27 Liabilities from unit-linked insurance and investment contracts

| EURm | 2019 | 2018 |
|---|---|---|
| Unit-linked insurance contracts | 4,906 | 4,399 |
| Unit-linked investment contracts | 3,184 | 2,531 |
| Life insurance liabilities | 6,278 | 4,460 |
| **Group liabilities from unit-linked insurance and investment contracts, total** | **14,368** | **11,390** |

# 28 Financial liabilities

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

## *If*

| EURm | | | 2019 | 2018 |
|---|---|---|---|---|
| **Derivative financial instruments (note 14)** | | | 25 | 4 |
| | | | | |
| **Subordinated debt securities** | | | | |
| Subordinated loans | **Maturity** | **Interest** | | |
| Preferred capital note, 2011 (nominal value EURm 110) | 30 years | 6.00% | 110 | 110 |
| Preferred capital note, 2016 (nominal value 1,500 MSEK) | 30 years | 3 month Stibor + 2.25% | 143 | 146 |
| Preferred capital note, 2016 (nominal value 500 MSEK) | 30 years | 2.42% | 48 | 49 |
| Preferred capital note, 2016 (nominal value 1,000 MSEK) | perpetual | 3 month Stibor + 2.75% | 95 | 97 |
| **Total subordinated debt securities** | | | **396** | **400** |
| | | | | |
| **If, total financial liabilities** | | | **420** | **405** |

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 | | | 2019 | 2018 |
|---|---|---|---|---|
| **Derivative financial instruments (note 14)** | | | 91 | 94 |
| | | | | |
| **Subordinated debt securities** | | | | |
| Subordinated loans | **Maturity** | **Interest** | | |
| Preferred capital note, 2017 (nominal value 400 MDKK) | bullet | 3 month Cibor + 2.75% | 53 | 53 |
| Preferred capital note, 2015 (nominal value 500 MDKK) | 12/2025 | 2.92% until 2020 | 67 | 67 |
| Preferred capital note, 2015 (nominal value 850 MDKK) | 06/2026 | 3 month Cibor +270 bp | 114 | 114 |
| **Total subordinated debt securities** | | | **234** | **234** |
| | | | | |
| **Other financial liabilities** | | | 9 | 11 |
| | | | | |
| **Topdanmark, total financial liabilities** | | | **334** | **339** |

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

## Mandatum

| EURm | 2019 | 2018 |
|---|---|---|
| **Derivative financial instruments (note 14)** | 15 | 33 |
| | | |
| **Subordinated debt securities** | | |
| Subordinated loan, 2002 | 100 | 100 |
| Subordinated loan, 2019 | 249 | - |
| **Total subordinated debt securities** | **349** | **100** |
| | | |
| **Mandatum, total financial liabilities** | **364** | **133** |

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 loans 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 | | | 2019 | 2018 |
|---|---|---|---|---|
| **Derivative financial instruments (note 14)** | | | 38 | 37 |
| | | | | |
| **Debt securities in issue** | | | | |
| Commercial papers | | | - | 124 |
| Bonds | | | 3,414 | 3,943 |
| **Total** | | | **3,414** | **4,067** |
| | | | | |
| **Subordinated debt securities** | **Maturity** | **Interest** | | |
| Subordinated loan, 2019 (nominal value EURm 500) | 30 years | 3.38% | 494 | - |
| | | | | |
| **Holding, total financial liabilities** | | | **3,946** | **4,104** |

The subordinated loan of the Holding has a fixed interest rate for the first ten years. After that, 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 is 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 | 2019 | 2018 |
|---|---|---|
| Elimination items between segments | -271 | -271 |
| | | |
| **Group, total financial liabilities** | **4,794** | **4,677** |

## *Change in liabilities from financing activities*

| EURm | 1 Jan 2019 | Cash flows | Exchange differences | Other | 31 Dec 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** |

| EURm | 1 Jan 2018 | Cash flows | Exchange differences | Other | 31 Dec 2018 |
|---|---|---|---|---|---|
| Commercial papers | 293 | -168 | - | 0 | 124 |
| Bonds | 2,884 | 1,041 | 18 | - | 3,943 |
| **Total liabilities from financing activities** | **3,177** | **873** | **18** | **0** | **4,067** |

# 29 Provisions

| EURm | 2019 |
|---|---|
| **At 1 January 2019** | **18** |
| Exchange rate differences | 0 |
| Additions | 7 |
| Amounts used during the period | -5 |
| Unused amounts reversed during the period | 0 |
| **At 31 December 2019** | **20** |
| | |
| Current (less than 1 year) | 7 |
| Non-current (more than 1 year) | 13 |
| **Total** | **20** |

EURm 8 (9) 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 11 (9) 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.

## *Employee benefit obligations of If*

| EURm | 2019 | 2018 |
|---|---|---|
| Present value of estimated pension obligation, including social costs | 330 | 268 |
| Fair value of plan assets | 231 | 217 |
| **Net pension obligation recognised in the balance sheet** | **99** | **51** |

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

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Sweden** | **Norway** | **Total** | **Sweden** | **Norway** | **Total** |
| **Recognised in income statement and other comprehensive income** | | | | | | |
| Current service cost | 5 | 2 | 6 | 5 | 2 | 7 |
| Past service cost | - | - | - | 0 | - | 0 |
| Interest expense on net pension liability | 0 | 1 | 1 | 0 | 1 | 1 |
| **Total in income statement** | **5** | **2** | **8** | **5** | **3** | **8** |
| Remeasurement of the net pension liability | 54 | 3 | 57 | 9 | -3 | 6 |
| **Total in comprehensive income statement** | **59** | **6** | **65** | **14** | **0** | **14** |
| | | | | | | |
| **Recognised in balance sheet** | | | | | | |
| Present value of estimated pension liability, including social costs | 275 | 55 | 330 | 210 | 58 | 268 |
| Fair value of plan assets | 202 | 28 | 231 | 186 | 31 | 217 |
| **Net liability recognised in balance sheet** | **72** | **27** | **99** | **24** | **28** | **51** |
| | | | | | | |
| **Distribution by asset class** | | | | | | |
| | | | | | | |
| Debt instruments, level 1 | 45% | 49% | | 44% | 51% | |
| Debt instruments, level 2 | 0% | 12% | | 0% | 13% | |
| Equity instruments, level 1 | 22% | 13% | | 23% | 14% | |
| Equity instruments, level 3 | 10% | 1% | | 9% | 2% | |
| Property, level 3 | 11% | 14% | | 11% | 14% | |
| Other, level 1 | 1% | 9% | | 0% | 6% | |
| Other, level 2 | 5% | 2% | | 6% | 1% | |
| Other, level 3 | 6% | 0% | | 7% | 0% | |

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

| | Sweden 31 Dec 2019 | Sweden 31 Dec 2018 | Norway 31 Dec 2019 | Norway 31 Dec 2018 |
|---|---|---|---|---|
| Discount rate | 1.50% | 2.50% | 2.50% | 2.75% |
| Future salary increases | 2.75% | 2.75% | 3.00% | 3.00% |
| Price inflation | 2.00% | 2.00% | 2.00% | 2.00% |
| Mortality table | DUS14 | FFFS 2007:31 +1 year | K2013 | K2013 |
| Average duration of pension liabilities | 22 years | 21 years | 12 years | 12 years |
| Expected contributions to the defined benefit plans during 2020 and 2019 | 9 | 9 | 2 | 2 |

| **Sensitivity analysis of effect of reasonably possible changes** | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Sweden** | **Norway** | **Total** | **Sweden** | **Norway** | **Total** |
| Discount rate, +0.50% | -33 | -3 | **-37** | -25 | -4 | **-29** |
| Discount rate, -0.50% | 39 | 4 | **42** | 29 | 4 | **33** |
| Future salary increases, +0.25% | 10 | 0 | **10** | 8 | 0 | **8** |
| Future salary increases, -0.25% | -9 | 0 | **-9** | -7 | 0 | **-7** |
| Expected longevity, +1 year | 13 | 1 | **15** | 9 | 1 | **10** |

| **EURm** | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **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 | 302 | 28 | **330** | 240 | 28 | **268** |
| Fair value of plan assets | 231 | - | **231** | 217 | - | **217** |
| **Net pension liability recognised in the balance sheet** | **71** | **28** | **99** | **23** | **28** | **51** |

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

| EURm | 2019 | 2018 |
|---|---|---|
| **Pension liabilities:** | | |
| At the beginning of the year | 268 | 268 |
| Earned during the financial year | 6 | 7 |
| Costs pertaining to prior-year service | - | 0 |
| Interest cost | 7 | 7 |
| Actuarial gains (-)/losses (+) on financial assumptions | 61 | 14 |
| Actuarial gains (-)/losses (+), experience adjustments | 4 | - |
| Exchange differences on foreign plans | 2 | 0 |
| Benefits paid | -2 | -8 |
| Settlements | -15 | -20 |
| **Defined benefit plans at 31 December** | **330** | **268** |
| | | |
| **Reconciliation of plan assets:** | | |
| At the beginning of the year | 217 | 211 |
| Interest income | 5 | 6 |
| Difference between actual return and calculated interest income | 9 | 8 |
| Contributions paid | 14 | 15 |
| Exchange differences on foreign plans | -3 | -7 |
| Benefits paid | -12 | -17 |
| **Plan assets at 31 December** | **231** | **217** |

## *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 2019 is EURm 56.

# 31 Other liabilities

| EURm | 2019 | 2018 |
|---|---|---|
| Liabilities arising out of direct insurance operations | 239 | 251 |
| Liabilities arising out of reinsurance operations | 35 | 33 |
| Liabilities related to Patient Insurance Pool | 69 | 174 |
| Tax liabilities | 176 | 139 |
| Premium taxes | 68 | 62 |
| Settlement liabilities | 46 | 43 |
| Interests | 42 | 46 |
| Leases *) | 137 | - |
| Prepayments and accrued income | 231 | 235 |
| Other | 446 | 271 |
| **Group other liabilities, total** | **1,489** | **1,254** |

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

The non-current share of other liabilities is EURm 70 (113).

*) *The total effect of leasese on the statement of cashflows was EURm -25. Non-cash flow additions from IFRS 16 leases to the balance sheet items was EURm 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 | 2019 | 2018 |
|---|---|---|
| **Items recogised in the p/l from lease liabilities** | | |
| Interest expenses | -2 | - |
| Expenses from short-term and low-value lease liabilities | -10 | - |

# 32 Contingent liabilities and commitments

| EURm | 2019 | 2018 |
|---|---|---|
| **Off-balance sheet items** | | |
| Guarantees | 1,263 | 1,144 |
| Investment commitments | 6 | 10 |
| IT acquisitions | 6 | 5 |
| Other irrevocable commitments | 23 | 98 |
| **Total** | **1,299** | **1,257** |

**Assets pledged as collateral for liabilities or contingent liabilities**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| EURm | Assets pledged | Liabilities/ commitments | Assets pledged | Liabilities/ commitments |
| **Assets pledged as collateral** | | | | |
| Investments | 225 | 0 | 209 | 152 |
| Cash and cash equivalents | 2 | 0 | - | - |
| **Total** | **227** | **0** | **209** | **152** |

| EURm | 2019 | 2018 |
|---|---|---|
| **Assets pledged as security for derivative contracts, carrying value** | | |
| Investment securities | 13 | 13 |
| Cash and cash equivalents | 276 | 182 |
| **Total** | **289** | **195** |

| EURm | 2019 | 2018 |
|---|---|---|
| **Other contingent liabilities** | | |
| Contract liabilities | - | 53 |
| Adjustments to VAT liabilities | 18 | 14 |
| Other liabilities | - | 2 |
| **Total** | **18** | **69** |

Other contingent liabilities belong to Topdanmark.

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.

# 33 Equity and reserves

## *Equity (1,000 shares)*

| | 2019 | 2018 |
|---|---|---|
| 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 | 2019 | 2018 |
|---|---|---|
| Short-term employee benefits | -9 | -9 |
| Post employment benefits | -3 | -2 |
| Other long-term benefits | -7 | -9 |
| **Total** | **-19** | **-20** |

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 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 | 2019 | 2018 |
|---|---|---|
| Assets | 2,338 | 2,461 |
| Liabilities | 53 | 48 |

The Group's receivables from Nordea coprise 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 - 2017 II*

The Board of Directors of Sampo plc has decided on the long-term incentive schemes 2014 I - 2017 II 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 120 persons were included in the schemes at the end of year 2019.

The amount of the performance-related bonus is based on the value performance of Sampo's A share and on the insurance margin (IM) and on Sampo's return on the risk adjusted capital (RoCaR). 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 38.26–44.10. The maximum value of one incentive unit varies between eur 57.26–63.10, reduced by the dividend-adjusted starting price. In all the 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.

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) 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** | **2014 I/2** | **2017 I** | **2017 I/2** |
|---|---|---|---|---|---|
| Terms approved *) | | 17 Sep 2014 | 17 Sep 2014 | 14 Sep 2017 | 14 Sep 2017 |
| Granted (1,000) 31 Dec 2016 | | 4,211 | 62 | - | - |
| Granted (1,000) 31 Dec 2017 | | 2,874 | 62 | 4,092 | - |
| Granted (1,000) 31 Dec 2018 | | 1,411 | 43 | 3,978 | 85 |
| Granted (1,000) 31 Dec 2019 | | | 22 | 3,948 | 85 |
| | | | | | |
| End of performance period I 30% | | Q2-2017 | Q2-2018 | Q2-2020 | Q2-2021 |
| End of performance period II 35% | | Q2-2018 | Q2-2019 | Q2-2021 | Q2-2022 |
| End of performance period III 35% | | Q2-2019 | Q2-2020 | Q2-2022 | Q2-2023 |
| Payment I 30% | | 9-2017 | 9-2018 | 9-2020 | 9-2021 |
| Payment II 35% | | 9-2018 | 9-2019 | 9-2021 | 9-2022 |
| Payment III 35% | | 9-2019 | 9-2020 | 9-2022 | 9-2023 |
| | | | | | |
| Price of Sampo A at terms approval date *) | | 37.22 | 37.22 | 44.02 | 44.02 |
| Starting price **) | | 38.26 | 43.38 | 43.81 | 44.10 |
| Dividend-adjusted starting price at 31 December 2019 | | | 32.91 | 37.79 | 40.68 |
| | | | | | |
| Sampo A closing price at 31 December 2019 | 38.91 | | | | |
| | | | | | |
| Total intrinsic value, EURm | | | 0 | 7 | 0 |
| | | | | | |
| Total debt | 7 | | | | |
| Total cost for the financial period, EURm (incl. social costs) | 12 | | | | |

*) *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 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** |
| | | | | | |
| **At 1 January 2018** | 27 | **192** | **986** | **266** | **1,444** |
| Granted | 40 | 49 | 238 | 24 | 311 |
| Transferred | | -33 | -163 | 195 | 0 |
| Exercised | 25 | -69 | -274 | -82 | -425 |
| Forfeited | 29 | - | - | -37 | -37 |
| **At 31 December 2018** | 28 | **139** | **788** | **365** | **1,293** |
| | | | | | |
| **Per granting** | | | | | |
| 2015, exercise period January 2018–2020 | 25 | 11 | 0 | 20 | 32 |
| 2016, exercise period January 2019–2021 | 24 | 12 | 24 | 38 | 74 |
| 2017, exercise period January 2020–2022 | 22 | 55 | 256 | 105 | 415 |
| 2018, exercise period January 2021–2023 | 35 | 41 | 175 | 79 | 295 |
| 2019, exercise period January 2022–2024 | 43 | 59 | 193 | 18 | 269 |

| | Executive board | Senior executives | Resigned | Total |
|---|---|---|---|---|
| Average market price on date of exercise 2019 | | | | 44 |
| Average market price on date of exercise 2018 | | | | 39 |
| | | | | |
| Fair value of granting 2019 | 0 | 1 | 0 | 1 |
| Fair value of granting 2018 | 0 | 1 | 0 | 1 |
| | | | | |
| Fair value at 31 December 2019 | 2 | 9 | 4 | 15 |
| Fair value at 31 December 2018 | 2 | 10 | 5 | 17 |

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a share price of EUR 41 (36) . 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 2019, there were 106,000 options (163,000) which could be exercised.

