Risk Management

2015

SAMPO GROUP

Risk Management

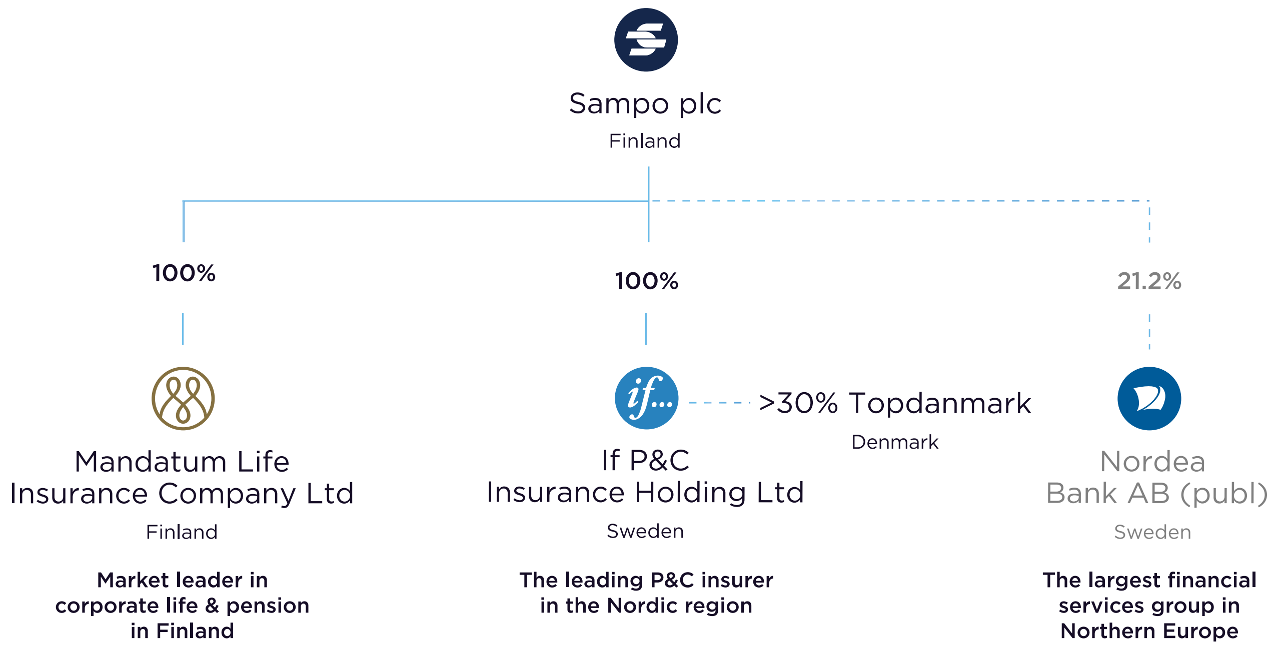
Sampo Group's Structure and Business Model

Sampo Group ("Group") is engaged in three separately managed business areas being non-life insurance, life insurance and banking.

Non-life insurance and life insurance activities are conducted by the subsidiaries If P&C Insurance Holding Ltd ("If P&C") and Mandatum Life Insurance Company Ltd ("Mandatum Life") which are wholly owned by the Group's parent company, Sampo plc ("parent company" or "Sampo"), which is a listed holding company and has no insurance or banking activities of its own. In addition to the insurance subsidiaries, Group's parent company held, as at 31 December 2015, an equity stake of 21.2 per cent in Nordea Bank AB (publ) ("Nordea") through which Sampo Group is engaged in banking business.

Nordea as an associated company is not controlled by Sampo plc and its risk management is not covered in Sampo Group's Annual Report. Nordea, however, has a material effect on the Group's profits, risks and capital needs. Hence, Nordea is carefully analysed by Sampo as a separate business and as one component of Sampo's portfolio of Nordic financial companies.

Sampo Group Legal Structure



The legal sub-groups Mandatum Life and If P&C and the associated company Nordea, conduct their businesses independently from each other, taking into account the specific characteristics of their operations and the guidance from the parent company relating to targets, capitalization and the group-wide principles. The independent sub-groups have their own infrastructures and management as well as operative processes in place. In instances where the subsidiaries and associated companies cooperate in some business areas, cooperation is conducted similarly as with any third-party.

Sampo Group's legal structure and business model are both straightforward and simple. In addition there are only limited amount of intragroup exposures (i.e. Group companies' direct or indirect intragroup claims excluding normal business transactions with Nordea) and capitalization of subsidiaries is diligently managed. As a result, Sampo Group structure is noncomplex and Group companies are not exposed to many contagion risks.

As a Nordic insurance group, If P&C underwrites policies that cover various risks for both individuals and corporations over a geographically diverse area. If P&C mainly underwrites risks in the Nordic and Baltic countries. However, it also underwrites policies for its Nordic clients' activities outside of the Nordic countries. In addition to geographical diversification, the underwriting business itself is well-diversified over lines of business and clients. All in all diversification is a major value driver of If P&C.

Mandatum Life operates in Finland and in the Baltic countries and offers savings and pension policies with life risk features as well as policies covering mortality, morbidity and disability risks. The focus for many years now has been on unit-linked products.

There is virtually no overlap between the subsidiaries' underwriting risks except with regards to Finnish longevity risk and hence only limited group-wide coordination is needed in relation to underwriting activities and their respective risks.

For both subsidiaries, the insurance liabilities and the company specific risk appetite are the starting points for investment activities. Unlike underwriting activities, the subsidiaries' investment activities are coordinated closely at group level as follows:

- Their investment portfolios' risk profiles are designed and decided separately from each other, but they are coordinated to proactively prevent potential concentrations.
- The persons responsible for managing the subsidiaries' investments report directly to Sampo Group's Chief Investment Officer which ensures day-to-day coordination.
- IT systems in investment activities are common throughout the Group, facilitating consistent analysis and reporting of risks both at the company and at the group level.
- The same basic principles are primarily followed in the investment activities of both subsidiaries, although the risk level of If P&C's investment portfolio is significantly lower than the risk level of Mandatum Life's investment portfolio due to different features of their insurance liabilities.

Sampo plc as a holding company manages its portfolio of affiliated companies. The major management tools include the work done in the companies' Boards of Directors and the guidance given to subsidiaries.

As dividends are the parent company's major source of income, Sampo's primary target for every sub-group is to maintain healthy balance between profits, risks and capital facilitating a steady stream of dividends in the long run. Secondly, Sampo is interested in how stable the profitability of its business portfolio is. Hence the correlation of reported profits is monitored closely in addition to potential risk concentrations. Thirdly, as a general rule Sampo plc prefers to have low leverage and adequate liquidity buffers to be able to generate liquidity if needed. The size of assessed diversification benefit of the Group companies' profits is reflected in Sampo's decisions on own capital structure and liquidity position.

Further information on Sampo Group's steering framework and risk management process can be found in Appendix 1 (Sampo Group Steering Framework and Risk Management Process).

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, by definition, into three main categories: strategic risks, reputational risks and risks inherent in 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.

External Drivers and Strategic Risks

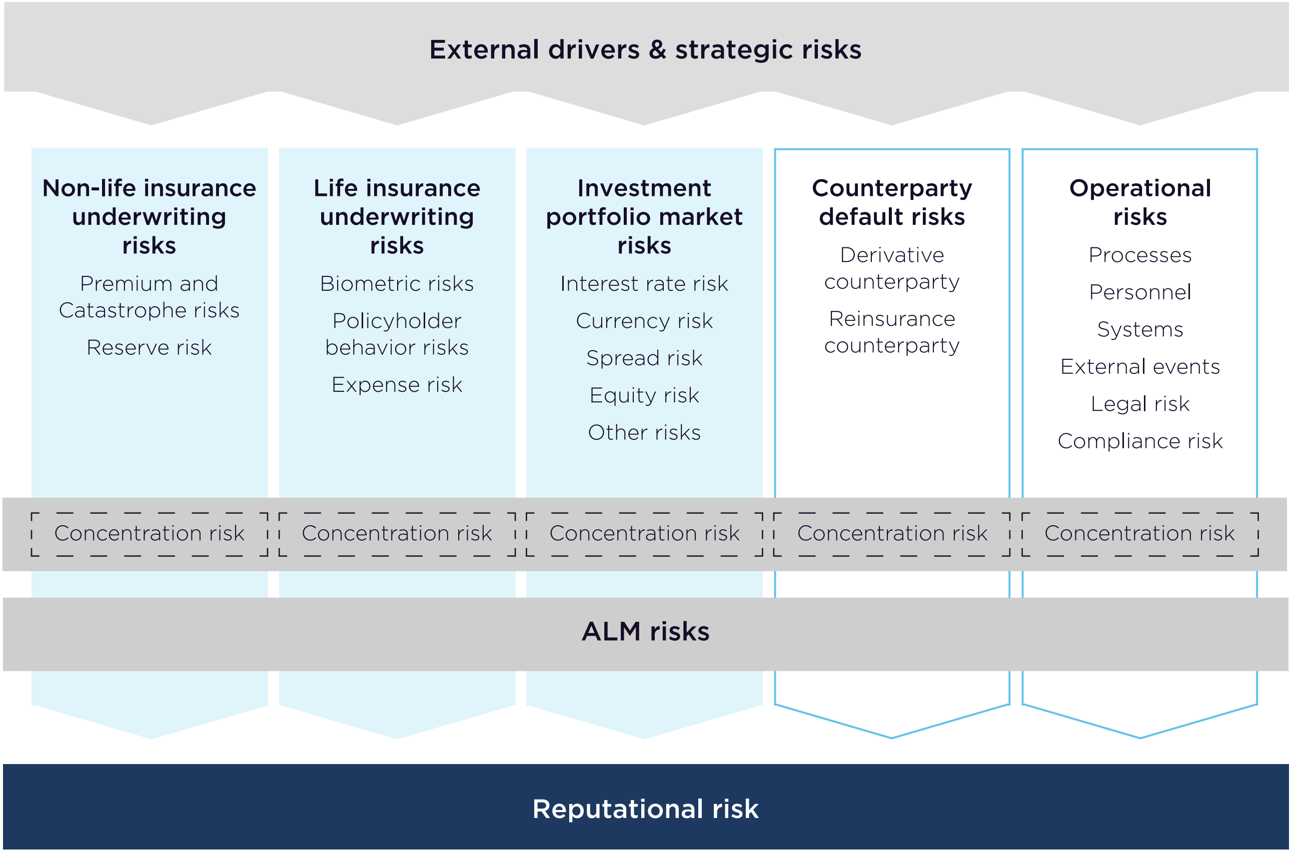
Strategic risk is the risk of losses due to changes in the competitive environment or lack of internal operational flexibility. Unexpected changes in the general business environment can cause larger than expected fluctuations in the financial results and in the long run these can endanger the existence of Sampo Group's business models. External drivers behind such changes are varied, and include for instance general economic development, development of the institutional environment and technological innovations. As a result of these external drivers, business models of the industry can change, new competitors may appear and customer demand and behaviour can change.

Due to the predominantly external nature of the drivers and development in the competitive environment, managing strategic risks is the responsibility of the executive level senior management. Proactive strategic decision-making is the central tool in managing strategic risks which relate to competitive advantage. The maintenance of internal operational flexibility to be able to adjust the business model and cost structure when needed is also an efficient tool in managing strategic risks. Although strategic risks are not covered by the capitalization process in Sampo Group they may, however, have an effect on the amount and structure of the actual capital base, if this is deemed to be prudent in the existing business environment.

Reputational Risk

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 as shown in the figure Classification of Risks in Sampo Group. As the roots of reputational risk are varied, the tools to prevent it must be diverse and embedded in the corporate culture. The corporate culture, which is based on the core values of ethicality, loyalty, openness and entrepreneurship, is thus seen as an essential tool in preventing reputational risk in Sampo Group. These core values are reflected in Sampo Group's Corporate Governance system and in how Sampo deals with core stakeholders (i.e. customers, personnel, investors, other co-operation partners, tax authorities and supervisory authorities) and other parties, who may have an interest in Sampo's business.

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. Furthermore, earnings related risk exposures are adjusted continuously and their impact on the capital need is assessed regularly.

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

Some risks, such as counterparty default risks and operational risks presented in the picture 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 and the capital need for these risks is measured by independent risk management functions. It has to be noted that the categorization of risks between earnings and consequential risks varies depending on the industry. For Sampo Group's clients, for instance, the events that are subject to insurance policies are consequential risks and for Sampo Group these same risks are earnings risks.

Some risks such as interest rate, currency and liquidity risks are by their nature simultaneously linked to various activities. In order to manage these risks efficiently, Sampo Group companies have to have a detailed understanding of expected cash flows and their variance within each of the company's activities. In addition, a thorough understanding of how the market consistent 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. This kind of indirect concentration risk can be seen as part of strategic risk.

More detailed risk definitions may be found in Appendix 2 (Risk Definitions).

Core Risk Management Activities

To create value for all stakeholders in the long run, Sampo Group companies must have the following capitals 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 skillful and motivated employees
- Social and relationship capital in the form of good relationships with society and clients to understand changing needs of different stakeholders.

At the company level, these capitals are in use when the following core activities related to risk pricing, risk taking and active management of risk portfolios are carried out.

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.

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 of separate investments are carefully analyzed.
- Transactions are executed effectively.

Effective mitigation of consequential risks

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

Effective management of investment portfolios and the balance sheet

- Balance between expected returns and risks in investment portfolios and the balance sheet is optimized, taking into account 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 group-wide capitalization and liquidity. It is 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 group level capitalization and liquidity buffers as well as on group level management actions.

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

Profitability, Risks and Capital

Sampo Group operates under a holding company structure and the parent company does not have any business activities of its own. Sampo Group's business activities are conducted in three separately managed independent business areas, with each business area managing their own risks and reserving sufficient capital to cover their risks.

This structure implies that the parent company is structurally subordinated. It is dependent on business areas' dividends that can be paid only after business areas have taken care of their own obligations. Thus, the parent company prefers to maintain in its business areas a balance between profits, risks and capital which supports business areas' ability to pay stable dividends after servicing their own obligations.

The structure also implies that **Sampo plc's primary focus is on the capitalization at the sub-group level** and when the sub-groups are well-capitalized, the Group is by definition well-capitalized. The latter may not be true if the sub-groups are cross-capitalizing each other, or the parent company is financially weak (highly leveraged and has inadequate liquidity buffers) or profits of the sub-groups are strongly and positively correlated. In Sampo Group none of these three claims are true.

Hence, from Sampo Group's perspective, the main **objectives** are:

- Independent business areas generate a stable and growing stream of profits and have the solvency to ensure the continuity of normal business activities.
- The portfolio of separate business areas is stable. From the Group's perspective, a weak correlation of business areas' profits is preferred, because this increases the benefits of diversification on a portfolio level.
- The Group's parent company is able to provide liquidity for the strategic arrangements and capital injections, if needed. Hence the capital structure and the parent company's capacity to generate liquidity is the key. The parent company prefers to have a relatively low leverage and good capacity to generate liquidity in case the business areas need support.

The business model described above has been very well in line with financial accounting and regulatory reporting requirements until the entry of Solvency II ("SII") regulations. Sampo Group has disclosed its financial information by segments and relevant risk reporting by insurance sub-groups. Nordea has disclosed independently their respective reporting. On a group level Sampo has disclosed its Group Solvency by the Act on the Supervision of Financial and Insurance Conglomerates (1193/2004) ("Conglomerate Rule") rules which include no diversification effects and is hence easy to interpret.

The Solvency II rules, which entered into force in 1 January 2016, do not recognize insurance sub-groups that have a holding company as a parent company. Since this is the case for If P&C group this has two implications:

- The operative insurance companies are reporting to their local supervisors and If P&C group is reported as a part of Sampo Group SII figures.
- The regulatory Insurance Group is created by combining Sampo plc, If P&C group companies and Mandatum Life group companies. One common SCR, including also diversification effect, is calculated. Sampo's portion of Nordea's capital requirement is added to Insurance Group requirement when calculating Group solvency for Sampo.

In this Risk Management Disclosure, If P&C group's and Mandatum Life group's risk figures are disclosed first, as they are managed separately. After the company level figures, the figures on Conglomerate solvency reporting at the group level are disclosed. In addition to this, the future reporting of Group's solvency according to Solvency II rules will be described. These reports will be supplied to supervisors for the first time in May 2016. The Risk Management Disclosure includes also the analysis of diversifications between sub-groups as well as an analysis of the leverage and liquidity of the parent company.

Capitalization at the Company Level

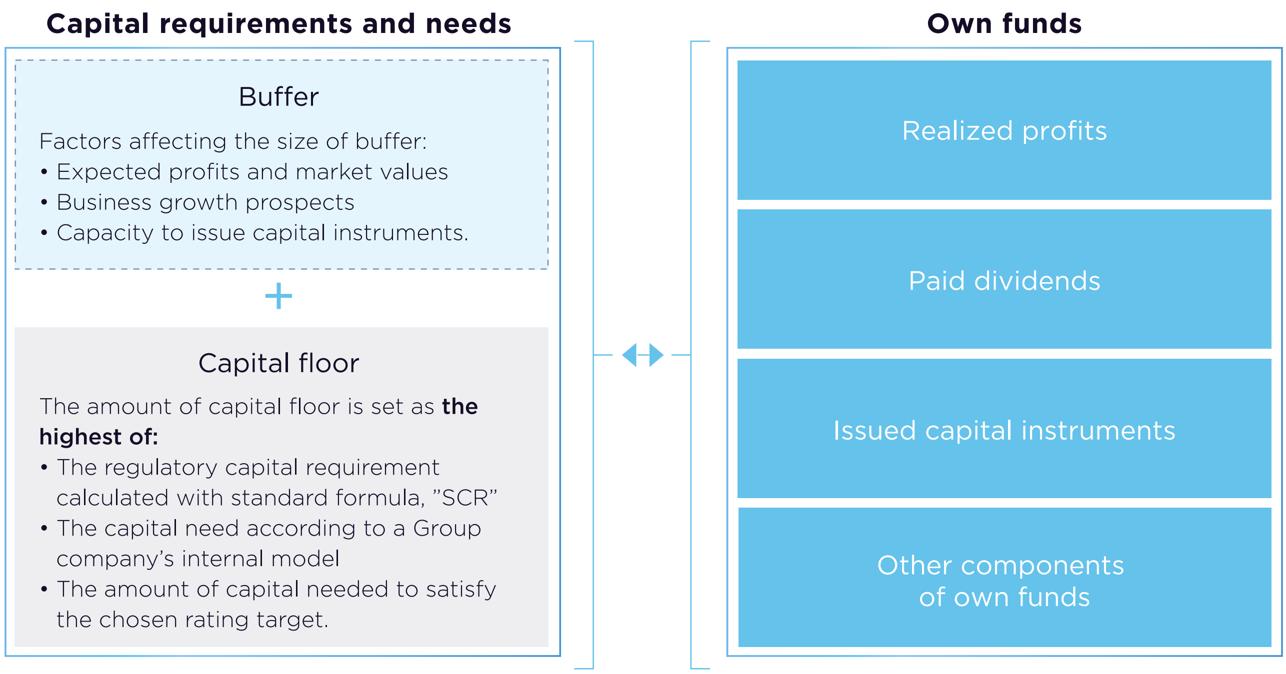
As noted before, in Sampo Group the first priority is to maintain **a balance between profits, risks and capital** in each of the separate business areas. In Sampo Group a balance between profits, risks and capital means that the actual amount of capital is maintained over a self-defined risk based capital need with a certain buffer.

In Solvency I ("SI") framework, the solvency capital requirement ("SCR") was insensitive to risks and the solvency margin excluded certain loss absorbing items like equalization reserves. This is why If P&C and Mandatum Life used economic capital figures as capital need estimates and so called adjusted solvency capital was the measure of the actual capital absorbing losses. Internal capitalization analysis was based on these more realistic estimates of capital need and capital base and they were disclosed regularly together with the respective statutory SI figures.

Solvency II SCRs and own funds ("OF") are more market consistent estimates of the capital need and the amount of loss absorbing items. In this risk disclosure Sampo Group will mainly disclose the SII based solvency figures.

The illustrative picture Sampo Group Companies' Capitalization Framework describes Sampo's approach to company-level capitalization when SII rules are in place.

Sampo Group Companies' Capitalization Framework



The regulatory SCR sets the level of capital at which a company is able to conduct its business without regulatory interventions. Hence, it is the starting point when the needed level of actual amount of capital is considered. Regardless of whether the regulatory capital requirement is calculated using the internal model or the standard formula, it reflects a 99.5 per cent confidence level which implies the same probability of default as a Triple-B rating from major rating agencies. In case the company's clients and counterparties prefer a higher than Triple-B creditworthiness from their insurance company, the level of capital must preferably be higher than the SCR, to ensure the company's ability to serve its client base.

To serve its current clients, If P&C is maintaining a Single-A rating and effectively is setting a higher capital floor than the SCR. Mandatum Life as a non-rated company considers the SCR to be an adequate capital floor.

Because risk exposures and profits evolve continuously over time and capital can sometimes erode rapidly due to stressed situations, there is a need to have a certain **buffer** between the actual amount of capital and the capital floor defined by the company. An adequate buffer gives time for the company to adjust its risks and capital in times of stress and to maintain the balance between risks and capital. In Sampo Group the management steers the balance between SCRs and OF through their decisions on risk profiles, dividend payments, capital instrument issuances and technical provisions. However, in the long run a sound profitability and satisfied clients are seen as the most important factor in maintaining an adequate capitalization. An adequate buffer also gives confidence to supervisors and counterparties.

The following factors are the most material when the size of buffer is considered:

- Expected profits and market values: the higher the level of expected profits and the lower the volatility of profits and market value of balance sheet, the smaller the volatility of own funds and buffer that is needed.
- Business growth prospects: if business is growing the buffer is larger than in the case of a run-off -business. For instance in Mandatum Life, capital consuming with profit business has already been in a virtual run-off mode for ten years.
- Other sources of capital: more capacity and ability to issue SII compliant capital instruments means that a lower buffer is needed.

Because of the above reasons, determination of the balance between profits, risks and capital in Sampo Group is based both on statistical modelling and measuring the risks and on subjective management considerations on the prudent level of the buffer.

When the balance between profits, risks and capital is met, the following three goals of Sampo Group are simultaneously obtainable:

(i) The company is able to conduct its business activities without supervisory intervention.

(ii) The company is able to conduct its business activities with all targeted client bases and the company has access to financial and debt issuance markets at terms and conditions implied by the company’s creditworthiness.

(iii) The company is able to pay targeted dividends to shareholders in the long run without endangering the balance between risk and capital.

On a company level, the target can also be set for the **capital structure**. In general, Sampo Group is in favour of strong capital structures and as a result Sampo Group companies currently have, according to SII rules, room for new hybrid capital and subordinated debt instruments in their balance sheet. However, at the moment there are no exact targets set for the amount of issued instruments.

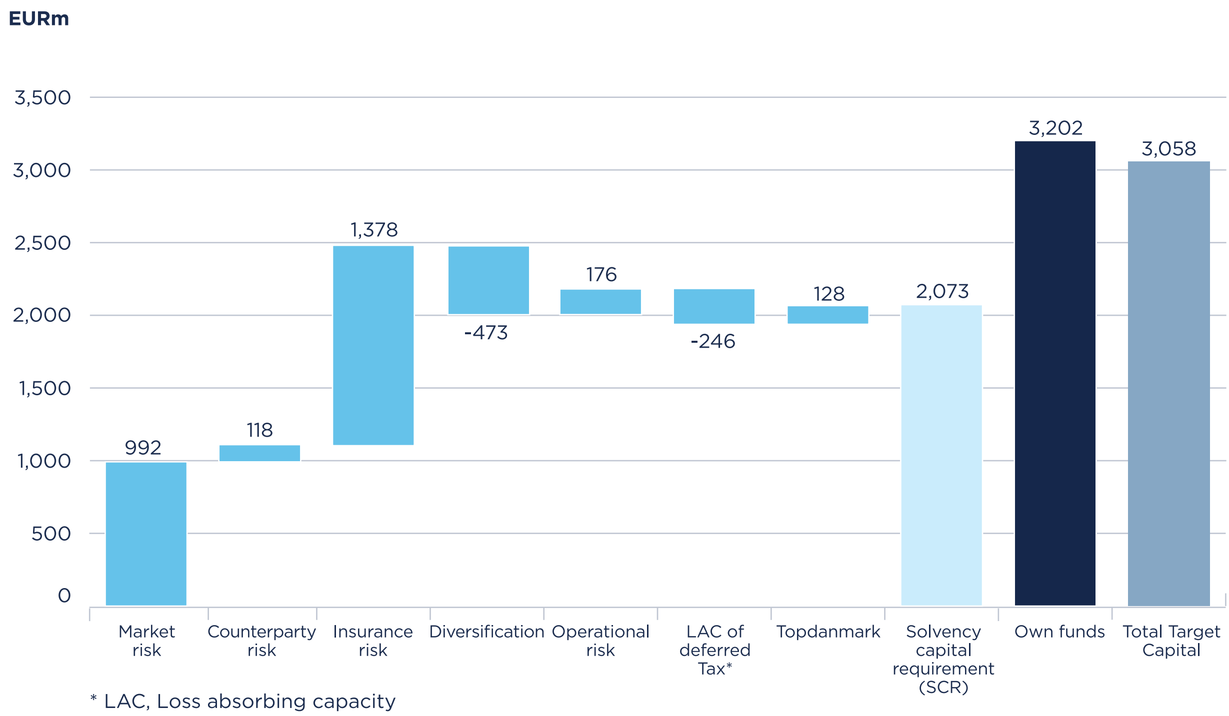
Solvency as of 31 December 2015:

If P&C calculates its disclosed SCR, corresponding to what would be the regulatory requirement if Solvency II group rules were enforced at the level of the If P&C group, and respective OF using the standard formula (“SF”). The internal model is currently used solely for the internal analysis. The difference between the SF and the internal model SCRs is mainly due to the standard formula not taking into account the geographical diversification between countries.

In If P&C, the SF OF was EUR 3,202 million while the SF SCR applying transitional measures on equity holdings was EUR 2,073 million. Hence, the solvency ratio was 154 per cent at the end of year 2015 and the buffer was EUR 1,129 million.

In the figure If P&C’s Solvency, 31 December 2015, SCR is divided into risk contributions. The diversification effect between risks is presented also in the figure. If P&C’s share of Topdanmark’s regulatory solvency requirement is included in the SCR as a separate requirement.

If P&C's Solvency
31 December 2015



* LAC, Loss absorbing capacity

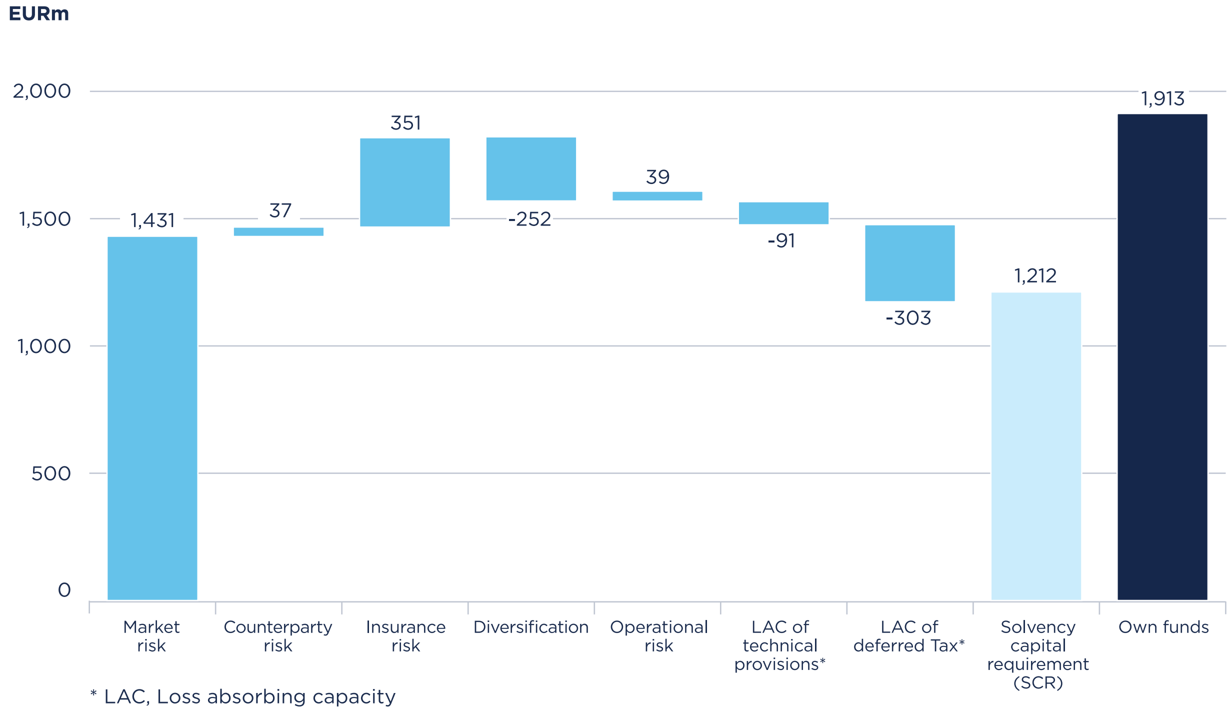
As described earlier If P&C's internally set capital floor based on the rating agency criteria is higher than the capital need based on its SCR. Effectively, If P&C is hence maintaining its OF and rating agency's Total Adjusted Capital over the rating agency's Total Target Capital ("TTC") for Single-A which is EUR 3,058 million. Because the capital amount according to TTC is much higher than the SCR, the evident consequence is that the buffer between the OF and the SCR is wide and the solvency ratio (=OF/SCR) is considered to be adequate. With regards to the capital structure, only EUR 200 million i.e. 6.2 per cent of the OF consisted of subordinated debt at the end of 2015.