# 36 Auditors' fees

| EURm | 2019 | 2018 |
|---|---|---|
| Auditing fees | -3 | -2 |
| Ernst & Young | -1 | -1 |
| Other | -1 | -2 |
| Other fees | 0 | -1 |
| Ernst & Young | 0 | 0 |
| Other | 0 | 0 |
| **Total** | **-3** | **-3** |

# 37 Legal proceedings

There are a number of legal proceedings against the Group companies outstanding on 31 December 2019, 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 | 1,581 |
| If P&C Insurance AS | 100 | 42 |
| Support Services AS | 100 | 0 |
| If Livförsäkring Ab | 100 | 7 |
| Vertikal Helseassistanse AS | 100 | 33 |
| If Services AB | 100 | 1 |
| Topdanmark A/S | 48.24* | 1,398 |
| Topdanmark Kapitalforvaltning A/S | 100 | 14 |
| Topdanmark Forsikring A/S | 100 | 839 |
| Topdanmark Liv Holding A/S | 100 | 304 |
| Topdanmark Livsforsikring A/S | 100 | 489 |
| Topdanmark Ejendom A/S | 100 | 426 |
| 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 |
| If IT Services A/S | 100 | 0 |
| Sampo Capital Oy | 100 | 1 |

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

The table excludes property and housing companies accounted for in the consolidated accounts.

# 39 Events after the balance sheet date

In the meeting of 6 Feb 2020, the Board of Directors decided to propose at the Annual General Meeting on 23 April 2020 a dividend distribution of EUR 2.20 per share, or total EUR 1,221,774,070.00, for 2019. The dividends to be paid will be accounted for in the equity in 2020 as a deduction of retained earnings.

# 40 Risk Management Disclosure 2019

## *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 risk may have an effect on the amount and structure of 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 also changing in different ways. The Group companies operate mainly in the Nordic 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. Managing the economic, social, and environmental impacts and stakeholder relationships of Sampo Group businesses is increasingly important. Investors and governmental authorities are putting an increasing focus on corporate responsibility, but also consumers and employees are emphasizing these topics when choosing a brand or a company.

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 and management practices, which provide assurance that the Group companies and their business partners, such as suppliers in claims handling, 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 governance systems, cybersecurity preparedness and personal data protection activities. Additionally, responsible business practices require being attentive of 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 needs.

*Responsible corporate culture* includes factors relating to the work environment, diversity, equality, employee well-being, employee engagement, professional development, and talent attraction and retention. Sampo Group companies want to provide customers with the best service in all situations. Here skilled and motivated employees is an essential success factor. 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 Sampo Group companies, which are committed in providing a 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 long-term 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, profitability and availability of investments. Investment opportunities are carefully studied before any investments are made and ESG issues are considered along with other factors that might affect the risk-return ratio of separate investments. ESG issues have an impact on the long-term performance, risk and value of all companies. Taking these issues into consideration in the investment process is an important mean to improve the risk-return profile of investments, and it is a critical success factor of investment activities. Depending on the asset class, Sampo uses different ESG strategies to ensure the effective consideration and management of investment risks arising from ESG issues. The strategies used include for example ESG integration, sector-based screening, norm-based screening, and active ownership. Sampo Group is also a signatory of the United Nations Principles for Responsible Investment ("PRI").

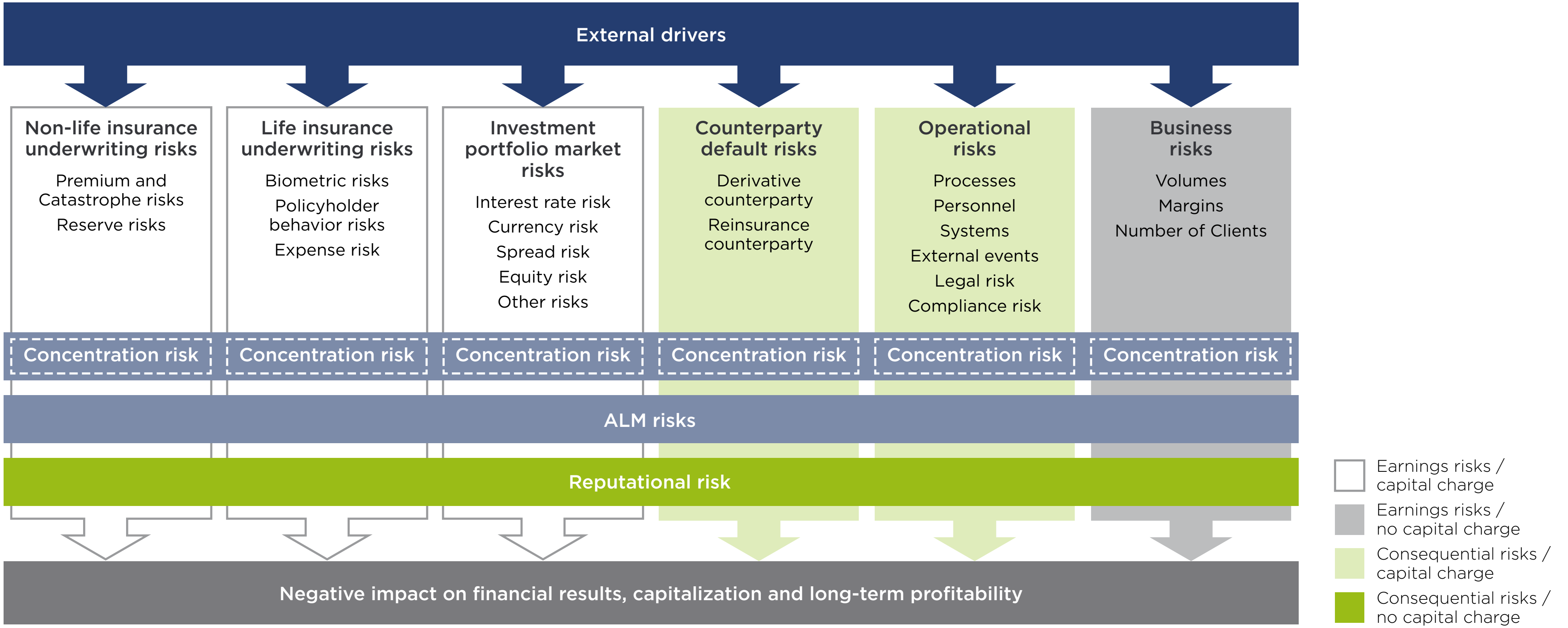
*Environmental issues and climate change* are factors affecting Sampo Group's businesses via investment operations, but effects are also recognized in insurance operations in an increasing manner. Sampo Group companies help customers to manage risks and they provide customers support when accidents occur. By providing customers with guidance on how to prevent losses, the Group companies help customers to reduce risks and economic costs, and at the same time to protect the environment. Natural catastrophes and extreme weather conditions, on the other hand, are risk factors affecting the financial position and results of non-life insurers. Since climate change could increase the frequency and/or severity of natural catastrophes, Sampo Group companies have conducted sensitivity analyses, using scenarios where the severity of natural catastrophes is assumed to increase. As a potential side effect, climate change could also result in large migrations or prolonged concentrations of people and animals where deceases can be transmitted or the change in environment could create new versions of known diseases. These risks are managed effectively with reinsurance programs.

*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 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.

## Classification of Risks in Sampo Group



### *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.

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.

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 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 to 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 analysed.
- 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.

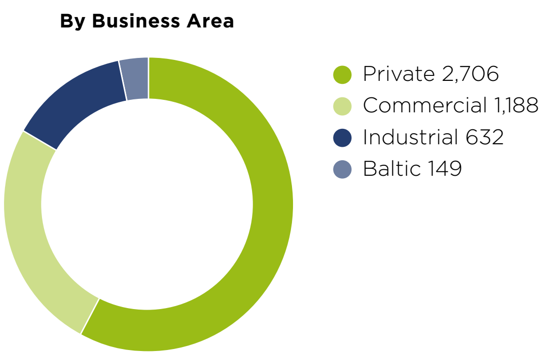
When the above-mentioned core activities are successfully implemented, a balance between profits, risks and capitalization can be achieved both at company and group level and shareholder value can be created.

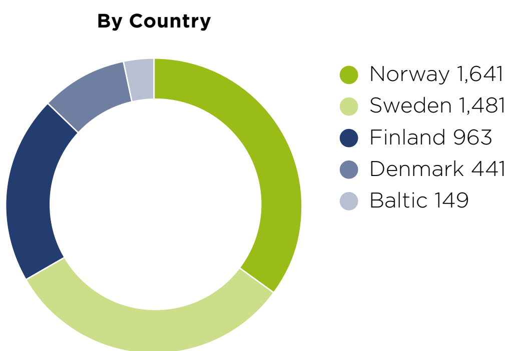
## *If Group*

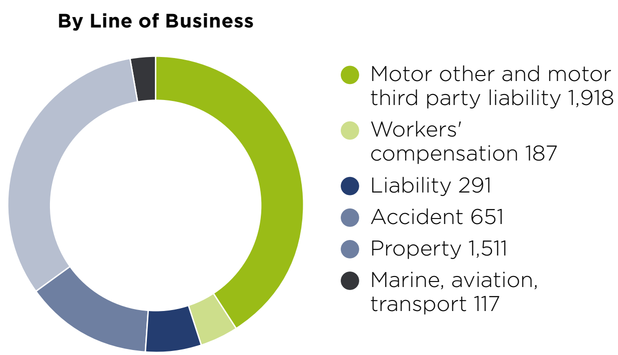
### Underwriting Risks

As shown in the following graph Breakdown of Gross Written Premiums by Business Area, Country and Line of Business, If, 31 December 2019, 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.

**Breakdown of Gross Written Premiums**
If, 31 December 2019, total EUR 4,675 million



There are minor differences between the figures reported by Sampo Group and If due to differences in foreign exchange rates used in consolidation.

### *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.

The sensitivity of the underwriting result and hence underwriting risk is presented by changes in certain key figures in the table Sensitivity Test of Underwriting Result, If, 31 December 2019 and 31 December 2018.

The Underwriting Committee shall give its opinion on and propose actions in respect of various issues related to underwriting risk. The committee also considers and proposes 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.

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 Private Business Area and the premiums for smaller risks within the Commercial Business Area are set through tariffs. The underwriting of risks in the Industrial Business Area and of more complex risks within the Commercial Business Area 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.

## Sensitivity Test of Underwriting Result

If, 31 December 2019 and 31 December 2018

| | | | Effect on pretax profit, EURm | |
|---|---|---|---|---|
| **Key figure** | **Current level (2019)** | **Change in current level** | **2019** | **2018** |
| Combined ratio, business area Private | 82.0% | +/- 1 percentage point | +/- 26 | +/- 26 |
| Combined ratio, business area Commercial | 88.3% | +/- 1 percentage point | +/- 12 | +/- 12 |
| Combined ratio, business area Industrial | 89.3% | +/- 1 percentage point | +/- 4 | +/- 4 |
| Combined ratio, business area Baltics | 87.0% | +/- 1 percentage point | +/- 1 | +/- 1 |
| Net premiums earned (EURm) | 4,388 | +/- 1 per cent | +/- 44 | +/- 43 |
| Net claims incurred (EURm) | 3,000 | +/- 1 per cent | +/- 30 | +/- 30 |
| Ceded written premiums (EURm) | 200 | +/- 10 per cent | +/- 20 | +/- 18 |

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 2019, retention levels were between SEK 100 million (approximately EUR 9.4 million) and SEK 250 million (approximately EUR 23.6 million) per risk and SEK 250 million (approximately EUR 23.6 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 the indexing of annuities in Sweden, change in discount rates or an increased retirement age with the consequences that both annuities and lump sum payments would increase.

In the table Technical Provisions by Line of Business and Major Geographical Area, If, 31 December 2019, the technical provisions and durations of If 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 2019 across the product portfolios was 6.5 years.

## Technical Provisions by Line of Business and Major Geographical Area

If, 31 December 2019

| | Sweden | | Norway | | Finland | | Denmark | | Baltics | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration |
| Motor other and MTPL | 2,120 | 7.2 | 534 | 1.4 | 1,020 | 13.3 | 160 | 1.7 | 111 | 4.5 | 3,945 | 7.7 |
| Workers' compensation | 0 | 0.0 | 186 | 4.9 | 1,169 | 12.4 | 258 | 8.0 | 0 | 0.0 | 1,613 | 10.9 |
| Liability | 280 | 2.8 | 114 | 3.2 | 105 | 4.0 | 77 | 2.8 | 26 | 2.7 | 601 | 3.1 |
| Accident | 371 | 6.3 | 397 | 5.1 | 169 | 4.3 | 104 | 1.6 | 7 | 0.6 | 1,048 | 5.0 |
| Property | 402 | 1.1 | 493 | 1.1 | 239 | 0.9 | 103 | 0.8 | 34 | 0.8 | 1,271 | 1.0 |
| Marine, aviation, transport | 25 | 1.3 | 36 | 1.1 | 8 | 1.3 | 17 | 1.0 | 2 | 0.7 | 89 | 1.1 |
| **Total** | **3,198** | **5.9** | **1,760** | **2.6** | **2,710** | **10.9** | **719** | **3.5** | **181** | **3.3** | **8,568** | **6.5** |

Reserves are exposed mainly 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 2019.

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** to **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, Motor third party liability and 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, Motor third party liability and 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, Motor third party liability and Workers' compensation was 65 per cent.