The solvency and the capital structure of If P&C are strong. The level of If P&C's profitability is good and profit volatility has been low. There is also subordinated debt issuance capacity available. Hence, If P&C is in a good position to generate capital and to maintain a capital level needed for operations in the future as well.

Mandatum Life applies the Solvency II standard formula with transitional measures on equity. The OF is also affected by transitional measures, because Mandatum Life applies transitional measures on its technical provisions under Solvency II rules in regards to Mandatum Life's original pension policies with 3.5 per cent and 4.5 per cent guarantees. Also, so called volatility adjustment is applied when technical provisions are calculated. The size of SII liabilities with transitional measures of EUR 10,017 million is less than the respective figure without transitional measures EUR 10,724 million. Hence the transitional measures increase the OF.

The SII OF of Mandatum Life was EUR 1,913 million while the SCR was EUR 1,212 million. The solvency ratio (OF/SCR) was 158 per cent and the buffer was EUR 701 million. The OF without transitional measures on Technical Provisions would be EUR 1,347 million and the SCR without transitional measures on equity risk would be EUR 1,307 million.

Mandatum Life's Solvency
31 December 2015



* LAC, Loss absorbing capacity

Mandatum Life's view is that the calculation method with the transitional measures describes well the solvency position of the company. Mandatum Life's balance sheet is expected to be very different after transitional period, due to which the solvency position without the transitional measures is expected to develop favorably during the transitional period. The trend of with profit liabilities is decreasing (see figure Forecast of With Profit Liabilities, 31 December 2015–31 December 2031 within chapter Underwriting Risks) and liabilities with the highest guarantees is expected to fall from EUR 3,100 million to around EUR 1,000 million during the 16 year transitional period.

As a result capital tied to high guarantee business will decrease over time and simultaneously growing unit-linked business will create capital. This results in a positive trend on OF and SCR is expected to decrease, because investments backing decreasing liabilities are decreasing as well. Although the positive effect of the transitional measures decreases over time, the solvency position is expected to remain strong due to the expected positive OF trend and the decreasing SCR trend. Internally Mandatum Life is forecasting solvency ratios with and without the transitional measures and both forecasts are affecting the company's business decisions.

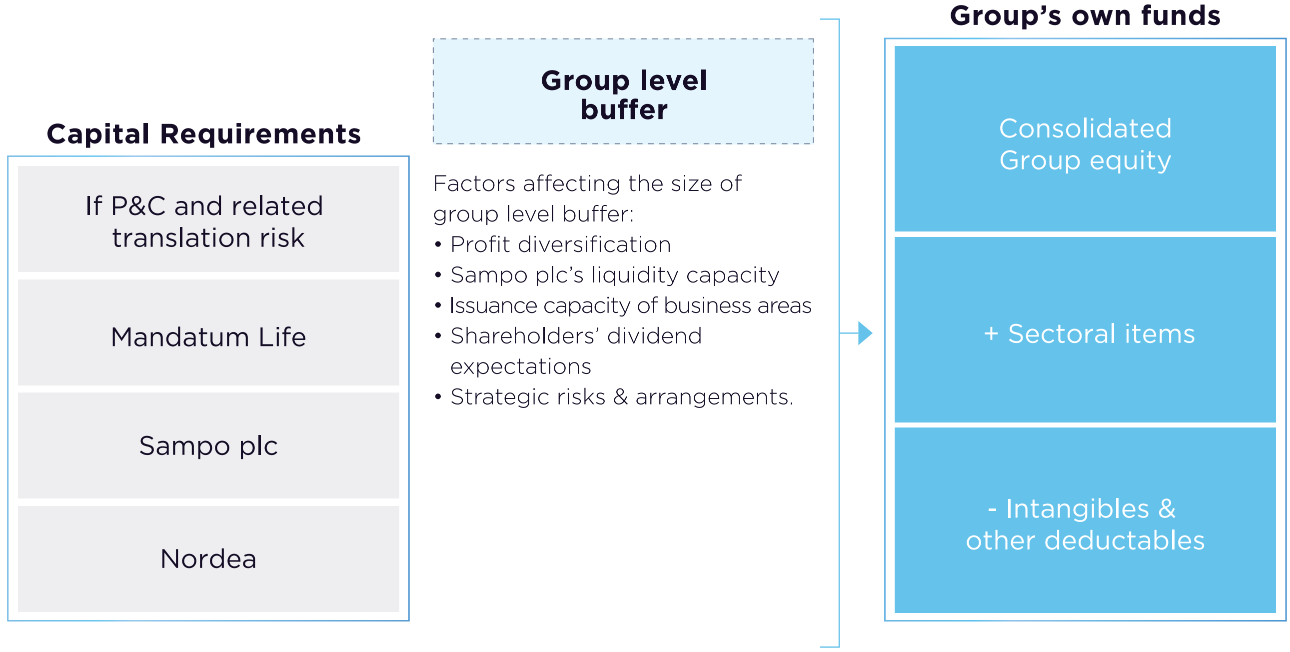
In regards to **Nordea**, the Swedish requirements for bank capital include components which are country-specific and thus the total requirement is higher than in many other countries. The Swedish FSA has communicated the capital requirement for Nordea and Nordea's capital policy aims to maintain a management buffer of 50–150 basis points above the capital requirement. By the end of third quarter 2015, the communicated Common Equity Tier 1 ("CET1") ratio requirement for Nordea was 15.4 per cent.

The Basel III Common Equity Tier 1 ratio of Nordea increased to 16.5 per cent in 2015. The CET1 capital amounted to EUR 23.6 billion and its own funds were EUR 30.9 billion. Nordea's capital requirement based on the transitional rules was EUR 17.7 billion and without the transitional rules, it was EUR 11.5 billion.

Capitalization at Group Level

The factors affecting Sampo Group level capitalization are illustrated in the picture Sampo Group's Capitalization Framework.

Sampo Group's Capitalization Framework



Group's capital need is dependent mainly on the capital needs of the business areas. The parent company's contribution to Group capital need is minor, because Sampo plc does not have any business activities of its own except for the management of its capital structure and liquidity portfolio.

The separate companies' internal capital needs and regulatory requirements include diversification effects between their risks. The diversification effect between companies exists also at group level, but to be conservative it is not included in the internally assessed capital need. This non-diversified method is consistent with the method enforced in Conglomerate Rules which are described more in detail later in this document. Since diversification has a central role in Sampo Group's business case, it is internally evaluated regularly and it affects group capitalization indirectly through the size of the capital buffer.

At the group level, the regulatory capital requirement and the actual amount of capital are also exposed to foreign currency translation risk. Translation risk may realize when the capital and the capital requirement of If P&C are converted from Swedish kronas ("SEK") to euros in the Group's consolidated figures. When SEK depreciates, the Group's own funds in euros decreases and the SCR of the If P&C will be lower in euros. As a result, the net effect on the Group solvency ratio is negative.

Group level translation risk differs from the other economic risks in the following ways:

- The risk has no effect on any separate legal entity's profits or their own funds. Hence hedging translation risks by a single legal entity is, if not impossible, at least problematic.
- The translation risk realizes into parent company's result only if the legal entity is sold.
- It may also appear that the Group solvency ratio decreases because of a weaker Swedish krona, while the equity of If P&C in Swedish kronas may be higher and the solvency of If P&C may be stronger than earlier.

Because of the above reasons, translation currency risk is monitored internally and its effect on Sampo Group's capital requirement and own funds are analyzed regularly. However, internally, no capital need is set for translation risk. Management decisions on Sampo Group's translation currency risk exposure may be made when a subsidiary or an associated company creating translation risk is potentially subject to merger, acquisition or other corporate restructuring. Also, decisions may be made if a major move in the EUR/SEK currency rate level is expected.

Group Actual Capital: The starting point of the Group's own funds is the Group's **consolidated equity**. Sampo's share of Nordea's own funds is consolidated into the Group own funds.

The next step is to add the so called **sectoral items** to the Group's consolidated equity. The sectoral items include, for example, the subordinated debt instruments held by the external investors. In addition, the **intangible assets** as well as **other deductible items** are subtracted from the consolidated equity.

Buffer: The amount of capital buffer at group level is dependent mostly on the following issues:

- How well-capitalized the separate subsidiaries and the associated company are in their base currencies: the stronger their solvency, the less buffer is needed at group level.
- The level and the volatility of the sub-groups' profits: the less volatile and the higher the profits are, the lower the buffer need is.
- The business entities' capacity to issue hybrid capital and subordinated debt instruments: the more capacity there is, the less need there is to increase the capital buffer at group level.
- The correlation between business entities' profits: the weaker the correlation, the greater the diversification benefits are and the smaller the need to reserve capital at group level. Parent company continuously monitors the realized profit correlations and forecasts sub-groups' future profits based on common macroeconomic forecasts.
- If the probability for strategic arrangements within the industry increases, the Board of Directors and the management of Sampo plc may favor maintaining a higher buffer than would otherwise be needed.
- Shareholders' expectations on dividends over time: when the majority of the shareholders expect a steadily increasing stream of dividends, a higher buffer than otherwise needed may be justified.
- Parent company's liquidity portfolio and leverage: the parent company's ability to generate funds is dependent on the size and the liquidity of the investment portfolio, as well as the company's leverage. The better this ability is, the smaller is the need for the buffer at group level. For these reasons Sampo plc strives to withhold a strong liquidity and a low leverage.

Calculation procedures and Group solvency figures: As described earlier, the starting point of **Group's own funds** is the consolidated Group equity. The sectoral items are added to it and the intangibles and other deductibles are subtracted from it. There are no major differences between Conglomerate Rules and SII methods.

The Group capital requirement ("Group SCR") is calculated either by the Conglomerate Rule or Solvency II directive.

- **According to the Conglomerate Rule,** the Group's total minimum requirement for own funds is the sum of the separate sub-group's requirements (sectoral rules) and the parent company's requirement (banking rules) for the solvency capital. The Conglomerate capital requirement does not take into account any diversification between the companies. Hence it is a quite conservative measure of capital requirement and easy to interpret as well.
- When the Group SCR is calculated by **Solvency II rules**, there are two phases:

(i) The diversified capital requirement is calculated for the insurance group including the parent company Sampo plc, If P&C and Mandatum Life. There is also capital requirement for the translation risk related to SEK denominated equity of If P&C.

(ii) Sampo plc's portion of Nordea's capital requirement is added to the insurance group's capital requirement.

The SII SCR takes into account diversification only within the insurance group thus excluding the diversification effect of Nordea.

Sampo Group's regulatory solvency by Conglomerate Rules applying the current SI rules for insurance subsidiaries is reported in table Group Solvency According to the Act on the Supervision of Financial and Insurance Conglomerates, 31 December 2015 and 31 December 2014. The Group solvency ratio increased from 187 per cent to 193 per cent.

The difference between the two calculation methods as of 31 December 2015 is presented in the two last columns of the table. The difference in Solvency capital stems mainly from the lower value of insurance liabilities with transitional measures which is reflected as higher own funds of insurance subsidiaries. Solvency capital requirements of insurance subsidiaries applying SII rules are higher than the SI requirements. As a net result, the Group solvency ratio decreases from 193 per cent to 145 per cent when the new sectoral rules for insurance subsidiaries will come into effect.

Group Solvency According to the Act on the Supervision of Financial and Insurance Conglomerates

31 December 2015 and 31 December 2014

Regulatory solvency, EURm	31 Dec 2014	31 Dec 2015	31 Dec 2015 *
Group Capital	10,924	11,411	11,411
Sectoral Items	1,685	1,658	2,254
Intangibles and other deductibles	-2,334	-2,266	-2,167
Planned dividends	-1,092	-1,204	-1,204
Group's own funds	**9,183**	**9,598**	**10,293**
Sampo plc	40	59	59
If P&C	841	881	2,073
Mandatum Life	271	269	1,212
Nordea	3,746	3,770	3,770
Mandatum Life Insurance Baltic SE	4	4	
Minimum requirements for own funds, total	**4,901**	**4,983**	**7,114**
Group Solvency (Buffer)	4,282	4,616	3,179
Group Solvency ratio, %	187%	193%	145%

(*) Solvency II requirements applied to If P&C and Mandatum Life

Calculation method according to Conglomerate Rules does not take into account any diversification effects between Group's business areas as is the case when insurance groups calculate their Group solvency applying SII rules. In order to include the diversification effect between business areas into Group's capital need, Sampo is using correlations of quarterly reported profits between business areas when assessing the diversification effect. With this adjustment the resulting diversified Group capital need would be EUR 5,496 million and the Group solvency ratio would be 187 per cent.

Diversification Effect and Group's Internal Capital Adequacy Assessment
31 December 2015

Correlations of Quarterly Reported Profits	
Nordea vs. If P&C	0.27
Nordea vs. Mandatum Life	0.13
If P&C vs. Mandatum Life	0.85

Internal Capital Adequacy Assessment	EURm
Diversification Effect	-1,618
Diversified Capital Need	5,496
Buffer	4,798
Group Solvency Ratio, %	187%

Adequacy of buffer at group level: Sampo plc considers that the buffer between Group own funds and Group capital requirement is more than adequate in light of the facts below.

- **Due to the business entities' good profits and low volatilities, there is no need for extra buffers.** If P&C and Nordea have strong capitalization and sound profitability. The OF of If P&C is maintained above the capital level based on the Single-A rating target. Nordea's amount of capital is affected by the Swedish rules that are one of the strictest within European jurisdictions. In addition, both If P&C and Nordea have maintained high profitability and low volatility of profits. In Sampo plc's opinion, If P&C and Nordea have themselves relatively high buffers included in their capital and the parent company needs only minor additional reserves for them, if any.

  Mandatum Life is the smallest company in Group and its OF with transitional measures is relatively high compared to SCR. Mandatum Life's with-profit business with high guarantees is in a run-off mode. Hence the capital need is decreasing over time.
- **Diversification effects within Group are positive:** The correlation of the business areas' reported profits are quite modest as presented in the table Diversification Effect and Group's Internal Capital Adequacy Assessment, 31 December 2015. In particular, Nordea's profits are weakly correlated with If P&C's and Mandatum Life's profits. Hence, there is a clear diversification benefit within group.
- **The parent company's capacity to generate liquidity is strong.** The capacity to generate funds is dependent on leverage and liquidity buffers which can be inferred from the table Sampo plc Balance Sheet Structure, 31 December 2015.

Sampo plc Balance Sheet Structure

31 December 2015

Assets total, EURm	**9,606**
Liquidity	**739**
Investment Assets	**275**
Real estate	2
Fixed income	25
Equity & Private equity	248
Sub-ordinated loans	**579**
Equity holdings	**7,928**
Subsidiaries	2,370
Associated	5,557
Other assets	85

Liabilities total, EURm	**9,606**
CP's issued	**305**
LT Senior debt	**1,997**
Private placements	159
Bonds issued	1,838
Sub-ordinated debt	**0**
Capital	**7,159**
Undistributable capital	98
Distributable capital	7,061
Other liabilities	145

Financial leverage measured as the portion of debt of all liabilities was low, being 24 per cent.

Leverage can be assessed also by ratios Net Debt to Group Equity and Net Debt to Group NAV. Sampo plc's Gross Debt was EUR 2,302 million and EUR 1,343 million of its total financial assets of EUR 1,593 million were in interest bearing instruments. Hence, net debt was EUR 959 million.

When this Net Debt is divided by the book value of Sampo plc's equity holdings of EUR 7,928 million, the resulting ratio or "Loan-to-Value" ("LTV") would be 12 per cent. However, the post-dividend Net Debt will be higher than EUR 959 million, but this is compensated by the higher market value of Sampo plc´s holdings compared to the book value of EUR 7,928 million. As a net result the realistic LTV is lower than 12 per cent.

In regards to **liquidity**, the liquid funds of Sampo plc were EUR 739 million. After all dividends have been received and paid the estimated liquidity will be approximately EUR 150 million. The need of liquid funds for the normal cash management purposes is about EUR 50 million and thus there is additional liquidity to be used for other purposes amounting to approximately EUR 100 million. Furthermore, investment assets and sub-ordinated loans can be sold if additional liquidity is needed.

Because sub-ordinated loans presented in the table Sampo plc Balance Sheet Structure, 2015 are issued by If P&C, Mandatum Life, Nordea and Topdanmark, they are eliminated from Group solvency capital. In the event that these assets would be sold, in addition to liquidity in Sampo plc, also OF would be created at group level.

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 a good amount of liquid funds.

Underwriting Risks

With respect to the underwriting businesses carried out in the subsidiary companies, it has been established that If P&C and Mandatum Life operate mostly in different lines of business and hence their underwriting risks are, by their nature, different. The most material common risk factor which affects both companies' technical provisions is the life expectancy in Finland.

Hence, there are no material underwriting risk concentrations under the normal course of business and, consequently, business lines as such are contributing diversification benefits rather than a concentration of risks. This is why underwriting risks can be described only at the company level.

Risk definitions related to underwriting risks may be found in Appendix 2 (Risk Definitions).

Non-life Insurance Underwriting Risks

Premium Risk and Catastrophe Risk Management and Control

The Underwriting Committee ("UWC") 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 ("UW Policy") which is the principal document for underwriting, and sets general principles, restrictions and directions for the underwriting activities. The Boards of Directors of If P&C approve the UW Policy at least once a year.

The Chairman of the UWC is responsible for the reporting of policy deviations and other issues dealt with by the committee.

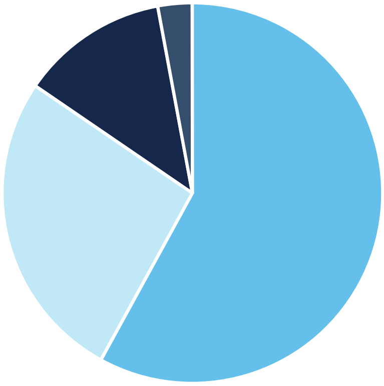
The UW Policy is supplemented with guidelines outlining in greater detail how to conduct underwriting within each business area. These guidelines cover areas such as tariff and rating models for pricing, guidelines in respect of standard conditions and manuscript wordings, as well as authorities and 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 based to a greater extent on principles and individual underwriting than on strict 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.

The insurance portfolio is well diversified, given the fact that If P&C has a large customer base and the business is underwritten in different geographical areas and across several lines of business. The degree of diversification is shown in the figures Breakdown of Gross Written Premiums by Business Area, Country and Line of Business, If P&C, 2015.

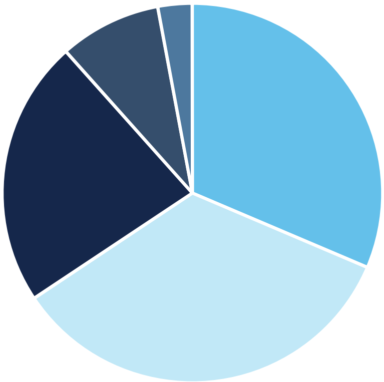
Breakdown of Gross Written Premiums by Business Area

If P&C, 2015, total EUR 4,559 million



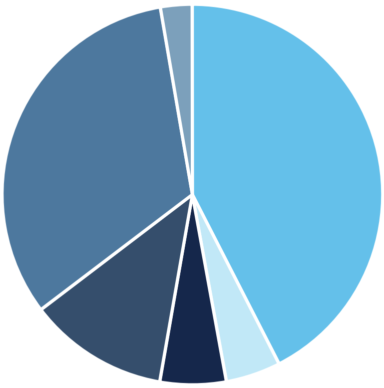
Breakdown of Gross Written Premiums by Country

If P&C, 2015, total EUR 4,559 million



Breakdown of Gross Written Premiums by Line of Business

If P&C, 2015, total EUR 4,559 million



The item Other (including group eliminations) is not shown in the breakdowns above but it is included in total gross written premiums. There are minor differences between the figures reported by Sampo Group and If P&C due to differences in foreign exchange rates used in consolidation.

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, single large claims could have an impact on the insurance operations' result. The economic impact of natural disasters and single large claims is managed using reinsurance and through diversification.

If P&C's Reinsurance Policy stipulates guidelines for the purchase of reinsurance. The need and optimal choice of reinsurance is evaluated by looking at the expected cost versus the benefit of the reinsurance, the impact on result volatility and decreased capital requirement. The main tool for this evaluation is If P&C's Internal Model in which small claims, single large claims and natural catastrophes are modelled.

A group-wide reinsurance program has been in place in If P&C since 2003. In 2015, retention levels were between SEK 100 million (approximately EUR 10.9 million) and SEK 250 million (approximately EUR 27.2 million) per risk and SEK 250 million (approximately EUR 27.2 million) per event.

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 P&C, 31 December 2015 and 31 December 2014.

Sensitivity Test of Underwriting Result

If P&C 31 December 2015 and 31 December 2014

			Effect on pretax profit, EURm	
Key figure	Current level (2015)	Change in current level	2015	2014
Combined ratio, business area Private	88,1%	+/- 1 percentage point	+/- 26	+/- 26
Combined ratio, business area Commercial	89,2%	+/- 1 percentage point	+/- 12	+/- 13
Combined ratio, business area Industrial	99,4%	+/- 1 percentage point	+/- 4	+/- 5
Combined ratio, business area Baltics	85,7%	+/- 1 percentage point	+/- 1	+/- 1
Net premiums earned (EURm)	4,395	+/- 1 per cent	+/- 44	+/- 45
Net claims incurred (EURm)	3,180	+/- 1 per cent	+/- 32	+/- 29
Ceded written premiums (EURm)	183	+/- 10 per cent	+/- 18	+/- 17

Reserve Risk Management and Control

The Boards of Directors of If P&C decide on the guidelines governing the calculation of technical provisions. If P&C's 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 the total provisions is sufficient. At group level, the Chief Actuary issues a quarterly report on the adequacy of technical provisions, which is submitted to the Boards of Directors, CEOs, CFO and the ORSAC of If P&C.

The Actuarial Committee is a preparatory and advisory board for If P&C's 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 provisions, the Chain Ladder and Bornhuetter-Fergusson methods are generally used, combined with projections of the number of claims and the average claim costs.

The anticipated inflation trend is taken into account when calculating all provisions and is of the utmost importance for claims settled over a long period of time, such as Motor Third Party Liability (MTPL) and Workers' Compensation (WC). 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 P&C's own estimation of costs for various types of claims. For lines of business such as MTPL and WC, legislation differs significantly between countries. Some of the Finnish, Swedish and Danish technical provisions for these lines include annuities that are sensitive to changes in mortality assumptions and discount rates. The proportion of technical provisions related to MTPL and WC was 68 per cent.

Technical provisions and the economic durations broken down by the line of business and major geographical area is shown in the table Technical Provisions by Line of Business and Major Geographical Area, If P&C, 31 December 2015.

Technical Provisions by Line of Business and Major Geographical Area

If P&C, 31 December 2015

	Sweden		Norway		Finland		Denmark		Total	
	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration
Motor other and MTPL	2,642	8.4	607	2.0	1,031	12.4	152	1.9	4,432	7.1
Workers' compensation	0	-	292	4.0	1,191	11.0	248	5.7	1,732	9.8
Liability	305	2.9	140	2.2	136	3.0	73	1.6	653	2.7
Accident	284	5.4	339	2.8	167	4.7	84	1.5	875	3.3
Property	441	1.5	506	1.2	206	1.2	97	0.8	1,249	1.0
Marine, aviation, transport	30	1.3	50	0.7	13	0.5	16	0.9	109	0.8
Total	**3,702**	**6.8**	**1,934**	**2.3**	**2,744**	**10.1**	**670**	**3.3**	**9,050**	**6.7**

The sensitivity of If P&C'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 P&C, 2015.

Sensitivities of Technical Provisions

If P&C, 2015

Technical provision item	Risk factor	Change in risk parameter	Country	Effect EURm 2015
Nominal provisions	Inflation increase	Increase by 1%-point	Sweden	217.7
			Denmark	9.2
			Norway	40.0
			Finland	39.6
Annuities and estimated share of claims provisions to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	33.5
			Denmark	1.5
			Finland	60.7
Discounted provisions (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1%-point	Sweden	65.3
			Denmark	10.9
			Finland	283.5

From 2014 onwards the estimated share of claims provision to future annuities are included in the life expectancy increase sensitivity.

If P&C's technical provisions are further analysed by claims years. The output from this analysis are illustrated both before and after reinsurance in the claims cost trend tables. These are disclosed in the Note 27 to the Financial Statements.

Life Insurance Underwriting Risks

In 2014 Mandatum Life received from Suomi Mutual its with profit group pension portfolio. This group pension portfolio and related assets are segregated ("segregated group pension portfolio") from rest of the Mandatum Life balance sheet. The segregated group pension portfolio has its own profit sharing rules, investment policy and asset liability management committee. The with profit liabilities other than segregated group pension portfolio are referred to as the "original" with profit liabilities hereafter.

Biometric Risks

The long duration of policies and restriction of Mandatum Life's right to raise tariffs increases biometric risks. If the premiums turn out to be inadequate and cannot be increased, technical provisions have to be supplemented with an amount corresponding to the increase in expected losses.

The table Claim Ratios After Reinsurance, Mandatum Life, 2015 and 2014 shows the insurance risk result in Mandatum Life's Finnish life insurance policies. The ratio of the actual claims costs to the assumed was 72 per cent in 2015 (79 per cent in 2014). Sensitivity of the insurance risk result can also be assessed on the basis of the information in the table. For instance the increase of mortality by 100 per cent would increase the amount of benefit payments from EUR 10 million to EUR 19 million.

Claim Ratios After Reinsurance
Mandatum Life, 2015 and 2014

	2015			2014		
EURm	Risk income	Claim expense	Claim ratio	Risk income	Claim expense	Claim ratio
Life insurance	**42.4**	**20.1**	**47%**	**45.3**	**27.5**	**61%**
Mortality	24.0	9.7	40%	27.2	16.5	61%
Morbidity and disability	18.4	10.4	57%	18.1	11.0	61%
Pension	**68.1**	**59.9**	**88%**	**63.1**	**58.5**	**93%**
Individual pension	11.6	12.3	106%	9.6	10.2	107%
Group pension	56.5	47.6	84%	53.5	48.3	90%
Mortality (longevity)	48.9	43.2	88%	49.4	45.6	92%
Disability	7.6	4.4	58%	4.1	2.7	66%
Mandatum Life	**110.5**	**80.0**	**72%**	**108.4**	**86.0**	**79%**

Longevity risk is the most critical biometric risk in Mandatum Life. 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, i.e. for the segregated group pension portfolio the average age is around 67 years and for the other (original) group pension portfolios it's around 69 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 2014 technical provision by EUR 106 million (EUR 108 million in 2014) including a EUR 87 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 2015 was EUR 5.7 million (EUR 3.8 million in 2014).

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 differ 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 the claims experience deteriorates.

The insurance portfolio of Mandatum Life is relatively well diversified and does not include a major concentration of risks. To further mitigate the effects of possible risk concentrations, Mandatum Life has catastrophe reinsurance in place.

Policyholder Behavior and Expense Risks

From an ALM point of view, surrender and lapse risks are less significant because in Mandatum Life, around 90 per cent of with profit technical provisions consist of pension policies in which surrender is possible only in exceptional cases. For ALM risk, surrender risk is therefore only relevant in individual life and capital redemption policies of which the related technical provisions amounts to only 5 per cent (EUR 233 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. Surrender and lapse risks are taken into account when the company is analyzing its ALM risk.

Policy terms and tariffs cannot usually be changed materially during the lifetime of the insurance, which increases the expense risk. The main challenge is to keep the expenses related to insurance administrative processes and complex IT infrastructure at a competitive level. In year 2015, the expense result was EUR 25 million (EUR 19 million in 2014). Mandatum Life does not defer insurance acquisition costs.