The indexing of Swedish Motor third party liability annuities is one of the factors that affects the value of annuities. The choice of index is stipulated in regulation and is therefore exposed to regulatory change through e.g. a political decision. The retirement age is another factor that affects the value of annuities since these decrease or expire at retirement. An increased retirement age through for example a political decision, will therefore increase the 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 balances in If of annuities with significant sensitivity to discount rates relates to the business in Sweden, Finland and Denmark.

The Board 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. On If level, the Chief Actuary issues a quarterly report on the adequacy of 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.

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.

## Sensitivities of Technical Provisions
If, 31 December 2019

| Technical provision item | Risk factor | Change in risk parameter | Country | Effect EURm 2019 |
|---|---|---|---|---|
| Nominal provisions | Inflation increase | Increase by 1 percentage point | Sweden | 158.3 |
| | | | Denmark | 12.2 |
| | | | Norway | 51.5 |
| | | | Finland | 33.4 |
| Annuities and estimated share of claims provisions to future annuities | Decrease in mortality | Life expectancy increase by 1 year | Sweden | 24.5 |
| | | | Denmark | 1.7 |
| | | | Finland | 67.0 |
| Discounted provisions (annuities and part of Finnish IBNR) | Decrease in discount rate | Decrease by 1 percentage point | Sweden | 68.0 |
| | | | Denmark | 17.8 |
| | | | Finland | 299.4 |

## Market Risks

Fixed income investments and listed equity instruments form the major part of the investment portfolio of EUR 11,109 million (11,092). A large part of the fixed income investments was at 31 December 2019 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 2019 and at year end 2018 and average maturities of fixed income investments are shown in the table Investment Allocation, If, 31 December 2019 and 31 December 2018.

## Investment Allocation

If, 31 December 2019 and 31 December 2018

| | 31 Dec 2019 | | | 31 Dec 2018 | | |
|---|---|---|---|---|---|---|
| **Asset Class** | **Market value, EURm** | **Weight** | **Average maturity, years** | **Market value, EURm** | **Weight** | **Average maturity, years** |
| **Fixed income total** | **9,808** | **88%** | **2.8** | **9,949** | **90%** | **2.7** |
| Money market securities and cash | 454 | 4% | 0.1 | 370 | 3% | 0.0 |
| Government bonds | 662 | 6% | 3.8 | 884 | 8% | 3.1 |
| Credit bonds, funds and loans | 8,692 | 78% | 2.8 | 8,696 | 78% | 2.8 |
| *Covered bonds* | *2,616* | *24%* | *2.5* | *2,683* | *24%* | *2.4* |
| *Investment grade bonds and loans* | *3,582* | *32%* | *2.8* | *3,770* | *34%* | *2.7* |
| *High-yield bonds and loans* | *1,587* | *14%* | *3.4* | *1,469* | *13%* | *3.4* |
| *Subordinated / Tier 2* | *467* | *4%* | *3.2* | *428* | *4%* | *4.0* |
| *Subordinated / Tier 1* | *440* | *4%* | *2.2* | *346* | *3%* | *2.5* |
| *Hedging swaps* | *0* | *0%* | *-* | *0* | *0%* | *-* |
| Policy loans | 0 | 0% | 0.0 | 0 | 0% | 0.0 |
| **Listed equity total** | **1,281** | **12%** | **-** | **1,113** | **10%** | **-** |
| Finland | 0 | 0% | - | 0 | 0% | - |
| Scandinavia | 865 | 8% | - | 769 | 7% | - |
| Global | 417 | 4% | - | 344 | 3% | - |
| **Alternative investments total** | **21** | **0%** | **-** | **31** | **0%** | **-** |
| Real estate | 3 | 0% | - | 12 | 0% | - |
| Private equity | 9 | 0% | - | 19 | 0% | - |
| Biometric | 0 | 0% | - | 0 | 0% | - |
| Commodities | 0 | 0% | - | 0 | 0% | - |
| Other alternative | 9 | 0% | - | 0 | 0% | - |
| **Trading derivatives** | **0** | **0%** | **-** | **-2** | **0%** | **-** |
| **Asset classes total** | **11,109** | **100%** | **-** | **11,092** | **100%** | **-** |
| **FX Exposure, gross position** | **113** | **-** | **-** | **229** | **-** | **-** |

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 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 2019

| 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 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Basic industry | 0 | 0 | 20 | 87 | 20 | 0 | 11 | 139 | 39 | 0 | 0 | 178 | 18 |
| Capital goods | 0 | 0 | 61 | 41 | 10 | 0 | 121 | 232 | 454 | 0 | 0 | 686 | 134 |
| Consumer products | 0 | 0 | 170 | 275 | 16 | 0 | 85 | 546 | 221 | 0 | 0 | 768 | -83 |
| Energy | 0 | 0 | 0 | 0 | 34 | 0 | 128 | 163 | 8 | 0 | 0 | 171 | -140 |
| Financial institutions | 37 | 1,015 | 1,058 | 743 | 84 | 0 | 54 | 2,991 | 0 | 0 | 3 | 2,995 | 115 |
| Governments | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 9 | -124 |
| Government guaranteed | 9 | 27 | 0 | 0 | 0 | 0 | 0 | 36 | 0 | 0 | 0 | 36 | 0 |
| Health care | 7 | 0 | 10 | 27 | 0 | 0 | 36 | 80 | 82 | 0 | 0 | 162 | -4 |
| Insurance | 0 | 0 | 42 | 82 | 26 | 0 | 42 | 192 | 0 | 0 | 0 | 192 | 2 |
| Media | 0 | 0 | 0 | 0 | 0 | 0 | 16 | 16 | 0 | 0 | 0 | 16 | -6 |
| Packaging | 0 | 0 | 0 | 0 | 0 | 0 | 15 | 15 | 0 | 0 | 0 | 15 | 10 |
| Public sector, other | 514 | 66 | 0 | 0 | 0 | 0 | 0 | 579 | 0 | 0 | 0 | 579 | -136 |
| Real estate | 0 | 5 | 88 | 268 | 55 | 0 | 545 | 961 | 0 | 3 | 0 | 965 | 171 |
| Services | 0 | 0 | 0 | 44 | 69 | 0 | 33 | 146 | 0 | 0 | 0 | 146 | -34 |
| Technology and electronics | 0 | 0 | 19 | 13 | 10 | 0 | 105 | 147 | 0 | 0 | 0 | 147 | 48 |
| Telecommunications | 0 | 0 | 21 | 133 | 48 | 0 | 0 | 202 | 60 | 0 | 0 | 261 | -22 |
| Transportation | 0 | 58 | 27 | 31 | 0 | 0 | 231 | 347 | 1 | 0 | 0 | 348 | 77 |
| Utilities | 0 | 0 | 61 | 114 | 118 | 0 | 29 | 322 | 0 | 0 | 0 | 322 | -46 |
| Others | 0 | 26 | 0 | 0 | 0 | 0 | 27 | 53 | 0 | 9 | 0 | 63 | 21 |
| Asset-backed securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Covered bonds | 2,535 | 70 | 11 | 0 | 0 | 0 | 0 | 2,616 | 0 | 0 | 0 | 2,616 | -67 |
| Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 417 | 8 | 0 | 425 | 62 |
| Clearing house | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **3,110** | **1,268** | **1,589** | **1,858** | **491** | **0** | **1,478** | **9,794** | **1,281** | **21** | **3** | **11,099** | **-3** |
| **Change from 31 Dec 2018** | **-270** | **-111** | **-124** | **80** | **102** | **0** | **161** | **-163** | **168** | **-10** | **2** | **-3** | **0** |

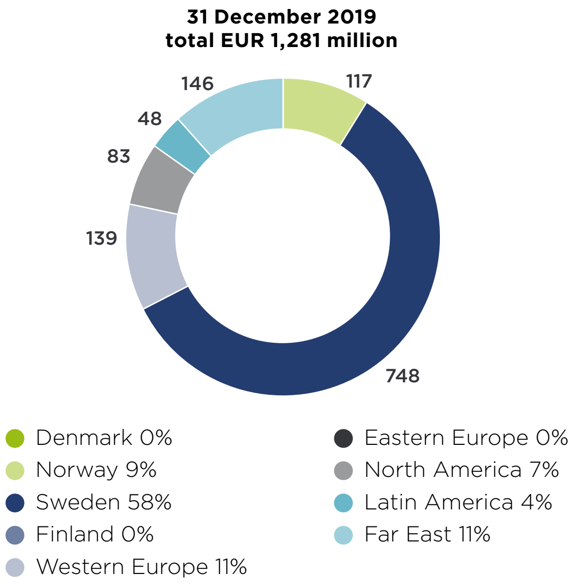
*The figures include bank account balances related to insurance activities.*

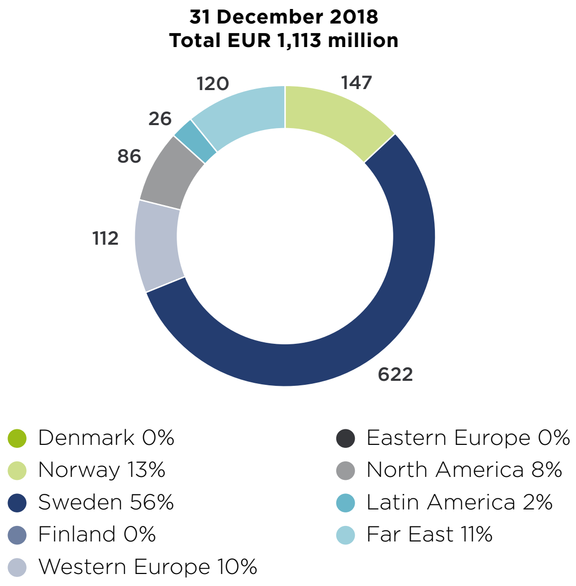
Most of the fixed income exposures are in investment grade issues and currently the role of Nordic covered bonds and Nordic banks as issuers is central. Within fixed income investments part of the money market securities, cash and investment grade government bonds form a liquidity buffer.

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 2019 and 31 December 2018.

## Breakdown of Listed Equity Investments by Geographical Regions

If




*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 1.3. The respective duration of insurance liabilities was 6.5. Interest rate risk is managed by changing the duration of assets and interest rate derivatives based on the market view and risk appetite.

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, 2019** in the section **Underwriting Risks**.

**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 SEK are shown in the table Transaction Risk Position, If, 31 December 2019. 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.

**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 analysed and reported to the ORSA Committee.

## Transaction Risk Position

If, 31 December 2019

| Base currency, SEKm | EUR | USD | JPY | GBP | SEK | NOK | CHF | DKK | Other | Total, net |
|---|---|---|---|---|---|---|---|---|---|---|
| Insurance operations | -3,276 | -143 | -1 | -3 | -8 | -1,977 | -3 | -806 | -17 | -6,232 |
| Investments | 2,311 | 453 | 0 | 0 | 0 | 2,112 | 0 | 132 | 1 | 5,009 |
| Derivatives | 947 | -345 | 0 | 2 | 16 | -113 | 4 | 681 | 7 | 1,199 |
| **Transaction risk, net position** | **-18** | **-35** | **0** | **-1** | **9** | **22** | **1** | **7** | **-9** | **-24** |
| Sensitivity: SEK -10% | -2 | -3 | 0 | 0 | 1 | 2 | 0 | 1 | -1 | -2 |

*If's transaction risk position in SEK represents exposure in foreign subsidiaries /branches within If with base currency other than SEK.*

The maturities of technical provisions and financial assets and liabilities are presented in the table Cash Flows According to Contractual Maturity, If, 31 December 2019. The average maturity of fixed income investments was 2.8 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 major three 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.

### *Reinsurance Counterparty Risk*

Reinsurance is used regularly to utilize If's own capital base efficiently and reduce the cost of capital, limit large fluctuations of underwriting results and have access to the reinsurers' competence base. The Reinsurance Committee ("RC") 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 is responsible for reporting policy deviations and other issues dealt with by the committee.

## Cash Flows According to Contractual Maturity

If, 31 December 2019

| EURm | Carrying amount total | Carrying amount without contractual maturity | Carrying amount with contractual maturity | Cash flows 2020 | 2021 | 2022 | 2023 | 2024 | 2025–2034 | 2035– |
|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | **12,679** | **1,626** | **11,053** | **1,477** | **2,167** | **2,033** | **1,590** | **1,839** | **898** | **0** |
| of which interest rate swaps | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Financial liabilities** | **1,118** | **2** | **1,116** | **-30** | **-316** | **-3** | **-96** | **0** | **0** | **0** |
| of which interest rate swaps | 25 | 0 | 25 | -26 | -1 | 0 | 0 | 0 | 0 | 0 |
| **Lease liabilities** | **124** | **0** | **124** | **-23** | **-23** | **-19** | **-13** | **-11** | **-47** | **0** |
| **Net technical provisions** | **8,568** | **0** | **8,568** | **-3,061** | **-993** | **-589** | **-417** | **-334** | **-1,868** | **-1,695** |

*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.*

The distribution of reinsurance receivables and reinsurers' portion of outstanding claims on 31 December 2019 per rating category is presented in the table Reinsurance Recoverables, If, 31 December 2019 and 31 December 2018. In the table EUR 136 million (142) of reinsurance recoverables are excluded, which mainly relates to captives and statutory pooled solutions.

## Reinsurance Recoverables
If, 31 December 2019 and 31 December 2018

| | 31 Dec 2019 | | 31 Dec 2018 | |
|---|---|---|---|---|
| **Rating** | **Total, EURm** | **% of total** | **Total, EURm** | **% of total** |
| AAA | 0 | 0% | 0 | 0% |
| AA+ - A- | 94 | 99% | 82 | 99% |
| BBB+ - BBB- | 1 | 1% | 1 | 1% |
| BB+ - C | 0 | 0% | 0 | 0% |
| D | 0 | 0% | 0 | 0% |
| Non-rated | 0 | 0% | 0 | 0% |
| **Total** | **95** | **100%** | **83** | **100%** |

Because the recoverables reported above are typically not covered by collaterals the whole amount is exposed to counterparty risk.

If has a Reinsurance Security Policy that 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 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 Security Policy. The Chairman is responsible for reporting policy deviations and other issues dealt with by the committee.

Most of the reinsurers have ratings between AA+ and A-. The ten largest individual reinsurance recoverables amounted to EUR 161 million, representing 70 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 55.2 million. Of this amount, 100 per cent was related to reinsurance counterparties with a credit rating of A- or higher.

### *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 stems mainly 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, 2019, 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 programme 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.

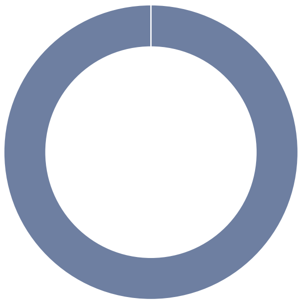
With certain restrictions, acts of terrorism are covered by the reinsurance contracts. The national Danish pool for NBCR (nuclear, biological, chemical, radiological) risks was closed as of 1 July 2019. Starting 1 July 2019, the NBCR acts of terrorism are covered by a public organization. This is based 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**

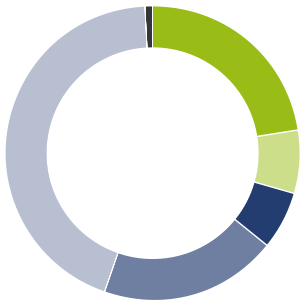
Topdanmark Non-Life, 2019, total EUR 1,272 million

**By Business Area**


**By Country**




**By Line of Business**



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 2019.

## Non-Life Insurance Risk Scenarios
Topdanmark, 31 December 2019

| Key figure | Current level (2019) | Change in current level | EURm after tax |
|---|---|---|---|
| Combined ratio, business area Private | 86.6% | +/- 1 percentage point | +/- 5.4 |
| Combined ratio, business area Commercial | 80.3% | +/- 1 percentage point | +/- 4.6 |
| Net premiums earned (EURm) | 1,178 | +/- 1 per cent | +/- 9.2 |
| Net claims incurred (EURm) | 779 | +/- 1 per cent | +/- 6.0 |
| Ceded written premiums (EURm) | -81 | +/- 10 per cent | +/- 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 2019 and 31 December 2018

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Provisions for outstanding claims** | **%** | **Duration** | **%** | **Duration** |
| Short-tail | 12.2 | 1.0 | 12.1 | 1.0 |
| Annuity provisions in workers' compensation | 26.7 | 10.5 | 24.3 | 10.6 |
| Other claims provisions in workers' compensation | 21.8 | 1.7 | 24.1 | 2.8 |
| Accident | 28.8 | 3.9 | 27.3 | 3.8 |
| Motor personal liability | 6.9 | 2.3 | 8.9 | 2.2 |
| Commercial liability | 3.5 | 1.8 | 3.3 | 1.8 |

Due to the longer period of claims settlement, the long-tail lines of business are generally riskier 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 10–15 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 provisioning 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 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 2019 and 31 December 2018.

## Sources of Gross Premiums

Topdanmark Life Insurance, 31 December 2019 and 31 December 2018

| EURm | 2019 | 2018 |
|---|---|---|
| With profit schemes | 62.4 | 66.1 |
| Unit-linked schemes | 340.2 | 273.7 |
| Group life | 36.0 | 43.2 |
| **Regular premiums** | **438.6** | **383.0** |
| With profit schemes | 46.1 | 71.3 |
| Unit-linked schemes | 1,002.8 | 902.3 |
| **Single premiums** | **1,048.9** | **973.6** |
| **Gross premiums** | **1,487.5** | **1,356.6** |

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.

Risk return on shareholders' equity together with other main components of life business result are shown in the table Result of Life Insurance, Topdanmark 31 December 2019 and 31 December 2018.

Profit on life insurance consists of the following items:

- Investment return on shareholders' equity, which is the actual return on assets allocated to own funds.
- Sales and administration, which consists mainly of the cost fees received from the customers deducted by actual costs.
- Insurance risk, which is the insurance risk result on death, invalidity, and other such items.
- Risk return on shareholders' equity (divided into a fair risk return and a profit margin) from with profit schemes. The risk return is calculated for each contribution group and has been based on their estimated risk for the company and the desired level of profit margin. The risk return is conditional. The risk return is transferred to shareholders' equity if it can be covered primarily by collective bonus potentials.

## Result of Life Insurance

Topdanmark, 31 December 2019 and 31 December 2018

| EURm | 2019 | 2018 |
|---|---|---|
| Investment return on shareholders' equity | 24.9 | 14.7 |
| Sales and administration | -2.9 | -2.7 |
| Insurance risk | 3.0 | -0.3 |
| Risk return on shareholders' equity | 18.8 | 18.8 |
| **Profit on life insurance** | **43.9** | **30.5** |

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

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 profit/loss for the year and consequently shareholders' equity.

The following risk reduction measures and methods are used in Topdanmark Livsforsikring:

- All policies in the average return environment 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 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.

The life insurance risk scenarios can be found in the following table.

## Risk Scenarios in Life Insurance

Topdanmark, 31 December 2019 and 31 December 2018

| EURm after tax | 2019 | 2018 |
|---|---|---|
| Disability intensity - 35% increase* | -1.0 | -1.4 |
| Mortality intensity - 20% decline | -3.4 | -3.3 |

** 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 CDOs 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 implemented effectively 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: 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 2019 and 31 December 2018 without assets covering unit-linked liabilities.

## Investment Allocations Excluding Unit-Linked

Topdanmark, 31 December 2019 and 31 December 2018

| | Topdanmark Non-Life | | | | Topdanmark Life | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 2019 | | 31 Dec 2018 | | 31 Dec 2019 | | 31 Dec 2018 | |
| Asset class | Market value, EURm | Weight | Market value, EURm | Weight | Market value, EURm | Weight | Market value, EURm | Weight |
| **Fixed income total** | **2,089** | **90%** | **1,992** | **91%** | **4,103** | **77%** | **3,283** | **72%** |
| Money market securities and cash | 127 | 5% | 258 | 12% | 241 | 5% | 329 | 7% |
| Government and mortgage bonds | 1,812 | 78% | 1,585 | 72% | 3,456 | 65% | 2,507 | 55% |
| Credit bonds | 6 | 0% | 14 | 1% | 141 | 3% | 168 | 4% |
| Index-linked bonds | 72 | 3% | 68 | 3% | 170 | 3% | 167 | 4% |
| CDOs | 72 | 3% | 68 | 3% | 95 | 2% | 112 | 2% |
| **Listed equity total** | **124** | **5%** | **104** | **5%** | **360** | **7%** | **430** | **9%** |
| Denmark | 38 | 2% | 30 | 1% | 73 | 1% | 84 | 2% |
| Scandinavia | 2 | 0% | 2 | 0% | 8 | 0% | 8 | 0% |
| Global | 84 | 4% | 72 | 3% | 279 | 5% | 337 | 7% |
| **Alternative investments total** | **107** | **5%** | **93** | **4%** | **869** | **16%** | **852** | **19%** |
| Real estate | 57 | 2% | 47 | 2% | 520 | 10% | 501 | 11% |
| Unlisted equities and hedge funds | 50 | 2% | 46 | 2% | 349 | 7% | 351 | 8% |
| **Asset classes total** | **2,321** | **100%** | **2,189** | **100%** | **5,332** | **100%** | **4,564** | **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 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 well-diversified portfolio, primarily exposed to businesses in Europe, predominantly in the investment grade segment.

Index-linked bonds comprise bonds – primarily Danish mortgage bonds – for which the coupon and principal are index-linked.

The CDO category primarily includes positions in CDO equity tranches. The underlying assets consist for the most part of senior secured bank loans, while the remaining part consists primarily of investment grade investments in corporate bonds. 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 the DKK yield curve comprises a corrective element based on the spreads of Danish mortgage bonds and European credit bonds. The VA component was 45 bps at the end of 2018 and 19 bps at the end of 2019.

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 decrease the interest rate sensitivity of the balance sheet, swaps and standard swaptions have been used for hedging purposes.

**Equity Risk**

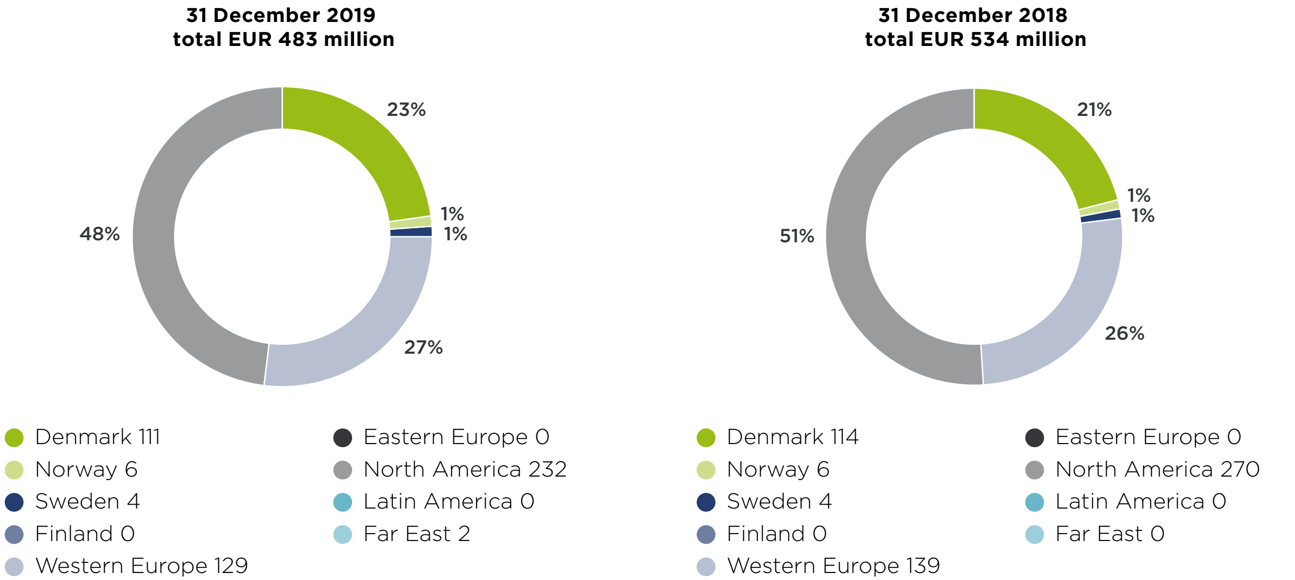
The Danish part of the equity portfolio is composed based on the OMXCCAP index. The rest of the equity holdings are in the foreign equity portfolio that is based on the MSCI World DC in its original currency. As a result, Topdanmark's equity holdings are well-diversified. A breakdown of Topdanmark's 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 Århus. 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.

**Concentration Risk**

Topdanmark's fixed income investments by rating classes are presented in the table Interest-bearing Assets by Rating, Topdanmark, 31 December 2019 and 31 December 2018.

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 the Danish krones. 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 2019 and 31 December 2018

| Rating class, % | 2019 | 2018 |
|---|---|---|
| >A+ | 82.2 | 75.9 |
| A+, A, A- | 6.7 | 3.8 |
| BBB+, BBB, BBB- | 0.3 | 0.4 |
| <BBB- | 9.0 | 11.0 |
| Money market deposits | 1.8 | 8.9 |

**Market Risk Sensitivities**

The adjacent table is a summary of selected market risk sensitivities. 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 adjacent table.

## Market Risk Sensitivities,
Topdanmark, 31 December 2019 and 31 December 2018

| EURm after tax | Risk scenario | 2019 | 2018 |
|---|---|---|---|
| Effective interest rate | 1 percentage point increase | -1.3 | 3.3 |
| *Interest-bearing assets* | | *-69.7* | *-64.2* |
| *Provisions for claims and benefits etc.* | | *68.3* | *67.5* |
| Index-linked bonds | 5% decrease in value | -2.9 | -2.7 |
| Equities | 10% decrease in value | -11.5 | -9.5 |
| CDOs < AA | 10% decrease in value | -7.8 | -7.5 |
| Properties | 10% decrease in value | -19.2 | -20.0 |
| Currency | Annual loss with up to a 2.5% probability | -0.7 | -0.1 |

## Expected Cash Flows for Provisions and the Bond Portfolio
Topdanmark, 31 December 2019 and 31 December 2018

| | | Cash flow years | | | | | |
|---|---|---|---|---|---|---|---|
| EURm | Carrying amount | 1 | 2–6 | 7–16 | 17–26 | 27–36 | >36 |
| Provisions for claims | | | | | | | |
| 2018 | 1,741 | -522 | -736 | -378 | -151 | -69 | -12 |
| 2019 | 1,749 | -509 | -711 | -373 | -142 | -62 | -1 |
| Life insurance provisions guarantees and profitsharing | | | | | | | |
| 2018 | 3,098 | -344 | -941 | -1,366 | -619 | -195 | -57 |
| 2019 | 3,161 | -277 | -1,011 | -1,296 | -540 | -159 | -41 |
| Bond portfolio including interest rate derivatives | | | | | | | |
| 2018 | 4,362 | 1,938 | 1,355 | 1,381 | 150 | 0 | 0 |
| 2019 | 5,543 | 1,755 | 2,720 | 1,816 | 598 | 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 programme 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 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 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.

## *Mandatum Life Group*

### Underwriting Risks

The development of insurance liabilities during 2019 is shown in the table Analysis of the Change in Provisions Before Reinsurance, Mandatum Life, 31 December 2019.