Discount Rate Risk in Technical Provisions

In most of the original with profit policies, the guaranteed interest rate is 3.5 per cent. In individual policies sold in Finland before 1999, the guaranteed interest rate is 4.5 per cent, which is also the statutory maximum discount rate of these policies. With respect to these policies, the maximum discount rate used when discounting technical provisions has been decreased to 3.5 per cent. As a result, technical provisions have been supplemented with EUR 55 million in 2015 (EUR 69 million in 2014). In addition, EUR 79 million has been reserved to lower the interest rate of with profit liabilities to 1.0 per cent in 2016, EUR 71 million for the year 2017 to lower the interest rate of with profit liabilities to 1.25 per cent and EUR 38 million for the year 2018 to lower the interest rate of with profit liabilities to 2.25 per cent. In total, Mandatum Life has set up an extra reserve of EUR 244 million as part of the original insurance portfolio's technical provisions.

The guaranteed interest for the segregated group pension policies is mainly 3.5 per cent. More important from the risk management point of view is that the discount rate of liabilities is 0.75 per cent. The discount rate was decreased on 31 December 2015 from 1.0 per cent to 0.75 per cent which increased the reserve for decreased discount rate to EUR 257 million (EUR 241 million in 2014). The reserve for future bonuses has an important role in the risk management of the segregated group pension portfolio. The reserve amounts to EUR 157 million and EUR 145 million of it can be used to cover possible investment losses or to finance possible changes in the discount rate of segregated technical provisions.

The provisions related to each product type and guaranteed interest rates are shown in the table Analysis of the Change in Provisions before Reinsurance, Mandatum Life, 2015. The table also shows the change in each category during 2015.

Analysis of the Change in Provisions before Reinsurance

Mandatum Life, 2015

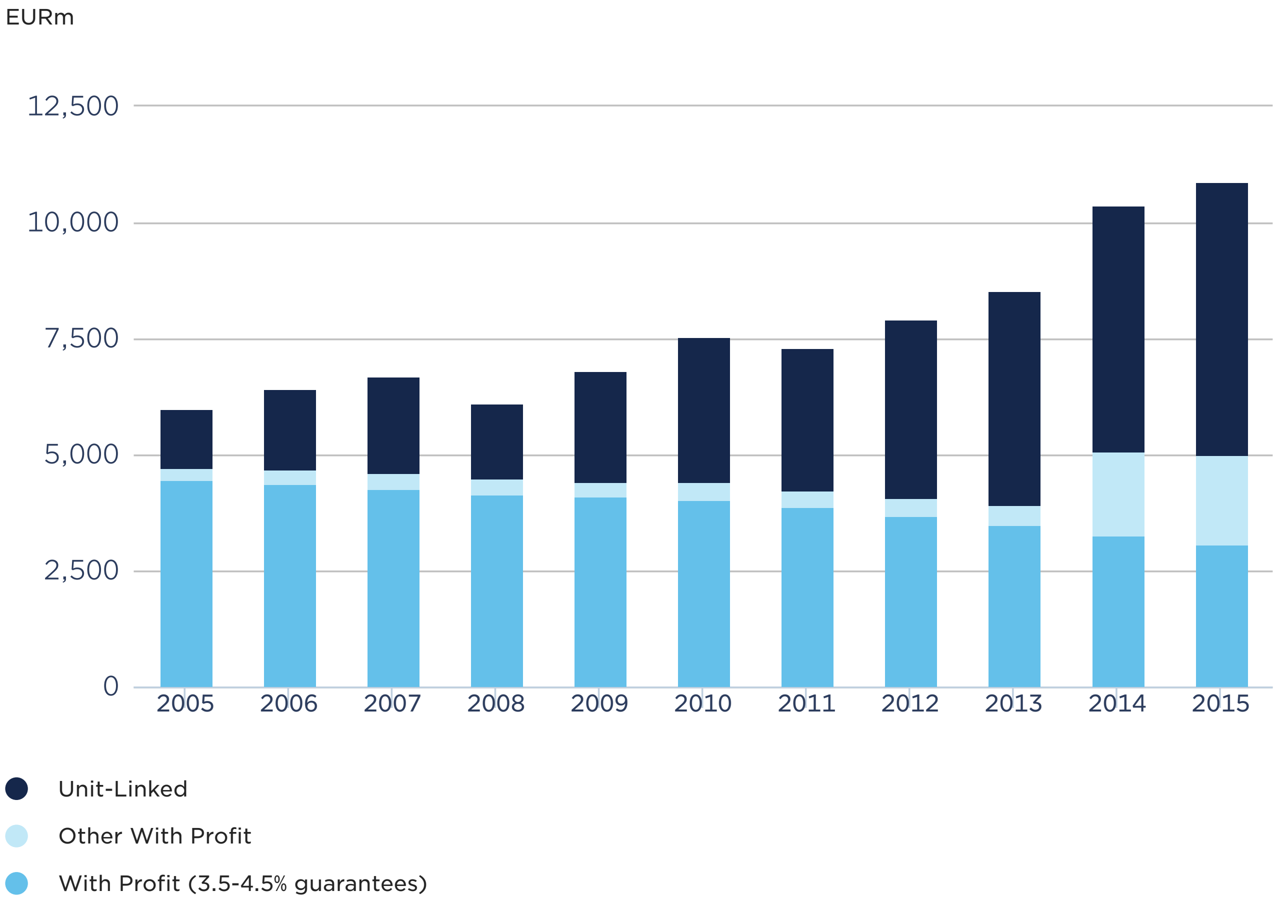
EURm	Liability 2014	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	Other	2015	Share %
Mandatum Life parent company									
Unit-linked total	**5,159**	**938**	**-531**	**-63**	**0**	**0**	**200**	**5,703**	**52**
Individual pension insurance	1,149	72	-11	-15	0	0	53	1,248	11
Individual life	1,826	406	-167	-19	0	0	56	2,104	19
Capital redemption operations	1,677	385	-350	-22	0	0	88	1,779	16
Group pension	507	75	-4	-8	0	0	2	573	5
With profit and others total	**5,047**	**177**	**-443**	**-37**	**152**	**0**	**101**	**4,996**	**46**
Group pension	**2,248**	**54**	**-194**	**-7**	**77**	**1**	**2**	**2,180**	**20**
Guaranteed rate 3,5%	2,109	26	-180	-5	73	0	-13	2,010	18
Guaranteed rate 2,5%, 1,5% or 0,0%	139	27	-14	-2	4	0	15	170	2
Group pension insurance, segregated portfolio	**1,228**	**12**	**-57**	**-1**	**27**	**0**	**-12**	**1,196**	**11**
Basic liabilities, guaranteed rate 3,5%	805	12	-57	-1	27	0	-4	782	7
Reserve for decreased discount rate (3,5% -> 0,75%)	241	0	0	0	0	0	15	257	2
Future bonus reserves	181	0	0	0	0	0	-24	157	1
Individual pension insurance	**1,038**	**14**	**-146**	**-5**	**42**	**0**	**30**	**973**	**9**
Guaranteed rate 4.5%	836	9	-104	-4	36	0	-4	770	7
Guaranteed rate 3.5%	150	3	-25	-1	5	0	10	142	1
Guaranteed rate 2.5% or 0.0%	52	2	-17	-0	1	0	24	61	1
Individual life insurance	**218**	**32**	**-34**	**-10**	**7**	**0**	**-16**	**197**	**2**
Guaranteed rate 4.5%	67	5	-9	-1	3	0	-3	61	1
Guaranteed rate 3.5%	100	10	-11	-3	3	0	-7	93	1
Guaranteed rate 2.5% or 0.0%	51	17	-14	-6	1	0	-5	44	0
Capital redemption operations	**4**	**30**	**-0**	**0**	**0**	**0**	**1**	**36**	**0**
Guaranteed rate 3.5%	0	0	0	0	0	0	0	0	0
Guaranteed rate 2.5% or 0.0%	4	30	-0	0	0	0	1	36	0
Future bonus reserves	**0**	**0**	**0**	**0**	**0**	**0**	**-0**	**0**	**0**
Reserve for decreased discount rate	**135**	**0**	**0**	**0**	**0**	**0**	**109**	**244**	**2**
Longevity reserve	**108**	**0**	**0**	**0**	**0**	**0**	**-2**	**106**	**1**
Assumed reinsurance	**2**	**2**	**-0**	**0**	**0**	**0**	**-2**	**2**	**0**
Other liabilities	**66**	**33**	**-11**	**-13**	**0**	**0**	**-12**	**63**	**1**
Mandatum Life parent company total	**10,207**	**1,115**	**-974**	**-100**	**153**	**1**	**299**	**10,699**	**98**
Subsidiary SE Sampo Life Insurance Baltic	**170**	**34**	**-27**	**-3**	**1**	**0**	**-1**	**173**	**2**
Unit-linked liabilities	153	30	-25	-3	0	0	-0	155	1
Other liabilities	17	3	-2	-1	1	0	-1	18	0
Mandatum Life group total	**10,377**	**1,149**	**-1,001**	**-104**	**153**	**0**	**298**	**10,873**	**100**

The unit-linked business has been Mandatum Life's main focus area since 2001. Since then the trend of unit-linked technical provisions has been upward and the average annual change in unit-linked technical provisions has been 24 per cent per annum. Due to the nature of unit-linked business, volatility between the years is relatively high.

In contrast, the trend of original with profit technical provisions has been downward since 2005. In particular, the parts of technical provisions with the highest 4.5 per cent and 3.5 per cent guarantees have decreased. The technical provisions with the highest guarantees fell by EUR 188 million. In total the with profit technical provisions decreased modestly, only EUR 51 million to the level of EUR 5,014 million, due to the set reserves.

The development of the structure and amount of Mandatum Life's technical provisions is shown in the figure Development of With Profit and Unit-linked Technical Provisions, Mandatum Life, 2005–2015.

Development of With Profit and Unit-linked Technical Provisions
Mandatum Life, 2005–2015

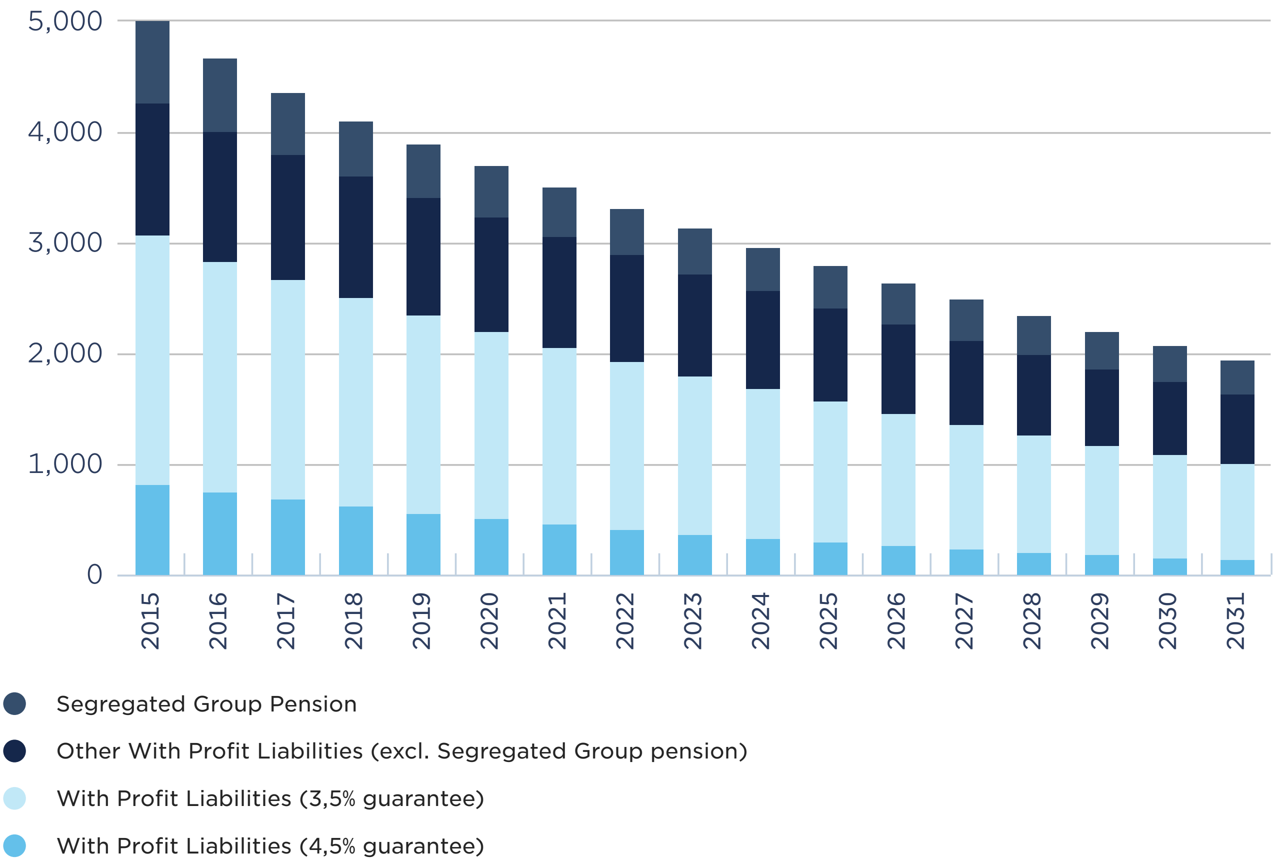


The decreasing trend of with profit liabilities is expected to continue, liabilities with the highest guarantees are expected to decrease from EUR 3,100 million to around EUR 1,000 million during the Solvency II transitional period of the technical provision (1 January 2016–31 December 2031). The figure Forecast of With Profit Liabilities, 31 December 2015–31 December 2031 shows the expected trend of existing with profit liabilities.

Forecast of With Profit Liabilities

31 December 2015–31 December 2031

EURm



The table Expected Maturity of Insurance and Investment Contracts before Reinsurance, Mandatum Life, 31 December 2015 shows the expected maturity and duration of insurance and investment contracts of Mandatum Life. The sensitivity of technical provisions to changes in discount rates can be assessed on the basis of the durations shown in the table.

Expected Maturity of Insurance and Investment Contracts before Reinsurance

Mandatum Life, 31 December 2015

EURm	Duration	2016-2017	2018-2019	2020-2024	2025-2029	2030-2034	2035-2039	2040-
Mandatum Life parent company								
Unit-linked liabilities total	**8.4**	**1,089**	**840**	**1,560**	**1,057**	**800**	**313**	**402**
Individual pension insurance	10.8	148	136	295	247	196	141	157
Individual life	7.9	437	310	594	377	331	98	97
Capital redemption operations *)	6.7	453	332	527	328	198	21	63
Group pension	11.3	51	62	144	104	75	53	85
With Profit and other liabilities total	**9.4**	**1136**	**844**	**1519**	**1071**	**754**	**513**	**739**
Group pension	**10.8**	**366**	**338**	**697**	**527**	**393**	**284**	**434**
Guaranteed rate 3.5%	10.8	339	317	658	496	368	265	399
Guaranteed rate 2.5%, 1.5% or 0.0%	11.4	27	20	39	30	25	19	35
Group pension insurance, segregated portfolio	**10.7**	**174**	**161**	**352**	**278**	**209**	**145**	**188**
Individual pension insurance	**6.8**	**301**	**238**	**360**	**190**	**95**	**46**	**64**
Guaranteed rate 4.5%	6.9	222	180	292	155	74	34	53
Guaranteed rate 3.5%	6.5	50	35	45	26	16	8	7
Guaranteed rate 2.5% or 0.0%	5.6	29	23	23	9	5	3	4
Individual life insurance	**9.3**	**55**	**35**	**65**	**43**	**32**	**22**	**33**
Guaranteed rate 4.5%	8.9	17	13	23	14	11	7	9
Guaranteed rate 3.5%	10.6	21	15	29	22	16	12	21
Guaranteed rate 2.5% or 0.0%	7.1	16	7	13	8	5	3	3
Capital redemption operations *)	**8.0**	**3**	**11**	**5**	**6**	**5**	**2**	**1**
Guaranteed rate 3.5%	0.0	0	0	0	0	0	0	0
Guaranteed rate 2.5% or 0.0%	8.0	3	11	5	6	5	2	1
Future bonus reserves	**1.0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reserve for decreased discount rate	**2.4**	**167**	**48**	**14**	**8**	**4**	**2**	**3**
Longevity reserve	**11.8**	**10**	**10**	**23**	**19**	**16**	**12**	**17**
Assumed reinsurance	**0.5**	**2**	**0**	**0**	**0**	**0**	**0**	**0**
Other liabilities	**0.9**	**57**	**3**	**2**	**0**	**0**	**0**	**0**
Mandatum Life Parent Company total	**8.9**	**2,225**	**1,684**	**3,078**	**2,128**	**1,554**	**826**	**1,141**
Subsidiary Se Sampo Life Insurance Baltic		**15**	**22**	**38**	**18**	**34**	**21**	**49**
Unit-linked liabilities		11	19	32	15	32	21	49
Other liabilities		4	3	6	2	1	0	0
Mandatum Life group total		**2,240**	**1,706**	**3,117**	**2,145**	**1,588**	**847**	**1,190**

** Investment contracts*

Life Insurance Risk Management

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 and 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 risk selection and claims 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. Mandatum Life has catastrophe cover to mitigate the effect of possible catastrophes.

The risk result is followed actively and thoroughly analyzed annually. 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. Tariffs and prices, as well as the reinsurance principles and reserving principles are reviewed and approved annually by the Board of Directors of Mandatum Life.

Investment Portfolio Market Risks

In Sampo Group, performance and market risks related to investment portfolios are mostly straightforward to analyse and manage, because Group applies mark-to-market procedures to most of its investments and only seldom are there instruments that require mark-to-model procedures.

In addition to investment portfolio market risks, the companies' balance sheets are also exposed to market and liquidity risks. These balance sheet level risks are defined as ALM risks and they are covered later in the section ALM risks. The ALM risks at the balance sheet level are taken carefully into account when investment portfolio allocations are designed and related limits and restrictions are defined.

Risk definitions related to investment portfolio market risks may be found in Appendix 2 (Risk Definitions).

Principles of Investment Portfolio Management

Investments (excluding Mandatum Life's investments covering unit-linked policies) are managed according to the subsidiaries' Investment Policies that are based on the features of insurance liabilities and solvency.

The investment portfolios are reported on a fair value basis. These fair values are determined either on the basis of direct market quotes or by using various valuation models. More information on the valuation methods of the investment assets is presented in Note 17 of Sampo Group Financial Statements.

Sampo Group's Chief Investment Officer is responsible for managing investments within the limitations of the Investment Policies prepared by Group companies and approved by Group companies' Boards of Directors. The insurance subsidiaries and the parent company have a common group-wide infrastructure for investment management as well as for performance and risk reporting which facilitates simultaneous company level and group level reporting.

Sampo Group has a thorough understanding of the Nordic markets and issuers and consequently Group's direct investments are mainly made in Nordic securities although lately direct investments outside non-Nordic countries have increased. Mandatum Life's direct investments are mainly denominated in euro and in companies geographically located in Finland and selectively in other countries, whereas, If P&C has the major part of its direct investments denominated in the Scandinavian currencies and in the respective countries. Through effective differentiation in asset selection between companies, concentration risk is proactively managed at group level.

When investing in non-Nordic securities, funds or other assets, third party managed investments are mainly used. These investments are primarily used as a tool in tactical asset allocation when seeking return and secondarily in order to increase diversification.

The external asset managers and funds managed by them are selected for both companies by the same members of Sampo Group's Investment Unit. The funds are mostly allocated to areas outside of the Nordic countries. Consequently, the risk of unidentified or unwanted concentrations is relatively low.

Market risk control is separated from portfolio management activities in two ways. Firstly, the persons independent from the Investment Unit prepare Investment Policies for Board approval. Secondly, Middle Office units which are independent of the Investment Unit, measure risks, performance and control limits set in Investment Policies on a daily basis.

Market risks and limits are also controlled by the Investment Control Committee (ICC) in If P&C and the Asset and Liability Committees (ALCOs) in Mandatum Life on a monthly basis at a minimum. These committees are responsible for the control of investment activities within the respective legal entity.

The ICC is responsible for monitoring the implementation of and compliance with the Investment and Asset Coverage Policies. The committee considers and proposes changes to the policies. The Chairman is responsible for the reporting of policy deviations and other issues dealt with by the committee.

Mandatum Life has two ALCOs, of which one controls the segregated assets and liabilities and the other controls the rest of Mandatum Life's with profit assets and liabilities. The ALCOs control that the investment activities are conducted within the limits defined in the Investment Policy as approved by the Board and monitors the adequacy of liquidity, profitability and solvency capital in relation to the risks in the balance sheet. The ALCOs prepare proposals of Investment Policy to the Board of Directors and report to the Board.

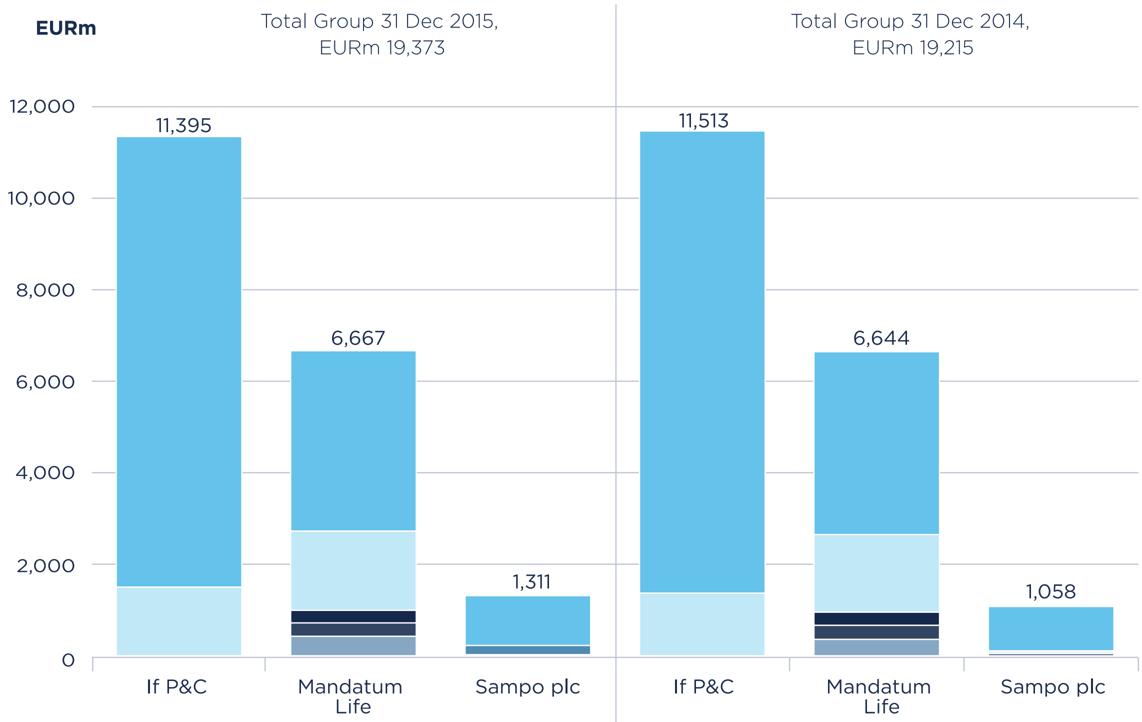
The aggregated market risks and concentrations at group level are controlled by Group's Audit Committee quarterly at a minimum. If deemed necessary, the concentration risks are further managed by deploying group level exposure restrictions, for instance by industries or by individual issuers.

Asset Allocations and Investment Returns

The total amount of Sampo Group's investment assets as at 31 December 2015 was EUR 19,373 million (EUR 19,215 million in 2014). Mandatum Life's investment assets presented here do not include assets which cover unit-linked contracts. The composition of the investment portfolios by asset classes in If P&C, Mandatum Life and Sampo plc at year end 2015 and at year end 2014 are shown in the figure Development of Investment Portfolios, If P&C, Mandatum Life and Sampo plc, 31 December 2015 and 31 December 2014.

Development of Investment Portfolios

If P&C, Mandatum Life and Sampo plc, 31 December 2015 and 31 December 2014



	If P&C 2015	Mandatum Life 2015	Sampo plc 2015	If P&C 2014	Mandatum Life 2014	Sampo plc 2014
Fixed income	86%	59%	83%	88%	60%	92%
Listed equity	13%	26%	15%	12%	26%	4%
Private equity*	0%	4%	2%	0%	4%	4%
Real estate	0%	4%	0%	0%	5%	0%
Alternative investments	0%	6%	0%	0%	5%	0%

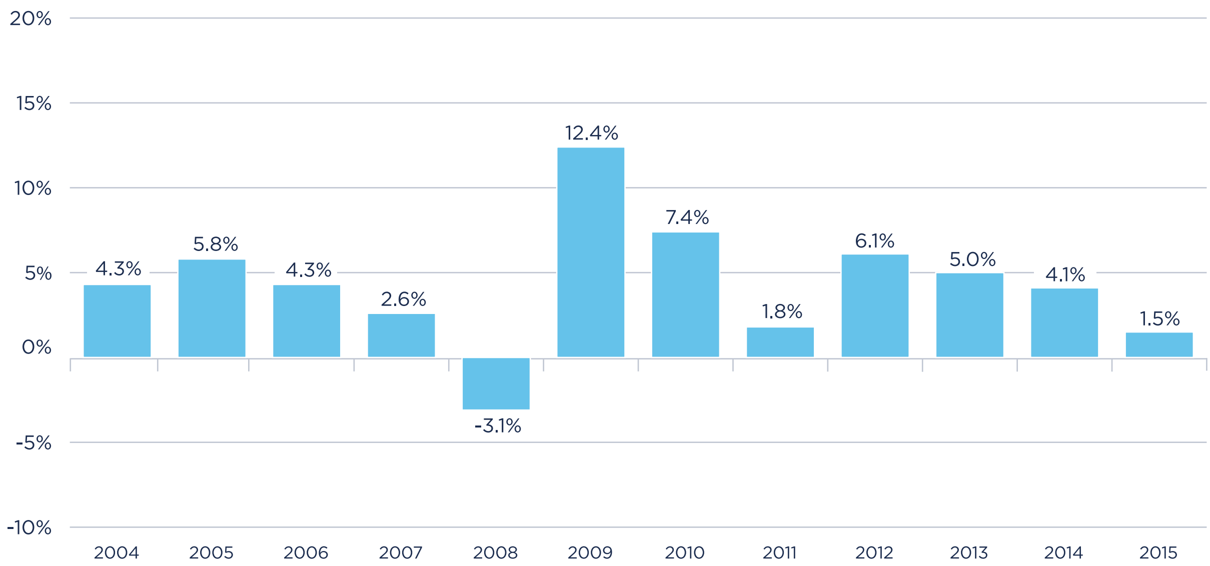
* Private Equity also includes direct holdings in non-listed equities

Sampo plc's figures don't include the debt instruments issued by the insurance subsidiaries. The investments of Mandatum Life's Baltic subsidiary are included in Mandatum Life's investment assets as equity in all tables and graphs in this Risk Management section.

The insurance liabilities as well as the risk appetite of Mandatum Life and If P&C differ and as a result, the structures and risks of the investment portfolios of the two companies are often different. This is reflected also in the companies' investment returns. Mandatum Life has had, on average, higher returns and higher volatility. The figures Annual Investment Returns at Fair Values, If P&C and Mandatum Life, 2004–2015 present the historical development of investment returns.