## Analysis of the Change in Provisions Before Reinsurance

Mandatum Life, 31 December 2019

| EURm | Liability 2018 | Premiums | Claims paid | Expense charges | Guaranteed interest | Bonuses | Other | Liability 2019 | Share % |
|---|---|---|---|---|---|---|---|---|---|
| **Unit-linked, excl. Baltic** | **6,810** | **1,448** | **-1,116** | **-77** | **0** | **0** | **886** | **7,952** | **66%** |
| Individual pension insurance | 1,298 | 55 | -19 | -14 | 0 | 0 | 191 | 1,511 | 13% |
| Individual life | 2,195 | 285 | -474 | -21 | 0 | 0 | 291 | 2,277 | 19% |
| Capital redemption operations | 2,519 | 1,018 | -601 | -31 | 0 | 0 | 259 | 3,164 | 26% |
| Group pension | 797 | 89 | -22 | -10 | 0 | 0 | 145 | 1,000 | 8% |
| | | | | | | | | | |
| **With profit and others, excl. Baltic** | **4,208** | **125** | **-457** | **-33** | **112** | **8** | **-49** | **3,913** | **32%** |
| **Group pension insurance, segregated portfolio** | **1,008** | **2** | **-57** | **-1** | **22** | **8** | **-17** | **964** | **8%** |
| Basic liabilities. guaranteed rate 3.5% | 658 | 2 | -57 | -1 | 22 | 8 | -7 | 623 | 5% |
| Reserve for decreased discount rate (3.5% -> 0.50%) | 250 | 0 | 0 | 0 | 0 | 0 | 13 | 263 | 2% |
| Future bonus reserves | 100 | 0 | 0 | 0 | 0 | 0 | -22 | 78 | 1% |
| **Group pension** | **1,879** | **51** | **-225** | **-6** | **57** | **0** | **-25** | **1,732** | **14%** |
| Guaranteed rate 3.5% | 1,603 | 2 | -193 | -3 | 53 | 0 | -40 | 1,424 | 12% |
| Guaranteed rate 2.5%, 1.5% or 0.0% | 276 | 48 | -32 | -3 | 4 | 0 | 14 | 308 | 3% |
| **Individual pension insurance** | **763** | **7** | **-138** | **-4** | **28** | **0** | **28** | **684** | **6%** |
| Guaranteed rate 4.5% | 567 | 4 | -77 | -3 | 23 | 0 | -19 | 495 | 4% |
| Guaranteed rate 3.5% | 128 | 2 | -32 | -1 | 4 | 0 | 21 | 122 | 1% |
| Guaranteed rate 2.5% or 0.0% | 68 | 1 | -29 | 0 | 1 | 0 | 26 | 67 | 1% |
| **Individual life insurance** | **153** | **31** | **-27** | **-10** | **5** | **0** | **-10** | **142** | **1%** |
| Guaranteed rate 4.5% | 52 | 1 | -1 | -1 | 2 | 0 | -6 | 48 | 0% |
| Guaranteed rate 3.5% | 76 | 1 | -8 | -3 | 3 | 0 | 4 | 73 | 1% |
| Guaranteed rate 2.5% or 0.0% | 25 | 30 | -18 | -6 | 0 | 0 | -9 | 22 | 0% |
| **Capital redemption operations** | **24** | **0** | **0** | **0** | **0** | **0** | **1** | **25** | **0%** |
| Guaranteed rate 3.5% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Guaranteed rate 2.5% or 0.0% | 24 | 0 | 0 | 0 | 0 | 0 | 1 | 25 | 0% |
| **Future bonus reserves** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0%** |
| **Reserve for decreased discount rate** | **232** | **0** | **0** | **0** | **0** | **0** | **-2** | **230** | **2%** |
| **Longevity reserve** | **95** | **0** | **0** | **0** | **0** | **0** | **-9** | **86** | **1%** |
| **Assumed reinsurance** | **3** | **0** | **0** | **0** | **0** | **0** | **0** | **3** | **0%** |
| **Other liabilities** | **50** | **34** | **-11** | **-13** | **0** | **0** | **-15** | **47** | **0%** |
| **Total, excl. Baltic** | **11,017** | **1,574** | **-1,573** | **-110** | **112** | **8** | **836** | **11,865** | **99%** |
| **Baltic** | **159** | **30** | **-24** | **-4** | **1** | **0** | **17** | **178** | **1%** |
| Unit-linked liabilities | 145 | 28 | -22 | -3 | 0 | 0 | 18 | 166 | 1% |
| Other liabilities | 14 | 2 | -2 | -1 | 1 | 0 | 0 | 13 | 0% |
| **Mandatum Life Group total** | **11,176** | **1,603** | **-1,597** | **-114** | **113** | **8** | **854** | **12,043** | **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 2019 technical provision by EUR 86 million (95) including a EUR 71 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 2019 was EUR 8.9 million (8.3) after a EUR 8.9 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.

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.

The table Claims Ratios After Reinsurance, Mandatum Life, 31 December 2019 and 31 December 2018 shows the insurance risk result in Mandatum Life's insurance policies. The ratio of the actual to expected claims costs was 75 per cent in 2019 (76). 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 12 million to EUR 24 million.

## Claims Ratios After Reinsurance

Mandatum Life, 31 December 2019 and 31 December 2018

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **EURm** | **Risk income** | **Claims expense** | **Claims ratio** | **Risk income** | **Claims expense** | **Claims ratio** |
| **Life insurance** | **49.4** | **23.7** | **48%** | **51.2** | **27.6** | **54%** |
| Mortality | 30.4 | 12.1 | 40% | 32.4 | 14.8 | 46% |
| Morbidity and disability | 19.0 | 11.6 | 61% | 18.8 | 12.8 | 68% |
| **Pension** | **87.7** | **78.9** | **90%** | **86.7** | **77.1** | **89%** |
| Individual pension | 13.1 | 13.8 | 106% | 13.7 | 13.9 | 101% |
| Group pension | 74.6 | 65.0 | 87% | 73.1 | 63.3 | 87% |
| Mortality (longevity) | 72.3 | 63.5 | 88% | 69.9 | 61.6 | 88% |
| Disability | 2.3 | 1.5 | 67% | 3.2 | 1.7 | 54% |
| **Total** | **137.1** | **102.5** | **75%** | **137.9** | **104.7** | **76%** |

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.

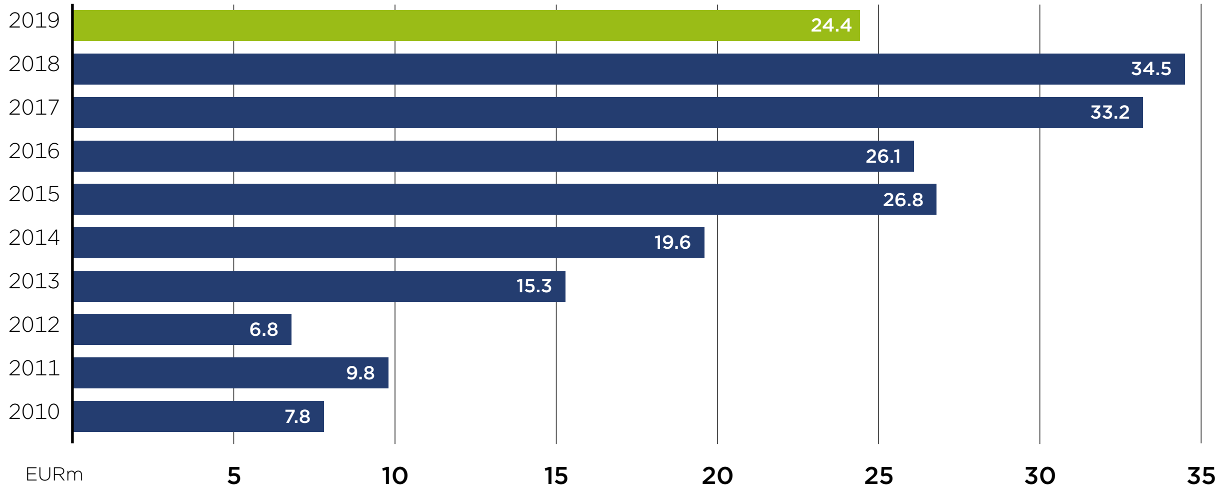
Technical provisions are analyzed and the possible supplemental needs are assessed regularly. Assumptions related to technical provisions are reviewed annually. The adequacy of the technical provisions is tested quarterly. Tariffs for new policies are set and the Underwriting Policy and assumptions used 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 (below EUR 200 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. In year 2019, the expense result of Mandatum Life Group was EUR 24 million (35). Mandatum Life does not defer insurance acquisition costs. Since 2012 the expense result has grown significantly, especially due to increased fee income from unit-linked business, as presented in the graph Expense Result, Mandatum Life Group, 2010–2019.

**Expense Result**
Mandatum Life Group, 2010–2019




### 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 12.3 per cent of total investments.

Investment allocations and average maturities of fixed income investments as at year-end 2019 and 2018 are presented in the table Investment Allocation, Mandatum Life, 31 December 2019 and 31 December 2018.

## Investment Allocation

Mandatum Life, 31 December 2019 and 31 December 2018

| | 31 Dec 2019 | | | 31 Dec 2018 | | |
|---|---|---|---|---|---|---|
| **Asset class** | **Market value, EURm** | **Weight** | **Average maturity, years** | **Market value, EURm** | **Weight** | **Average maturity, years** |
| **Fixed income total** | **3,669** | **65%** | **2.9** | **3,524** | **63%** | **2.8** |
| Money market securities and cash | 819 | 14% | 0.0 | 486 | 9% | 0.0 |
| Government bonds | 2 | 0% | 2.7 | 50 | 1% | 1.6 |
| Credit bonds, funds and loans | 2,848 | 50% | 3.8 | 2,988 | 53% | 3.3 |
| *Covered bonds* | *14* | *0%* | *4.7* | *133* | *2%* | *1.4* |
| *Investment grade bonds and loans* | *1,257* | *22%* | *3.5* | *1,563* | *28%* | *2.7* |
| *High-yield bonds and loans* | *1,170* | *21%* | *3.7* | *953* | *17%* | *3.6* |
| *Subordinated / Tier 2* | *135* | *2%* | *4.7* | *99* | *2%* | *5.6* |
| *Subordinated / Tier 1* | *272* | *5%* | *5.1* | *240* | *4%* | *5.7* |
| *Hedging swaps* | *0* | *0%* | *-* | *0* | *0%* | *-* |
| Policy loans | 0 | 0% | - | 0 | 0% | 0.0 |
| **Listed equity total** | **1,308** | **23%** | **-** | **1,334** | **24%** | **-** |
| Finland | 387 | 7% | - | 459 | 8% | - |
| Scandinavia | 1 | 0% | - | 1 | 0% | - |
| Global | 921 | 16% | - | 875 | 16% | - |
| **Alternative investments total** | **700** | **12%** | **-** | **741** | **13%** | **-** |
| Real estate | 191 | 3% | - | 213 | 4% | - |
| Private equity* | 247 | 4% | - | 230 | 4% | - |
| Biometric | 0 | 0% | - | 12 | 0% | - |
| Commodities | 0 | 0% | - | 0 | 0% | - |
| Other alternative | 261 | 5% | - | 286 | 5% | - |
| **Trading derivatives** | **3** | **0%** | **-** | **2** | **0%** | **-** |
| **Asset classes total** | **5,680** | **100%** | **-** | **5,602** | **100%** | **-** |
| **FX Exposure, gross position** | **225** | **-** | **-** | **410** | **-** | **-** |

**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 reinsurance and derivative transactions in the table Exposures by Sector, Asset Class and Rating, Mandatum Life, 31 December 2019. 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 2019

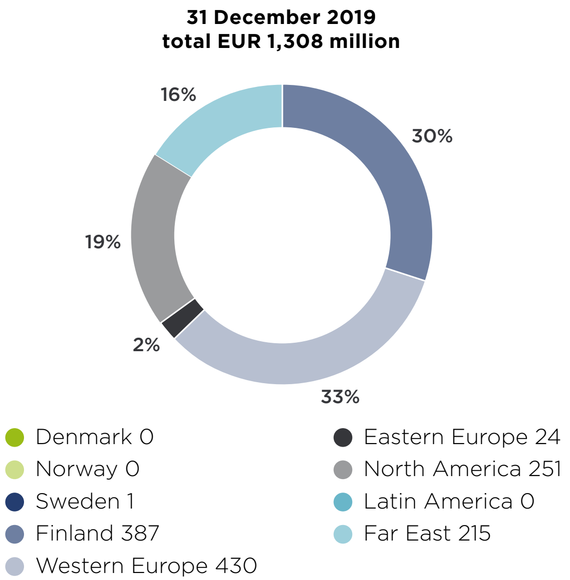
| EURm | AAA | AA+ - AA- | A+ - A- | BBB+ - BBB- | BB+ - C | D | Non-rated | Fixed income total | Listed equities | Other | Counter-party risk | Total | Change from 31 Dec 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Basic industry | 0 | 0 | 0 | 10 | 60 | 0 | 15 | 85 | 85 | 0 | 0 | 170 | 52 |
| Capital goods | 0 | 0 | 4 | 5 | 26 | 0 | 60 | 95 | 152 | 0 | 0 | 247 | 24 |
| Consumer products | 0 | 0 | 52 | 95 | 77 | 0 | 20 | 245 | 127 | 0 | 0 | 372 | -89 |
| Energy | 0 | 1 | 0 | 0 | 0 | 0 | 47 | 47 | 0 | 8 | 0 | 55 | 5 |
| Financial institutions | 0 | 560 | 823 | 354 | 65 | 0 | 17 | 1,819 | 32 | 8 | 5 | 1,864 | 108 |
| 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 | 5 | 23 | 90 | 0 | 33 | 151 | 92 | 18 | 0 | 261 | 21 |
| Insurance | 0 | 0 | 17 | 51 | 0 | 0 | 17 | 85 | 3 | 8 | 0 | 96 | 12 |
| Media | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 6 | 9 | 0 | 0 | 15 | -12 |
| Packaging | 0 | 0 | 0 | 0 | 9 | 0 | 24 | 33 | 12 | 0 | 0 | 44 | 18 |
| Public sector, other | 0 | 2 | 25 | 0 | 0 | 0 | 0 | 27 | 0 | 0 | 0 | 27 | -47 |
| Real estate | 0 | 0 | 1 | 87 | 5 | 0 | 144 | 236 | 0 | 175 | 0 | 411 | 89 |
| Services | 0 | 0 | 4 | 44 | 157 | 0 | 60 | 265 | 86 | 0 | 0 | 351 | 58 |
| Technology and electronics | 1 | 0 | 6 | 5 | 47 | 0 | 11 | 70 | 188 | 10 | 0 | 268 | 58 |
| Telecommunications | 0 | 0 | 8 | 44 | 72 | 0 | 0 | 124 | 15 | 0 | 0 | 139 | -22 |
| Transportation | 0 | 0 | 0 | 12 | 0 | 0 | 1 | 12 | 29 | 0 | 0 | 42 | 8 |
| Utilities | 0 | 0 | 2 | 38 | 111 | 0 | 0 | 150 | 0 | 0 | 0 | 151 | 36 |
| Others | 0 | 0 | 0 | 0 | 16 | 0 | 2 | 17 | 0 | 25 | 0 | 42 | -15 |
| Asset-backed securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Covered bonds | 14 | 0 | 0 | 0 | 0 | 0 | 0 | 14 | 0 | 0 | 0 | 14 | -120 |
| Funds | 0 | 0 | 0 | 0 | 0 | 0 | 187 | 187 | 478 | 448 | 0 | 1,112 | -108 |
| Clearing house | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 6 | 2 |
| **Total** | **15** | **563** | **946** | **767** | **741** | **0** | **637** | **3,669** | **1,308** | **700** | **11** | **5,688** | **79** |
| **Change from 31 Dec 2018** | **-134** | **-44** | **-164** | **151** | **262** | **0** | **73** | **145** | **-26** | **-41** | **2** | **79** | |

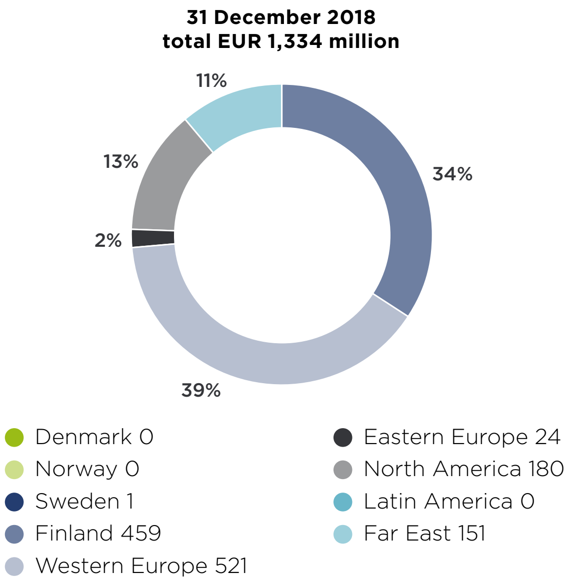
The role of non-investment grade bonds is material in Mandatum Life's portfolio. A part of the money market securities issued by Nordic banks and cash in Nordic banks form a liquidity buffer within the fixed income investments. At the moment, the total amount of these investments is higher than what 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




**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 2018. Since the beginning of 2018, these asset classes have been managed by Sampo plc's investment operations instead of external asset managers. The real estate portfolio is also 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 and it has been quite stable.