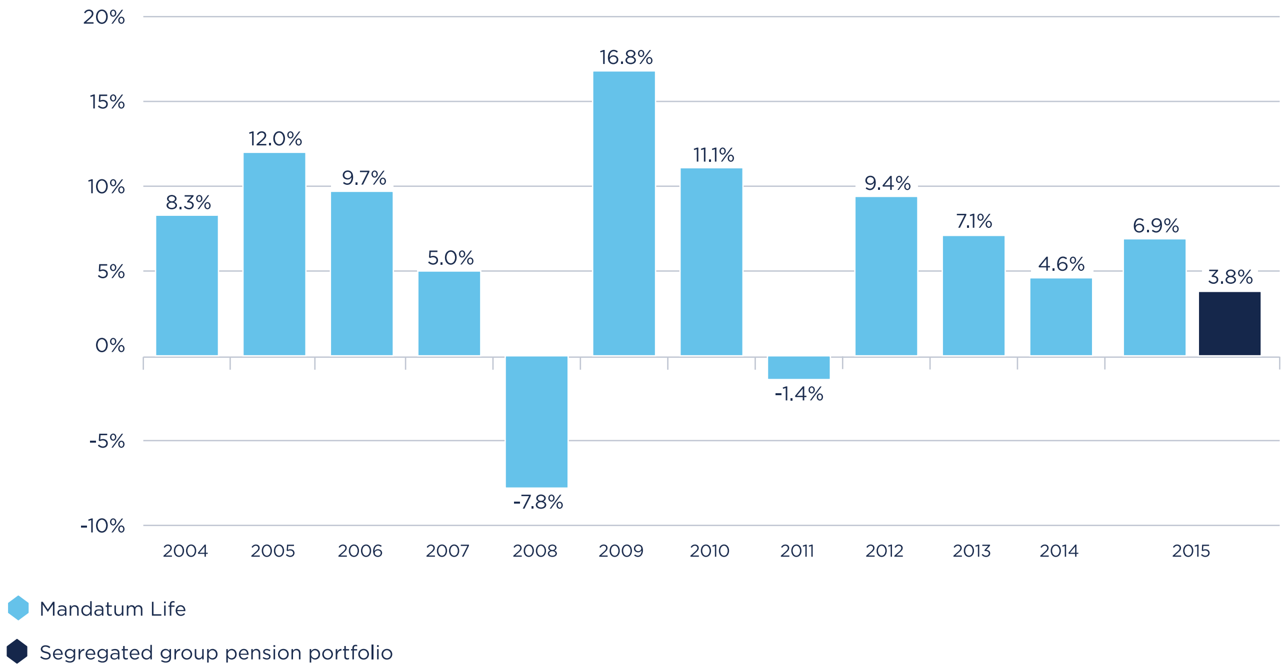
Annual Investment Returns at Fair Values

If P&C, 2004–2015



Annual Investment Returns at Fair Values

Mandatum Life, 2004–2015



The weighted average investment return of Group's investment portfolios (including Sampo plc) in 2015 was 3.1 per cent (4.3 per cent in 2014).

More detailed investment allocations and average maturities of fixed income investments of If P&C, Mandatum Life, Sampo plc and Sampo Group as at year-end 2015 are presented in the table Consolidated Investment Allocation, If P&C, Mandatum Life, Sampo plc and Sampo Group, 31 December 2015.

Consolidated Investment Allocation

If P&C, Mandatum Life, Sampo plc and Sampo Group, 31 December 2015

	If P&C			Mandatum Life			Sampo plc			Sampo Group		
Asset class	Market value, EURm	Weight	Average maturity, years	Market value, EURm	Weight	Average maturity, years	Market value, EURm	Weight	Average maturity, years	Market value, EURm	Weight	Average maturity, years
Fixed income total	**9,852**	**86%**	**2.6**	**3,945**	**59%**	**3.1**	**1,051**	**80%**	**1.2**	**14,848**	**77%**	**2.6**
Money market securities and cash	1,389	12%	0.3	507	8%	0.4	741	56%	0.0	2,636	14%	0.2
Government bonds	1,378	12%	3.5	75	1%	3.2	0	0%	0.0	1,453	7%	3.4
Credit bonds, funds and loans	7,085	62%	2.8	3,355	50%	3.5	311	24%	4.1	10,750	55%	3.1
Covered bonds	2,652	23%	2.7	198	3%	3.0	0	0%	0.0	2,850	15%	2.7
Investment grade bonds and loans	2,654	23%	2.6	1,761	26%	3.1	207	16%	4.4	4,623	24%	2.9
High-yield bonds and loans	1,361	12%	3.1	1,122	17%	3.7	103	8%	3.5	2,587	13%	3.4
Subordinated / Tier 2	226	2%	4.4	36	1%	6.8	0	0%	0.0	262	1%	4.7
Subordinated / Tier 1	192	2%	4.7	238	4%	5.2	0	0%	0.0	430	2%	5.0
Hedging swaps	-1	0%	-	-0	-0%	-	0	0%	-	-1	0%	-
Policy loans	0	0%	0.0	8	0%	2.0	0	0%	0.0	8	0%	2.0
Listed equity total	**1,498**	**13%**	**-**	**1,732**	**26%**	**-**	**201**	**15%**	**-**	**3,431**	**18%**	**-**
Finland	0	0%	-	576	9%	-	66	5%	-	641	3%	-
Scandinavia	1,098	10%	-	12	0%	-	135	10%	-	1,245	6%	-
Global	400	4%	-	1,144	17%	-	0	0%	-	1,544	8%	-

Alternative investments total	**47**	**0%**	**-**	**992**	**15%**	**-**	**22**	**2%**	**-**	**1,060**	**5%**	**-**
Real estate	22	0%	-	293	4%	-	2	0%	-	317	2%	-
Private equity*	25	0%	-	275	4%	-	20	2%	-	320	2%	-
Biometric	0	0%	-	20	0%	-	0	0%	-	20	0%	-
Commodities	0	0%	-	0	0%	-	0	0%	-	0	0%	-
Other alternative	0	0%	-	403	6%	-	0	0%	-	403	2%	-
Trading derivates	**-1**	**0%**	**-**	**-1**	**0%**	**-**	**37**	**3%**	**-**	**35**	**0%**	**-**
Asset classes total	**11,395**	**100%**	**-**	**6,667**	**100%**	**-**	**1,311**	**100%**	**-**	**19,373**	**100%**	**-**
FX Exposure, gross position	**155**	**-**	**-**	**578**	**-**	**-**	**135**	**-**	**-**	**868**	**-**	**-**

**)Private Equity also includes direct holdings in non-listed equities*

The parent company's asset portfolio includes hybrid capital debt instruments issued by the Group companies and the portion of short-term liquid instruments is substantial, because the portfolio is also held as a liquidity buffer. The hybrid debt instruments issued by the subsidiaries are not included in the consolidated figures. From time to time, the asset portfolios may include other investments as well. The market risks of the parent company are limited. Interest rate risk arising from gross debt and the interest bearing assets is Sampo plc's most significant market risk together with refinancing risk related to gross debt. Most of the parent company's debt is tied to short-term reference rates as a consequence of the interest rate swaps used. This mitigates group level interest rate risk because, while lower interest rates would reduce the subsidiaries' investment returns in the long-term, the interest expense in the parent company would also be lower.

Fixed income investments and listed equity instruments form a major part of the subsidiaries' investment portfolios. Money market securities, cash and investment grade government bonds form a liquidity buffer within fixed income investments. The average maturity of fixed income investments was 2.6 years in If P&C and 3.1 years in Mandatum Life.

Both If P&C and Mandatum Life are exposed to interest rate and currency risks (general market risks) as well as to equity and spread risks.

Additionally, If P&C and Mandatum Life have real estate, private equity, biometric and other alternative investments. The Investment Policies set limits for the maximum allocations into these asset classes and products. On 31 December 2015, the combined share of the above mentioned investments was 5.5 per cent of the total investment portfolio of Sampo Group. In If P&C the proportion was 0.4 per cent and in Mandatum Life it was 14.9 per cent. These asset classes are managed, in most cases, by external asset managers with the exception of Group's real estate portfolio which is managed by Sampo Group's 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 and debt instruments of real estate companies.

Interest Rate and Currency Risks

Interest Rate Risk

Interest rate sensitivity in terms of the average duration of fixed income investments in If P&C was 1.2 years and in Mandatum Life 2.2 years. These duration figures include the effect of hedging derivatives.

In addition to hedging purposes, derivatives are used to utilize market view or to mitigate risks at the balance sheet level. In both cases, derivatives are booked as trading derivatives at fair value through profit or loss in financial accounting.

Currency Risk

In Sampo Group companies the net foreign currency exposure is considered as a separate asset class and it is managed within investment portfolio activities. Open transaction risk positions are identified and measured separately for each subsidiary. The net position in each currency consists of the assets, liabilities and foreign exchange transactions denominated in the particular currency.

If P&C writes insurance policies that are mostly denominated in the Scandinavian currencies and in euro. In If P&C, the transaction risk is reduced by matching technical provisions with investment assets in the corresponding currencies or by using currency derivatives.

In Mandatum Life, transaction risk arises mainly from investments in currencies other than euro as the company's technical provisions are almost completely denominated in euro. Mandatum Life's currency risk strategy is based on active management of the currency position. The objective is to achieve a positive return relative to a situation where the currency risk exposure is fully hedged.

The transaction risk positions of If P&C and Mandatum Life against their base currencies are shown in the table Transaction Risk Position, If P&C and Mandatum Life, 31 December 2015. 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

If P&C and Mandatum Life, 31 December 2015

	Base currency	EUR	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
If P&C	**SEKm**										
Insurance operations		-208	-154	-1	-14	-24	-2,209	-14	-761	-17	-3,402
Investments		1	422	1	2	15	2,509	0	337	2	3,288
Derivatives		147	-287	44	10	6	-302	9	416	13	56
Total transaction risk, net position, If P&C		**-61**	**-19**	**44**	**-2**	**-3**	**-2**	**-5**	**-7**	**-2**	**-58**
Sensitivity: SEK -10%		-6	-2	4	-0	-0	-0	-0	-1	-0	-6
Mandatum Life	**EURm**										
Technical provisions		0	0	0	0	-3	0	0	0	0	-3
Investments		0	1,952	21	186	54	12	185	118	109	2,636
Derivatives		0	-1,565	-22	-165	18	3	-186	-110	-54	-2,081
Total transaction risk, net position, Mandatum Life		**0**	**387**	**-1**	**21**	**69**	**14**	**-1**	**8**	**55**	**552**
Sensitivity: EUR -10%		0	39	-0	2	7	1	-0	1	6	55

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

Sampo plc's transaction risk position is related mainly to SEK denominated dividends paid by If P&C and to debt instruments in currencies other than euro. The asset portfolio may from time to time include assets denominated in foreign currencies.

In addition to transaction risk, Sampo Group and its insurance subsidiaries are also exposed to translation risk. At group level it stems from the If P&C and within the If P&C it stems mainly from its Finnish subsidiary. Translation risk and its management in Sampo Group were described in the Profitability, Risks and Capital section.

Equity and Spread Risks

The values of tradable investment assets decrease when credit spreads of debt instruments are changing unfavourably or equity prices are decreasing. Most of Sampo Group's investments are tradable and hence subject to daily mark-to-market valuation. Moreover, the fair values of non-tradable instruments change adversely when the financial strength or future prospects of the issuer deteriorates or the value of collaterals decreases. Ultimately, the issuer may fail to meet its financial obligations and the risk is realized as a credit loss.

Management of Equity and Spread Risks

In Sampo Group, the selection of direct fixed income and equity investments is based primarily on stock and bond picking and secondarily on top-down allocation. This investment style ensures that the portfolio includes thoroughly analysed investments with risk return ratios internally considered to be adequate, although the portfolio might not be necessarily as diversified as the finance or portfolio theory suggests.

The main steps in decision making, limit and monitoring process are as follows:

1. Potential investments are analysed thoroughly. The creditworthiness and future prospects of the issuer are assessed together with collaterals and structural details of the instruments. Although external credit ratings by rating agencies and the opinions of analysts are used to support the internal assessment, Sampo Group's own internal assessment is always the most important factor in decision making.
2. Investment transactions shall be executable on short notice when an opportunity appears. This puts pressure on authorisations and credit limit structures and procedures that must be simultaneously (i) carried out flexibly enough to facilitate fast decision making regardless of instrument type, (ii) well-structured to ensure that investment opportunities are assessed prudently, taking into account the specific features and risks of all investment types and (iii) able to restrict the maximum exposure of a single name risk to the level that is in balance with the company's risk appetite.
3. Accumulated credit exposures over single names and products are monitored regularly at the subsidiary level and at group level to identify unwanted concentrations. Credit exposures are reported, for instance, by sectors and asset classes and within fixed income by ratings.

Exposures in Fixed Income and Equity Instruments

Exposures in fixed income and equity instruments are shown in the tables Exposures by Sectors, Asset Classes and Rating, If P&C, Mandatum Life and Sampo Group, 31 December 2015. The tables also include counterparty risk exposures relating to reinsurance and 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 this annual report

Exposures by Sectors, Asset Classes and Rating

If P&C, 31 December 2015

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change 31 Dec 2014
Basic Industry	0	20	0	37	29	0	34	119	29	0	0	149	-131
Capital Goods	0	0	53	49	0	0	29	131	466	0	0	597	101
Consumer Products	0	84	89	72	30	0	60	335	427	0	0	762	183
Energy	0	40	0	9	31	0	255	335	0	0	0	335	-45
Financial Institutions	0	1,669	1,345	252	62	0	10	3,339	33	0	10	3,382	465
Governments	140	0	0	0	1	0	0	141	0	0	0	141	-776
Government Guaranteed	104	55	0	0	0	0	0	158	0	0	0	158	-22
Health Care	0	0	23	7	0	0	8	38	53	0	0	91	-8
Insurance	0	0	10	65	4	0	5	84	0	0	103	187	25
Media	0	0	0	0	0	0	21	21	0	0	0	21	2
Packaging	0	0	0	0	0	0	5	5	0	0	0	5	5
Public Sector, Other	879	199	0	0	0	0	0	1,078	0	0	0	1,078	94
Real Estate	0	0	0	23	0	0	448	471	0	22	0	493	-20
Services	0	0	0	37	63	0	15	116	0	0	0	116	52
Technology and Electronics	0	0	21	0	0	0	36	57	7	0	0	63	24
Telecommunications	0	0	81	13	0	0	26	120	73	0	0	193	-21
Transportation	0	106	7	21	11	0	151	296	9	0	0	306	-11
Utilities	0	0	21	207	49	0	77	354	0	0	0	354	25
Others	0	0	0	0	0	0	0	0	1	2	0	3	1
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	2,585	67	0	0	0	0	0	2,652	0	0	0	2,652	-98
Funds	0	0	0	0	0	0	0	0	400	23	0	423	16
Total	**3,708**	**2,240**	**1,651**	**792**	**280**	**0**	**1,181**	**9,853**	**1,498**	**47**	**113**	**11,510**	**-140**
Change 31 Dec 2014	**-555**	**328**	**217**	**41**	**-117**	**0**	**-167**	**-253**	**131**	**2**	**-20**	**-140**	