### *Market Risks of Balance Sheet*

The Board of Directors of Mandatum Life annually approves 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. 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 partially mitigates the whole company's interest rate risk.

The average duration of fixed income investments was 2.8 years including the effect of hedging derivatives. The respective duration of the insurance liabilities was around 12 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. Mandatum Life does not automatically close its FX position in foreign currencies, but instead, the currency risk strategy is based on active management of the currency position. The objective is to achieve a positive return compared to a situation where the currency risk exposure is fully hedged.

The transaction risk positions of Mandatum Life against the euro are shown in the table Transaction Risk Position, Mandatum Life, 31 December 2019. 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 2019

| Base currency, EURm | EUR | USD | JPY | GBP | SEK | NOK | CHF | DKK | Other | Total, net |
|---|---|---|---|---|---|---|---|---|---|---|
| Technical provisions | 0 | 0 | 0 | 0 | -3 | 0 | 0 | 0 | 0 | -3 |
| Investments | 0 | 767 | 8 | 94 | 47 | 51 | 71 | 17 | 182 | 1,237 |
| Derivatives | 0 | -736 | -1 | -94 | -45 | 23 | -76 | -20 | -82 | -1,032 |
| **Transaction risk, net position** | **0** | **31** | **7** | **0** | **-1** | **73** | **-4** | **-3** | **100** | **203** |
| Sensitivity: EUR -10% | 0 | 3 | 1 | 0 | 0 | 7 | 0 | 0 | 10 | 20 |

**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 2019. The average maturity of fixed income investments was 2.9 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 2019

| EURm | Carrying amount total | Carrying amount without contractual maturity | Carrying amount with contractual maturity | Cash flows 2020 | 2021 | 2022 | 2023 | 2024 | 2025–2034 | 2035- |
|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | **5,634** | **2,961** | **2,674** | **355** | **197** | **280** | **398** | **733** | **843** | **12** |
| of which interest rate swaps | 11 | 0 | 11 | 0 | 0 | 2 | 2 | 1 | 7 | 0 |
| **Financial liabilities** | **402** | **0** | **402** | **-15** | **-9** | **-10** | **-10** | **-260** | **-55** | **-191** |
| of which interest rate swaps | 9 | 0 | 9 | 0 | 0 | -1 | -1 | -1 | -3 | -5 |
| **Lease liabilities** | **9** | **0** | **9** | **-2** | **-2** | **-2** | **-2** | **-2** | **-1** | **0** |
| **Net technical provisions** | **3,347** | **0** | **3,347** | **-296** | **-295** | **-273** | **-258** | **-241** | **-1,643** | **-1,302** |

*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. This stems from the fact that Mandatum Life is a frequent user of long-term interest rate derivatives in addition to FX forwards and options.

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. Since 2016, Sampo Group companies apart from Topdanmark have settled interest rate swaps in central counterparty clearing houses, which, while further mitigating bilateral counterparty risk, also expose Sampo Group companies 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.

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.

In addition to the “segregation of duties at strategic level” principle, Sampo Group has two principles proactively preventing the Group risks. The amount of intragroup exposures between the Group companies is small and the parent company is the only source of liquidity and the main source of capital within the Group. These principles effectively prevent 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 some common risk factors like 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.

Consequently, business lines as such are contributing diversification benefits rather than a concentration of risks. This general risk picture has not changed with increased holding in Topdanmark, because Topdanmark underwrites mainly Danish risks with a focus on client bases which only marginally overlap with If's client bases.

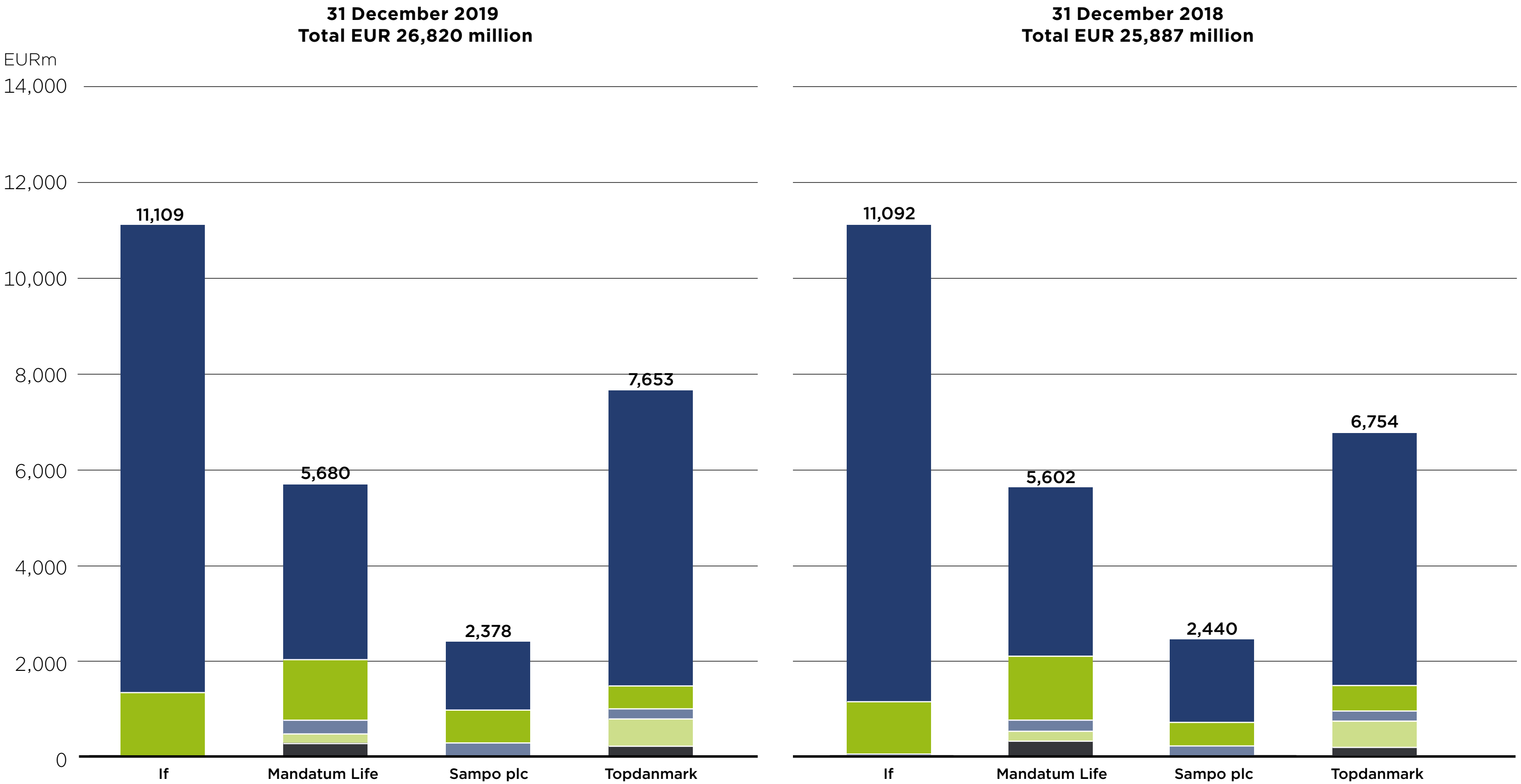
### Market Risks at Sampo Group Level

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 and Topdanmark differ, and as a result the structures and risks of the investment portfolios and balance sheets of the three companies differ respectively. Sampo Group's investment assets presented in the tables and graphs in this section do not include investments in the subsidiaries or in the associated companies (e.g. Nordea).

The total amount of Sampo Group's investment assets as at 31 December 2019 was EUR 26,820 million (25,887) 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, Sampo plc and Topdanmark




| | 2019 If | 2019 Mandatum Life | 2019 Sampo plc | 2019 Topdanmark | 2018 If | 2018 Mandatum Life | 2018 Sampo plc | 2018 Topdanmark |
|---|---|---|---|---|---|---|---|---|
| Fixed income | 88% | 65% | 60% | 81% | 90% | 63% | 70% | 78% |
| Listed equity | 12% | 23% | 29% | 6% | 10% | 24% | 20% | 8% |
| Private equity* | 0% | 4% | 11% | 3% | 0% | 4% | 9% | 3% |
| Real estate | 0% | 3% | 0% | 8% | 0% | 4% | 0% | 8% |
| Other alternative investments | 0% | 5% | 0% | 2% | 0% | 5% | 0% | 3% |

*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 virtually no overlap between the wholly-owned subsidiaries' single-name risks except with regards to Nordic banks where companies have their extra funds in the forms of 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.

A summary of Sampo Group's market risk sensitivities is presented in the following table.

## Market Risk Sensitivities

Sampo Group, 31 December 2019

| EURm | Scenario | If | Mandatum Life | Topdanmark | Sampo plc | Sampo Group |
|---|---|---|---|---|---|---|
| Equities | -10% | -128 | -131 | -15 | -69 | -342 |
| | 10% | 128 | 131 | 15 | 69 | 342 |
| Interest rates | -100 bps | 137 | 103 | 3 | 42 | 374 |
| | +100 bps | -132 | -85 | -6 | -40 | -341 |
| Other | -10% | -2 | -70 | -46 | -28 | -144 |
| | 10% | 2 | 70 | 46 | 28 | 144 |
| Local currency | -5% | -1 | 11 | 9 | 52 | - |
| | 5% | 1 | -11 | -9 | -52 | - |

*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 2019 and 31 December 2018 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. 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 2019

| 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 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Basic industry | 0 | 0 | 20 | 97 | 80 | 0 | 73 | 270 | 130 | 0 | 0 | 400 | 96 |
| Capital goods | 0 | 0 | 64 | 46 | 36 | 0 | 181 | 327 | 606 | 0 | 0 | 933 | 157 |
| Consumer products | 0 | 0 | 222 | 370 | 94 | 0 | 106 | 791 | 348 | 0 | 0 | 1,140 | -171 |
| Energy | 0 | 1 | 0 | 0 | 34 | 0 | 175 | 210 | 8 | 8 | 0 | 226 | -135 |
| Financial institutions | 37 | 2,279 | 2,477 | 1,188 | 149 | 0 | 71 | 6,201 | 429 | 8 | 8 | 6,647 | 69 |
| Governments | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 9 | -124 |
| Government guaranteed | 9 | 27 | 0 | 0 | 0 | 0 | 0 | 36 | 0 | 0 | 0 | 36 | 0 |
| Health care | 7 | 0 | 15 | 50 | 90 | 0 | 69 | 232 | 174 | 18 | 0 | 423 | 17 |
| Insurance | 0 | 0 | 59 | 133 | 26 | 0 | 59 | 277 | 3 | 25 | 0 | 305 | 15 |
| Media | 0 | 0 | 0 | 0 | 6 | 0 | 16 | 22 | 9 | 0 | 0 | 30 | -18 |
| Packaging | 0 | 0 | 0 | 0 | 9 | 0 | 39 | 48 | 12 | 0 | 0 | 60 | 28 |
| Public sector, other | 514 | 68 | 25 | 0 | 0 | 0 | 0 | 606 | 0 | 0 | 0 | 606 | -183 |
| Real estate | 0 | 5 | 88 | 355 | 60 | 0 | 689 | 1,198 | 0 | 181 | 0 | 1,378 | 260 |
| Services | 0 | 0 | 4 | 88 | 226 | 0 | 93 | 411 | 362 | 0 | 0 | 773 | 90 |
| Technology and electronics | 1 | 0 | 25 | 18 | 57 | 0 | 115 | 217 | 188 | 10 | 0 | 415 | 106 |
| Telecommunications | 0 | 0 | 30 | 176 | 120 | 0 | 0 | 326 | 75 | 0 | 0 | 401 | -44 |
| Transportation | 0 | 58 | 27 | 43 | 0 | 0 | 231 | 359 | 30 | 0 | 0 | 390 | 84 |
| Utilities | 0 | 0 | 62 | 152 | 229 | 0 | 29 | 472 | 0 | 0 | 0 | 472 | -10 |
| Others | 0 | 26 | 0 | 0 | 16 | 0 | 29 | 71 | 0 | 34 | 0 | 105 | 7 |
| Asset-backed securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Covered bonds | 2,548 | 70 | 11 | 0 | 0 | 0 | 0 | 2,630 | 0 | 0 | 0 | 2,630 | -187 |
| Funds | 0 | 0 | 0 | 0 | 0 | 0 | 187 | 187 | 906 | 693 | 0 | 1,786 | -24 |
| Clearing house | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16 | 16 | -34 |
| **Total excluding Topdanmark** | **3,125** | **2,534** | **3,131** | **2,716** | **1,232** | **0** | **2,161** | **14,900** | **3,281** | **977** | **25** | **19,182** | **-1** |
| **Change from 31 Dec 2018** | **-404** | **-398** | **-185** | **91** | **364** | **0** | **257** | **-275** | **344** | **-29** | **-42** | **-1** | |

| **Topdanmark** | | | | | | | | | | | | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Group excluding life insurance | 1,670 | 0 | 142 | 0 | 0 | 0 | 150 | 1,963 | 124 | 108 | 127 | 2,321 |
| Life insurance | 3,221 | 0 | 239 | 11 | 9 | 0 | 381 | 3,862 | 359 | 870 | 241 | 5,332 |
| **Total Topdanmark** | **4,892** | **0** | **382** | **11** | **9** | **0** | **531** | **5,825** | **483** | **978** | **367** | **7,653** |

Most of the financial institutions and covered bonds are in the Nordic countries as can be seen in the table Fixed Income Investments in the Financial Sector, Sampo Group Excluding Topdanmark, 31 December 2019.

The public-sector exposure includes government bonds, government guaranteed bonds and other public-sector investments as shown in the table Fixed Income investments as shown in the table Fixed Income Investments in the Public Sector, Sampo Group Excluding Topdanmark, 31 December 2019. The public sector has had a relatively minor role in Sampo Group's portfolios and these exposures have been mainly in the Nordic countries. AAA rated mortgage bonds have a material role in Topdanmark's portfolios.

## Fixed Income Investments in the Financial Sector

### Sampo Group Excluding Topdanmark, 31 December 2019

| EURm | Covered bonds | Cash and money market securities | Long-term senior debt | Long-term subordinated debt | Total | % |
|---|---|---|---|---|---|---|
| Finland | 101 | 1,598 | 479 | 219 | **2,398** | 27.2% |
| Sweden | 1,703 | 5 | 551 | 133 | **2,392** | 27.1% |
| Norway | 612 | | 469 | 339 | **1,420** | 16.1% |
| France | | 568 | 168 | | **736** | 8.3% |
| Denmark | 167 | | 226 | 233 | **626** | 7.1% |
| Netherlands | | | 268 | 42 | **310** | 3.5% |
| United States | | | 217 | | **217** | 2.5% |
| Canada | 34 | | 148 | | **182** | 2.1% |
| United Kingdom | 12 | 2 | 134 | 17 | **165** | 1.9% |
| Iceland | | | 72 | 41 | **113** | 1.3% |
| Germany | | | 66 | 0 | **66** | 0.7% |
| New Zealand | | | 37 | | **37** | 0.4% |
| Spain | | | 28 | | **28** | 0.3% |
| Guernsey | | | 27 | | **27** | 0.3% |
| Australia | 1 | | 26 | | **26** | 0.3% |
| Ireland | | | 23 | | **23** | 0.3% |
| Estonia | | 15 | 7 | | **22** | 0.3% |
| Switzerland | | | 17 | | **17** | 0.2% |
| Austria | | | 12 | | **12** | 0.1% |
| Bermuda | | | | 10 | **10** | 0.1% |
| Cayman Islands | | | 2 | | **2** | 0.0% |
| **Total** | **2,630** | **2,189** | **2,978** | **1,034** | **8,829** | **100.0%** |

## Fixed Income Investments in the Public Sector

### Sampo Group Excluding Topdanmark, 31 December 2019

| EURm | Governments | Government guaranteed | Public sector, other | Total |
|---|---|---|---|---|
| Norway | | | 329 | **329** |
| Sweden | 9 | | 253 | **262** |
| Finland | | 27 | 25 | **52** |
| Denmark | | 9 | | **9** |
| **Total** | **9** | **36** | **606** | **652** |

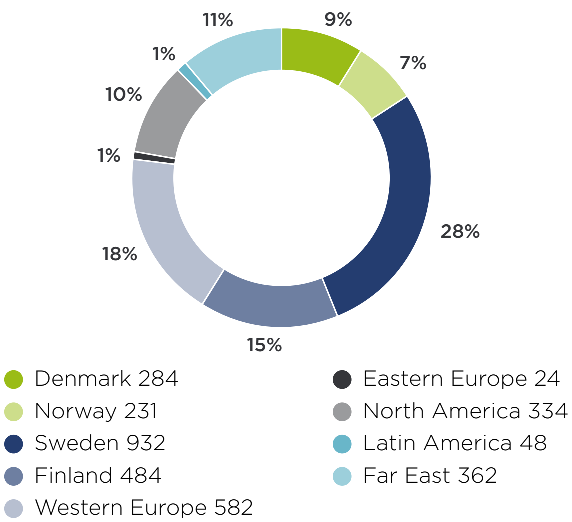
The listed equity investments of Sampo Group totaled EUR 3,281 million at the end of year 2019 (2,937). At the end of year 2019, the listed equity exposure of If was EUR 1,281 million (1,113). The proportion of listed equities in If's investment portfolio was 12 per cent. In Mandatum Life, the listed equity exposure was EUR 1,308 million at the end of year 2019 (1,334) and the proportion of listed equities was 23 per cent of the investment portfolio. In Topdanmark Group, the listed equity exposure was EUR 484 million at the end of year 2019 (534). Within Topdanmark Group, the allocation to listed equity is higher in the life company.

The geographical core of Sampo Group's equity investments is in the Nordic companies. The proportion of Nordic companies' equities corresponds to 59 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 2019 and 31 December 2018.

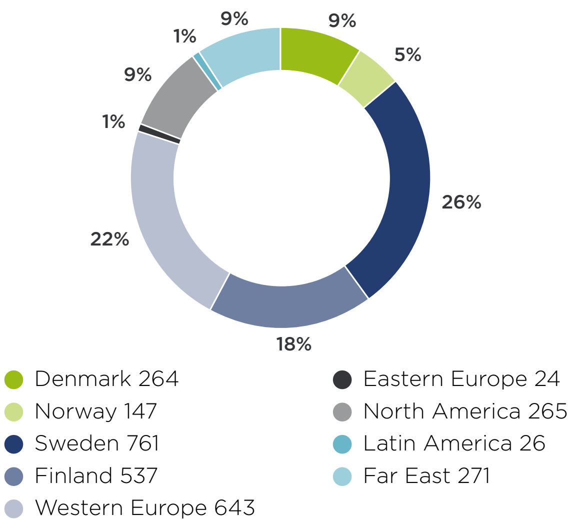
## Breakdown of Listed Equity Investments by Geographical Regions

Sampo Group Excluding Topdanmark

**31 December 2019**
**total EUR 3,281 million**




**31 December 2018**
**total EUR 2,937 million**



### *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 2019. 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 2019

| 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 | 1,268 | 7% | 425 | 839 | 0 | 459 | 189 | 191 | 0 | 4 |
| Skandinaviska Enskilda Banken | 873 | 5% | 676 | 196 | 0 | 177 | 6 | 13 | 0 | 0 |
| Danske Bank | 770 | 4% | 503 | 265 | 0 | 155 | 59 | 51 | 0 | 3 |
| BNP Paribas | 627 | 3% | 568 | 59 | 0 | 0 | 59 | 0 | 0 | 0 |
| Svenska Handelsbanken | 543 | 3% | 0 | 543 | 0 | 485 | 18 | 40 | 0 | 0 |
| DnB | 514 | 3% | 0 | 514 | 0 | 194 | 196 | 125 | 0 | 0 |
| Norway | 474 | 3% | 0 | 474 | 0 | 0 | 372 | 102 | 0 | 0 |
| Swedbank | 427 | 2% | 0 | 427 | 0 | 277 | 119 | 31 | 0 | 0 |
| Saxo Bank | 301 | 2% | 0 | 17 | 0 | 0 | 0 | 17 | 284 | 0 |
| Landshypotek | 254 | 1% | 0 | 254 | 0 | 200 | 34 | 20 | 0 | 0 |
| **Total top 10 exposures** | **6,051** | **32%** | **2,172** | **3,588** | **0** | **1,948** | **1,049** | **590** | **284** | **7** |
| Other | 12,847 | 68% | | | | | | | | |
| **Total investment assets** | **18,898** | **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 2019. Furthermore, the largest direct listed equity exposures are presented in the table Ten Largest Direct Listed Equity Investments, Sampo Group Excluding Topdanmark, 31 December 2019.

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 rated companies have a rating lower than investment grade rating (high yield).

## Ten Largest Direct High Yield and Non-rated Fixed Income Investments and Direct Listed Equity Investments

Sampo Group Excluding Topdanmark, 31 December 2019

| Ten largest direct high yield and non-rated fixed income investments | Rating | Total, EURm | % of total direct fixed income investments |
|---|---|---|---|
| High Street Shopping | NR | 154 | 1.1% |
| TDC | B+ | 99 | 0.7% |
| Teollisuuden Voima | BB+ | 98 | 0.7% |
| Sponda | NR | 95 | 0.7% |
| Evergood 4 ApS | B+ | 80 | 0.6% |
| Trevian Finland Properties I | NR | 77 | 0.5% |
| Saab | NR | 57 | 0.4% |
| Pohjolan Voima | NR | 52 | 0.4% |
| Veningen | NR | 51 | 0.4% |
| Intrum | BB | 50 | 0.3% |
| **Total top 10 exposures** | | **812** | **5.6%** |
| Other direct fixed income investments | | 13,622 | 94.4% |
| **Total direct fixed income investments** | | **14,435** | **100.0%** |

| Ten largest direct listed equity investments | Total, EURm | % of total direct equity investments |
|---|---|---|
| Saxo Bank | 284 | 11.9% |
| Intrum | 184 | 7.7% |
| Volvo | 134 | 5.6% |
| Nobia | 122 | 5.1% |
| Norwegian Finans Holding | 114 | 4.8% |
| Asiakastieto | 92 | 3.9% |
| ABB | 86 | 3.6% |
| Sectra | 80 | 3.3% |
| Veidekke | 67 | 2.8% |
| Telia Company | 60 | 2.5% |
| **Total top 10 exposures** | **1,222** | **51.4%** |
| Other direct equity investments | 1,156 | 48.6% |
| **Total direct equity investments** | **2,378** | **100.0%** |

*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 interest rate risk of the balance sheet is being actively hedged and hence Topdanmark is 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 2019 Sampo had long-term strategic holdings of EUR 8,841 million and they were funded mainly by capital of EUR 7,596 million and senior debt of EUR 3,414 million. Average remaining maturity of senior debt was 5.1 years and EUR 1,600 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 405 million was 1.8 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 2019 and 31 December 2018.

## Balance Sheet Structure

Sampo plc, 31 December 2019 and 31 December 2018

| EURm | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| **Assets total** | **11,625** | **12,073** |
| **Liquidity** | **1,320** | **1,447** |
| **Investment assets** | **1,022** | **770** |
| Real estate | 2 | 2 |
| Fixed income | 46 | 23 |
| Equity & private equity | 973 | 745 |
| **Subordinated loans** | **359** | **489** |
| **Equity holdings** | **8,841** | **9,200** |
| Subsidiaries | 3,401 | 3,401 |
| Associated | 5,440 | 5,799 |
| **Other assets** | **84** | **167** |

| EURm | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| **Liabilities total** | **11,625** | **12,073** |
| **CPs issued** | **0** | **124** |
| **Long-term senior debt** | **3,414** | **3,943** |
| Private placements | 98 | 122 |
| Bonds issued | 3,316 | 3,821 |
| **Subordinated debt** | **494** | **0** |
| **Capital** | **7,596** | **7,890** |
| Undistributable capital | 98 | 98 |
| Distributable capital | 7,497 | 7,792 |
| **Other liabilities** | **121** | **115** |

The leverage of Sampo plc was modest 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 2,183 (2,108) million is modest when compared to Sampo's equity holdings and financial assets.

In regard to liquidity, the liquid funds of Sampo plc were EUR 1,320 (1,447) 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 April and it will significantly lower the liquidity position of Sampo. A significant portion of subordinated loans issued by the Group companies (359) and a part of other investment assets (1,022) 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 2019 and 31 December 2018 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 balances 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) 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.

This is why part of Sampo plc's debt instruments are issued in the Swedish krona and interest rate duration is maintained relatively short. However, management's market views are also affecting these decisions and for instance at the moment the Swedish krona denominated dividends paid by If are still in the Swedish krona, and the Swedish krona debt is converted into the euro using cross-currency swaps, due to tactical market view reasons.

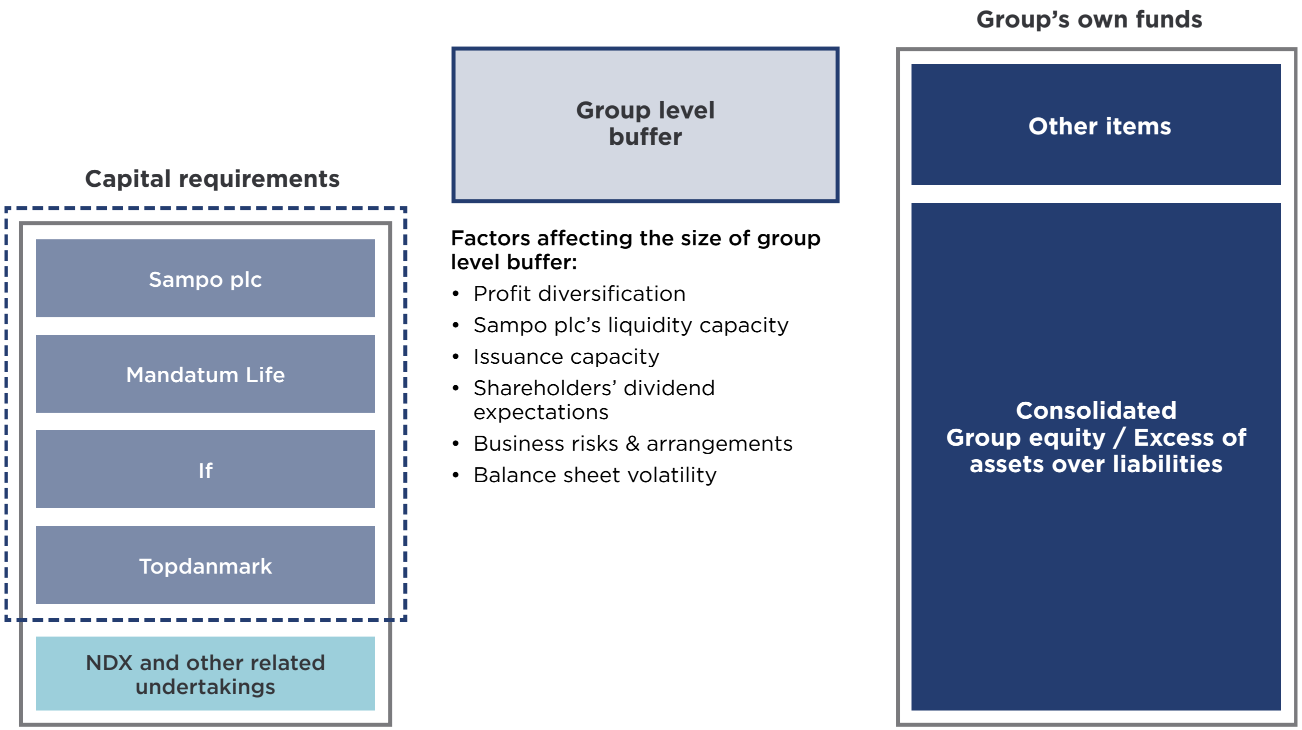
## *Sampo Group Capitalization*

### Capitalization at the Group Level

The sub-group level balance of profits, risks and capital is the primary focus of Sampo Group. When all subsidiaries are well capitalized, as a result the Group should be adequately capitalized as well although for example the subordinated loans, which are eliminated from own funds, decrease the solvency. In addition, changes in the solvency capital requirements of the subsidiaries and Nordea's market value have an effect on the level of capitalization in Sampo Group.

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




**Factors affecting the size of group level buffer:**

- Profit diversification
- Sampo plc's liquidity capacity
- Issuance capacity
- Shareholders' dividend expectations
- Business risks & arrangements
- Balance sheet volatility

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. Translation risk may realize when the actual capital and the capital needs of If and Topdanmark are converted from their reporting currencies to the euro. When the reporting currencies of If and Topdanmark depreciate, the actual amount of the Group's capital in the euros decreases and the capital requirements of If and Topdanmark 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

## Income Statement

| EURm | Note | 2019 | 2018 |
|---|---|---|---|
| Other operating income | 1 | 16 | 17 |
| | | | |
| Staff expenses | | | |
| Salaries and remunerations | | -13 | -9 |
| Social security costs | | | |
| Pension costs | | -2 | -2 |
| Other | | 0 | 0 |
| | | | |
| Other operating expenses | 2 | -57 | -14 |
| | | | |
| **Operating profit** | | **-56** | **-8** |
| | | | |
| Financial income and expense | 4 | | |
| Income from shares in Group companies | | 936 | 1,084 |
| Income from other shares | | 602 | 588 |
| Other interest and financial income | | | |
| Group companies | | 12 | 12 |
| Other | | 17 | 27 |
| Other investment income and expense | | 11 | -36 |
| Other interest income | | 27 | 25 |
| Interest and other financial expense | | -79 | -63 |
| Exchange result | | 22 | 41 |
| | | | |
| **Proft before taxes** | | **1,491** | **1,669** |
| | | | |
| Income taxes | | -1 | 0 |
| | | | |
| **Profit for the financial year** | | **1,490** | **1,669** |

# Sampo plc's Balance Sheet

| EURm | Note | 2019 | 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible assets | | 2 | 0 |
| Property, plant and equipment | | | |
| Buildings | | 1 | 1 |
| Other | | 2 | 2 |
| Investments | | | |
| Shares in Group companies | | 3,401 | 3,401 |
| Receivables from Group companies | 5 | 269 | 261 |
| Participating interests | | 5,440 | 5,799 |
| Receivables from participating interests | | 90 | 227 |
| Other shares and participations | 6 | 973 | 745 |
| Other receivables | 7 | 46 | 23 |
| Short-term receivables | | | |
| Deferred tax assets | 14 | - | 15 |
| Other receivables | 8 | 45 | 83 |
| Prepayments and accrued income | 9 | 35 | 68 |
| Cash and cash equivalents | | 1,320 | 1,447 |
| | | | |
| **TOTAL ASSETS** | | **11,625** | **12,073** |

| EURm | Note | 2019 | 2018 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Equity** | 10 | | |
| Share capital | | 98 | 98 |
| Fair value reserve | | 114 | -3 |
| Invested unrestricted equity | | 1,527 | 1,527 |
| Other reserves | | 273 | 273 |
| Retained earnings | | 4,095 | 4,328 |
| Profit for the financial year | | 1,490 | 1,669 |
| | | **7,596** | **7,890** |
| **Liabilities** | | | |
| Long-term liabilities | | | |
| Bonds | | 3,414 | 3,943 |
| Subordinated debt securities | | 494 | - |
| | | | |
| Short-term liabilities | | | |
| Debt securities | | - | 124 |
| Deferred tax liability | 14 | 15 | - |
| Other liabilities | 12 | 34 | 56 |
| Accruals and deferred income | 13 | 73 | 59 |
| | | | |
| **TOTAL LIABILITIES** | | **11,625** | **12,073** |

# Sampo plc's Statement of Cash Flows

| EURm | 2019 | 2018 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxes | 1,491 | 1,669 |
| **Adjustments:** | | |
| Realised gains and losses on investments | -1 | -11 |
| Other adjustments | -565 | -639 |
| **Adjustments total** | **-565** | **-649** |
| | | |
| **Change (+/-) in assets of operating activities** | | |
| Investments *) | 55 | -609 |
| Other assets | 49 | -74 |
| **Total** | **104** | **-683** |
| | | |
| **Change (+/-) in liabilities of operating activities** | | |
| Financial liabilities | 1 | 27 |
| Other liabilities | -21 | 28 |
| Paid interests | 4 | -2 |
| Paid taxes | 5 | 13 |
| **Total** | **-11** | **65** |
| | | |
| **Net cash from operating activities** | **1,018** | **401** |

| EURm | 2019 | 2018 |
|---|---|---|
| **Investing activities** | | |
| Investments in group and associated undertakings | 594 | 417 |
| | | |
| **Financing activities** | | |
| Dividends paid | -1,588 | -1,444 |
| Issue of debt securities | 496 | 1,482 |
| Repayments of debt securities in issue | -647 | -609 |
| **Net cash used in financing activities** | **-1,739** | **-571** |
| | | |
| **Total cash flows** | **-127** | **248** |
| | | |
| Cash and cash equivalents at 1 January | 1,447 | 1,199 |
| Cash and cash equivalents at 31 December | 1,320 | 1,447 |
| **Net change in cash and cash equivalents** | **-127** | **248** |

*) *Investments include both investment property and financial assets.*

Additional information to the statement of cash flows:

| EURm | 2019 | 2018 |
|---|---|---|
| Interest income received | 65 | 42 |
| Interest expense paid | -74 | -50 |
| Dividend income received | 1,538 | 1,671 |

# SAMPO PLC'S NOTES TO THE ACCOUNTS

# Sampo plc's Notes to the Accounts

## Summary of Significant Account 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 principles 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 | 2019 | 2018 |
|---|---|---|
| Income from investment operations | 16 | 17 |
| Other | 0 | 0 |
| **Total** | **16** | **17** |

### 2 Other operating expenses

| EURm | 2018 | 2018 |
|---|---|---|
| Rental expenses | -1 | -1 |
| IT expenses | -2 | -2 |
| External services | -4 | -6 |
| Other staff costs | -1 | -1 |
| Loss from extra dividend | -44 | - |
| Other | -5 | -5 |
| **Total** | **-57** | **-14** |

Item Other includes e.g. administration fees.

### 3 Auditors' fees

| EURm | 2019 | 2018 |
|---|---|---|
| **Authorised Public Accountants Ernst & Young Oy** | | |
| Auditing fees | -0.3 | -0.2 |
| Tax consultancy | -0.0 | -0.1 |
| Other fees | -0.1 | -0.2 |
| **Total** | **-0.4** | **-0.4** |

### 4 Financial income and expense

| EURm | 2019 | 2018 |
|---|---|---|
| Dividend income | 1,538 | 1,671 |
| Interest income | 53 | 53 |
| Interest expense | -79 | -63 |
| Gains on disposal | 2 | 11 |
| Exchange result | 22 | 41 |
| Other | 11 | -36 |
| **Total** | **1,547** | **1,677** |

# Notes to the Assets 5–9

## 5 Receivables from Group companies

| EURm | 2019 | 2018 |
|---|---|---|
| **Cost at beginning of year** | **261** | **266** |
| Additions | 8 | 0 |
| Disposals | 0 | -5 |
| **Carrying amount at end of year** | **269** | **261** |

Receivables are subordinated loans issued by subsidiaries. More information in the consolidated note 29 Financial liabilities.

## 6 Other shares and participations

| | 2019 | Fair value changes | | 2018 | 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 | 973 | 0 | -131 | 745 | 10 | 32 |

## 7 Other investment receivables

| | 2019 | Fair value changes | | 2018 | 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 | 46 | - | -16 | 23 | 0 | 19 |

## 8 Other receivables

| EURm | 2019 | 2018 |
|---|---|---|
| Trading receivables | 1 | 1 |
| Derivatives | 1 | 1 |
| Other | 43 | 82 |
| **Total** | **45** | **83** |

## 9 Prepayments and accrued income

| EURm | 2019 | 2018 |
|---|---|---|
| Accrued interest | 13 | 24 |
| Derivatives | 20 | 40 |
| Other | 3 | 3 |
| **Total** | **35** | **68** |

# 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 amount at 1 January 2018** | **98** | **45** | **1,527** | **273** | **5,772** | **7,714** |
| Dividends | | | | | -1,444 | -1,444 |
| Financial assets available-for-sale | | | | | | |
| - recognised in equity | | -41 | | | | -41 |
| - recognised in p/l | | -8 | | | | -8 |
| Profit for the year | | | | | 1,669 | 1,669 |
| **Carrying amount at 31 December 2018** | **98** | **-3** | **1,527** | **273** | **5,996** | **7,890** |

| | Restricted equity | | | Unrestricted equity | | |
|---|---|---|---|---|---|---|
| **EURm** | **Share capital** | **Fair value reserve** | **Invested unrestricted capital** | **Other reserves** | **Retained earnings** | **Total** |
| **Carrying amount 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** |

### *Distributable assets*

| **EURm** | **2019** | **2018** |
|---|---|---|
| **Parent company** | | |
| Profit for the year | 1,490 | 1,669 |
| Retained earnings | 4,095 | 4,328 |
| Invested unrestricted capital | 1,527 | 1,527 |
| Other reserves | 273 | 269 |
| **Total** | **7,384** | **7,792** |

## 11 Share capital

Information on share capital is disclosed in Note 33 in the consolidated financial statements.

## 12 Other liabilities

| EURm | 2019 | 2018 |
|---|---|---|
| Derivatives | 4 | 14 |
| Guarantees for derivate contracts | 20 | 41 |
| Other | 10 | 1 |
| **Total** | **34** | **56** |

## 13 Accruals and deferred income

| EURm | 2019 | 2018 |
|---|---|---|
| Deferred interest | 31 | 26 |
| Derivatives | 29 | 22 |
| Other | 13 | 11 |
| **Total** | **73** | **59** |

# Note to the Income Taxes 14

## 14 Deferred tax assets and liabilities

| EURm | 2019 | 2018 |
|---|---|---|
| **Deferred tax assets** | | |
| Losses | 14 | 14 |
| Fair value reserve | - | 1 |
| | | |
| **Deferred tax liabilities** | | |
| Fair value reserve | -28 | - |
| | | |
| **Total, net** | **-15** | **15** |

# Notes to the Liabilities and Commitments 15–16

## 15 Pension liabilities

The basic and suplementary pension insurance of Sampo plc's staff is handled through insurances in Varma Mutual Insurance Company and in Mandatum Life Insurance Company Limited.

## 16 Future rental commitments

| EURm | 2019 | 2018 |
|---|---|---|
| Not more than one year | 1 | 1 |
| Over one year but not more than five years | 4 | 4 |
| Over five years | - | 0 |
| **Total** | **5** | **5** |

# Notes to the Staff and Management 17–19

## 17 Staff numbers

| EURm | 2019 Average during the year | 2018 Average during the year |
|---|---|---|
| Full-time staff | 63 | 62 |
| Part-time staff | 1 | 2 |
| Temporary staff | 1 | 1 |
| **Total** | **65** | **65** |

## 18 Board fees and management remuneration

| EURk | | 2019 | 2018 |
|---|---|---|---|
| **Managing Director** | Kari Stadigh | 3,891 | 4,143 |
| | | | |
| **Members of the Board of Directors** | | | |
| Björn Wahlroos | | 175 | 175 |
| Fiona Clutterbuck | | 96 | - |
| Christian Clausen | | 96 | 96 |
| Jannica Fagerholm | | 140 | 115 |
| Adine Grate Axén | | - | 96 |
| Johanna Lamminen | | 96 | - |
| Veli-Matti Mattila | | 90 | 90 |
| Risto Murto | | 90 | 90 |
| Antti Mäkinen | | 90 | 96 |
| Eira Palin-Lehtinen | | - | 115 |

In accordance with the decision of the Annual General Meeting in 2019, the company has compensated the transfer tax related to the acquisition of the company shares, in total EUR 11,220.32 (EUR 1,116.82 pertaining to the Vice Chairman and EUR 10,130.50 pertaining to the other Finnish members of the Board).

### *Pension liability*

The Group CEO is entitled to a defined contribution pension in accordance with the pension contract in force. The annual pension premium is fixed at EUR 400,000.

## 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] | 400 | 196 | 596 |
| Former Chairmen of the Board | | | |
| Kalevi Keinänen[2] | 22 | - | 22 |
| Former Presidents/CEO:s | | | |
| Harri Hollmen[2] | 53 | - | 53 |
| | **475** | **196** | **671** |

[1] *The Group CEO is entitled to a supplementary defined contribution pension in accordance with the present pension contract. The annual pension premium is fixed at EUR 400,000.*

[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 2019 is based on a TyEL index adjustment.*

# Note to the Shares Held 20

## 20 Shares held as of 31 Dec 2019

| Company name | Percentage of share capital held | Carrying amount EURm |
|---|---|---|
| | | |
| **Group undertakings** | | |
| | | |
| **P&C insurance** | | |
| If Skadeförsäkring Holding AB, Stockholm Sweden | 100.00 | 1,886 |
| | | |
| **P&C and life insurance** | | |
| Topdanmark A/S, Copenhague Denmark | 46.66 | 1,031 |
| | | |
| **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, 6 February 2020

## Sampo plc

### Board of Directors

| | | |
|---|---|---|
| **Christian Clausen** | **Fiona Clutterbuck** | **Jannica Fagerholm** |
| **Johanna Lamminen** | **Veli-Matti Mattila** | **Risto Murto** |
| | **Antti Mäkinen** | |

| | |
|---|---|
| **Björn Wahlroos**<br>Chairman | **Torbjörn Magnusson**<br>Group CEO |

# Auditor's Report (Translation of the Finnish original)

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 2019. 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**<br>*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 December 2019 the Group has insurance contract liabilities representing amounting to mEUR 32,409 (31 December 2018: mEUR 29,805) 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.<br><br>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.<br><br>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 evaluation of the governance around the overall Group reserving process and included testing the operating effectiveness of key controls over the identification, measurement and management of the Group's calculation of insurance liabilities.<br><br>We evaluated the appropriateness of methodologies and assumptions used, and independently re-projected the reserve balances for certain classes of business.<br><br>We involved our internal actuarial specialists to assist us in assessing the appropriateness of assumptions used.<br><br>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**<br>*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 represents amounts to mEUR 36,418 (2018: mEUR 33,363 which represents 70% 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 7,458 and level 3 assets amounting to mEUR 2,708 (refer to note 17).<br><br>This matter is a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2). | Our audit procedures included testing the effectiveness of controls in place over recording fair values of assets using unobservable input.<br><br>We performed additional procedures for areas of higher risk and estimation, involving our valuation specialists.<br><br>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.<br><br>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**<br>*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 6,712 (31 December 2018: mEUR 7,535). The Group's ownership in Nordea Bank Abp is 19.87%. Nordea Bank Abp is an associated company of the Group and is accounted for based on equity accounting. The holding in Nordea Bank Abp represents 13% of the Group's total assets.<br><br>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 December 2019. | Our audit procedures included testing the effectiveness of controls in place over recognizing the Group's share of Nordea's financial information.<br><br>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.<br><br>We assessed the adequacy of disclosures relating to associated companies. |

## 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 April 2002, and our appointment represents a total period of uninterrupted engagement of 18 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 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 2020

Ernst & Young Oy
Authorized Public Accountant Firm

Kristina Sandin
Authorized Public Accountant

2019

SAMPO GROUP

Sampo plc
Fabianinkatu 27
00100 Helsinki, Finland

Phone: +358 10 516 0100
Business ID: 0142213-3

www.sampo.com
@Sampo_plc
@sampo_oyj
sampo-plc