Exposures by Sectors, Asset Classes and Rating

Mandatum Life, 31 December 2015

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change 31 Dec 2014
Basic Industry	0	14	0	1	124	0	29	169	143	0	0	313	-107
Capital Goods	0	0	56	7	43	0	76	183	124	0	0	307	92
Consumer Products	0	52	126	82	51	0	31	342	235	0	0	576	284
Energy	0	41	9	26	11	0	17	104	11	0	0	115	47
Financial Institutions	0	586	874	178	199	0	0	1,836	39	24	2	1,901	-271
Governments	30	0	0	0	0	0	0	30	0	0	0	30	-357
Government Guaranteed	0	0	0	0	0	0	0	0	0	0	0	0	-4
Health Care	0	0	44	34	59	0	24	160	47	0	0	208	117
Insurance	0	0	1	22	0	0	8	31	3	21	0	55	-10
Media	0	0	18	0	14	0	27	59	0	0	0	59	18
Packaging	0	0	0	0	67	0	17	84	1	0	0	85	85
Public Sector, Other	0	27	42	0	0	0	0	68	0	0	0	68	66
Real Estate	0	0	0	25	0	0	54	79	0	248	0	327	17
Services	0	0	0	25	80	0	52	157	72	0	0	230	85
Technology and Electronics	4	0	19	1	29	0	1	54	132	0	0	185	92
Telecommunications	0	0	7	12	47	0	16	81	13	0	0	94	5
Transportation	0	0	0	0	11	0	5	17	18	0	0	35	16
Utilities	0	0	3	107	55	0	0	165	0	0	0	165	54
Others	0	0	0	0	12	0	9	21	0	61	0	82	51
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	174	13	0	11	0	0	0	198	0	0	0	198	105
Funds	0	0	0	0	0	0	108	108	893	637	0	1,639	-378
Total	**208**	**733**	**1,200**	**529**	**802**	**0**	**474**	**3,945**	**1,732**	**992**	**2**	**6,670**	**6**
Change 31 Dec 2014	**-159**	**-332**	**118**	**318**	**34**	**0**	**-49**	**-71**	**34**	**41**	**2**	**6**	

Exposures by Sectors, Asset Classes and Rating

Sampo Group, 31 December 2015

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change 31 Dec 2014
Basic Industry	0	34	0	38	153	0	64	289	173	0	0	461	-238
Capital Goods	0	0	109	56	43	0	111	319	593	0	0	912	193
Consumer Products	0	136	215	154	81	0	91	677	662	0	0	1,339	467
Energy	0	81	9	36	42	0	272	439	11	0	0	451	2
Financial Institutions	0	2,583	2,632	637	261	0	10	6,123	246	24	16	6,409	391
Governments	170	0	0	0	1	0	0	171	0	0	0	171	-1,133
Government Guaranteed	104	55	0	0	0	0	0	158	0	0	0	158	-27
Health Care	0	0	67	41	59	0	32	198	101	0	0	403	165
Insurance	0	0	11	87	4	0	100	202	3	38	103	241	15
Media	0	0	18	0	14	0	48	79	0	0	0	79	21
Packaging	0	0	0	0	67	0	22	90	1	0	0	91	91
Public Sector, Other	879	225	42	0	0	0	0	1,146	0	0	0	1,146	160
Real Estate	0	0	0	48	0	0	502	550	0	272	0	822	-3
Services	0	0	0	62	144	0	67	273	95	0	0	368	160
Technology and Electronics	4	0	40	1	29	0	36	110	138	0	0	249	114
Telecommunications	0	0	88	25	47	0	42	202	85	0	0	287	-16
Transportation	0	106	7	21	22	0	168	324	28	0	0	352	17
Utilities	0	0	25	314	104	0	77	519	0	0	0	519	79
Others	0	0	0	0	12	0	9	21	1	63	0	85	52
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	2,758	80	0	11	0	0	0	2,850	0	0	0	2,850	6
Funds	0	0	0	0	0	0	108	108	1,293	663	0	2,064	-386
Total	**3,916**	**3,299**	**3,265**	**1,529**	**1,082**	**0**	**1,758**	**14,849**	**3,431**	**1,060**	**119**	**19,458**	**129**
Change 31 Dec 2014	**-714**	**-135**	**433**	**454**	**-82**	**0**	**-148**	**-193**	**325**	**18**	**-22**	**129**	

The largest holdings are in financial institutions and covered bonds. Most of these investments are in the Nordic countries as can be seen in the table Fixed Income Investments in Financial Sector, Sampo Group, 31 December 2015. These exposures increased by EUR 0.3 billion during 2015.

Fixed Income Investments in Financial Sector

Sampo Group, 31 December 2015

EURm	Covered bonds	Money market securities	Long-term senior debt	Long-term subordinated debt	Total	%
Sweden	1,691	468	947	330	**3,436**	38.3 %
Finland	162	1,898	206	6	**2,273**	25.3 %
Norway	693		586	183	**1,462**	16.3 %
Denmark	218	116	293	22	**649**	7.2 %
United States		78	150	1	**229**	2.5 %
Switzerland			217	11	**228**	2.5 %
Netherlands	1	0	212		**213**	2.4 %
Canada			113		**113**	1.3 %
France	23	0	62	14	**99**	1.1 %
Germany	18	0	76	0	**94**	1.1 %
Iceland			75		**75**	0.8 %
Austria	31				**31**	0.3 %
Estonia		25			**25**	0.3 %
Australia	1		18		**19**	0.2 %
Luxembourg	11				**11**	0.1 %
United Kingdom			4	3	**7**	0.1 %
Jersey				5	**5**	0.1 %
Russia		3			**3**	0.0 %
Italy		2			**2**	0.0 %
Total	**2,850**	**2,589**	**2,958**	**575**	**8,973**	**100.0 %**

The public sector exposure includes government bonds, government guaranteed bonds and other public sector investments. The public sector has had a relatively minor role in Sampo Group's portfolios and these exposures have been mainly in the Nordic countries.

Fixed Income Investments in Public Sector

Sampo Group, 31 December 2015

EURm	Governments	Government guaranteed	Public sector, other	Total market value
Sweden	159		821	**981**
Norway			234	**234**
Finland		55	73	**127**
Germany	11	71		**82**
Denmark		32		**32**
Japan			18	**18**
Other	1			**1**
Total	**171**	**158**	**1,146**	**1,476**

The exposures in non-rated and high-yield fixed income instruments are significant, because a relatively small number of Nordic companies are rated. The largest high-yield and non-rated fixed income investment exposures are presented in the table Ten Largest Direct High Yield and Non-rated Fixed Income Investments, Sampo Group, 31 December 2015.

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

Sampo Group, 31 December 2015

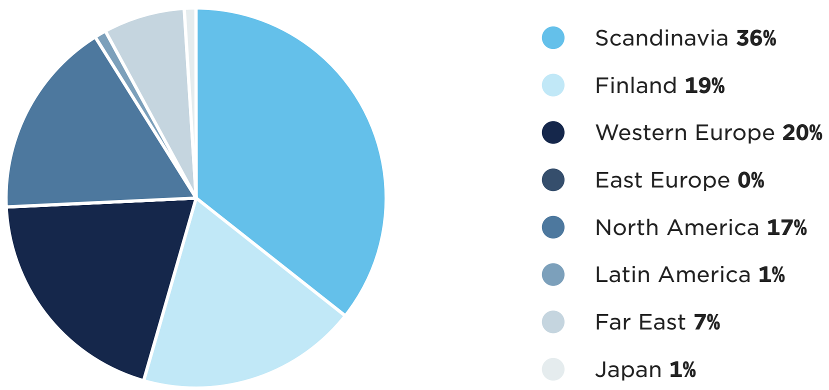
Largest direct high yield and non-rated fixed income investments	Rating	Total fair value, EURm	% of total direct fixed income investments
Eksportfinans ASA	BB-	221	1.5 %
High Street Shop AS	NR	120	0.8 %
Topdanmark	NR	87	0.6 %
PBA Karlskrona	NR	82	0.6 %
Sponda Oyj	NR	75	0.5 %
Stora Enso	BB	68	0.5 %
YIT	NR	53	0.4 %
Storebrand ASA	BB+	47	0.3 %
Grönlandet Södra	NR	47	0.3 %
Neste Oil Oyj	NR	44	0.3 %
Total top 10 exposures		**844**	**5.7 %**
Other direct fixed income investments		13,897	94.3 %
Total direct fixed income investments		14,741	100.0 %

The listed equity investments of Sampo Group totaled EUR 3,431 million at the end of year 2015 (EUR 3,105 million in 2014). At the end of year 2015, the listed equity exposure of If P&C was EUR 1,498 million (EUR 1,367 million in 2014). The proportion of listed equities in If P&C's investment portfolio was 13.1 per cent. In Mandatum Life, the listed equity exposure was EUR 1,732 million at the end of year 2015 (EUR 1,698 million in 2014) and the proportion of listed equities was 26.0 per cent of the investment portfolio.

A breakdown of the listed equity exposures of Sampo Group by geographical regions is shown in the figure Breakdown of Listed Equity Investments by Geographical Regions, Sampo Group, If P&C and Mandatum Life, 31 December 2015.

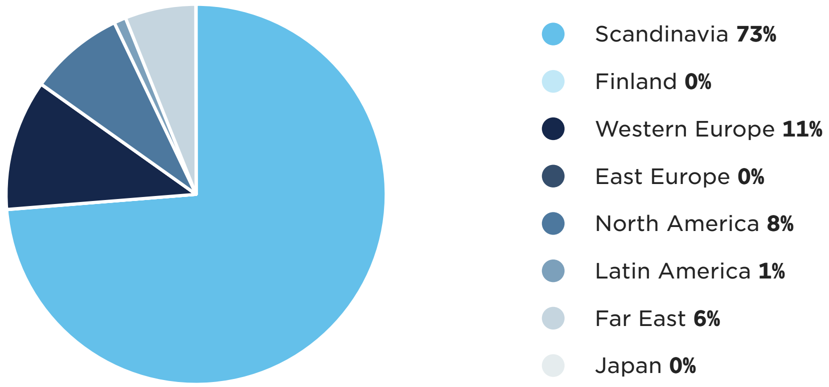
Breakdown of Listed Equity Investments by Geographical Regions

Sampo Group, 31 December 2015, total EUR 3,431 million



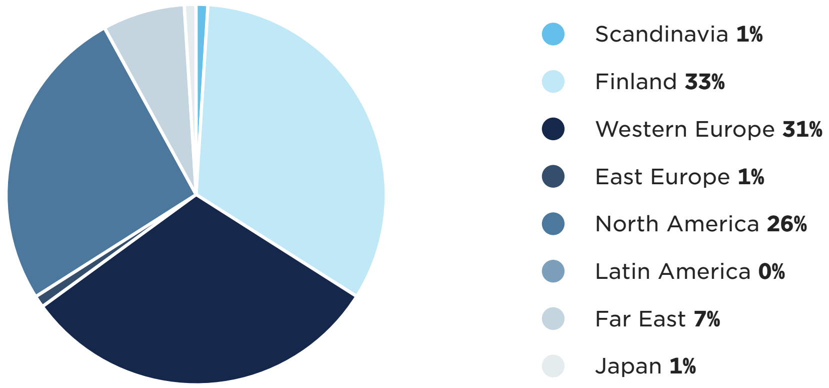
Breakdown of Listed Equity Investments by Geographical Regions

If P&C, 31 December 2015, total EUR 1,498 million



Breakdown of Listed Equity Investments by Geographical Regions

Mandatum Life, 31 December 2015, total EUR 1,732 million



The geographical emphasis of Sampo Group's equity investments is in the Nordic companies. The proportion of Nordic companies' equities corresponds to 55 per cent of the total equity portfolio. This is in line with Sampo Group's investment strategy to focus on Nordic companies. However, these Nordic companies are mainly competing on global markets and few of them are pure domestic companies. Hence, the ultimate risk is not highly dependent on the Nordic economies. Moreover, Group's insurance liabilities are mostly denominated in euro and in the Nordic currencies. In the long run the proportion of investments outside of the Nordic countries has gradually increased, because the amount of companies issuing securities in the Nordic countries is limited and from a tactical point of view other geographical areas have recently provided interesting investment opportunities.

The sector allocation of direct listed equity investments in Sampo Group is presented in tables: Exposures by Sectors, Asset Classes and Rating, If P&C, Mandatum Life and Sampo Group, 31 December 2015. The largest allocations are to consumer products, capital goods and financial institutions. Listed equity investments made through mutual funds and ETF investments accounted for 38 per cent of the entire equity portfolio.

Furthermore, the largest direct listed equity exposures are presented in the table Ten Largest Direct Listed Equity Investments, Sampo Group, 31 December 2015.

Ten Largest Direct Listed Equity Investments

Sampo Group, 31 December 2015

Top 10 listed equity investments	Total fair value, EURm	% of total direct equity investments
Nobia	204	9.5 %
Swedbank	135	6.3 %
Veidekke	113	5.3 %
Amer Sports	106	5.0 %
Hennes & Mauritz	99	4.6 %
Volvo	82	3.9 %
UPM-Kymmene	78	3.7 %
TeliaSonera	73	3.4 %
ABB	72	3.4 %
Sectra Ab	53	2.5 %
Total top 10 exposures	**1,017**	**47.6 %**
Other direct equity investments	1,122	52.4 %
Total direct equity investments	2,139	100.0 %

In addition, Sampo Group's largest listed equity holdings are disclosed in the Notes to the Financial Statements (Note 40).

The largest exposures by individual issuers and counterparties are presented in the table Largest Exposures by Issuer and by Asset Class, Sampo Group, 31 December 2015.

Largest Exposures by Issuer and by Asset Class

Sampo Group, 31 December 2015

EURm Counterparty	Total fair value	% 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 derivatives
Nordea Bank	1,968	10%	1,028	939	0	496	196	247	0	0
Svenska Handelsbanken	963	5%	315	645	0	579	65	0	0	3
Danske Bank	944	5%	509	435	0	153	243	39	0	0
Skandinaviska Enskilda Banken	806	4%	445	356	0	74	216	66	0	5
Sweden	775	4%	0	775	0	0	775	0	0	0
Swedbank	660	3%	18	505	0	244	261	0	135	2
DnB	593	3%	0	593	0	242	283	68	0	0
Norway	345	2%	0	345	0	0	241	104	0	0
OP Pohjola	274	1%	177	97	0	0	91	6	0	0
Landshypotek	267	1%	0	267	0	263	0	4	0	0
Total Top 10 Exposures	**7,595**	**39%**	**2,493**	**4,958**	**0**	**2,051**	**2,371**	**536**	**135**	**10**
Other	11,760	61%								
Total investment assets	**19,355**	**100%**								

Counterparty Default Risks

Counterparty Default Risk (Counterparty Risk) is one type of consequential risk, which Sampo Group is exposed to through its activities. Default risk related to reinsurance counterparties mainly concerns If P&C, as the use of reinsurance in Mandatum Life is relatively limited.

In the case of financial derivatives the situation is the opposite. Mandatum Life and the parent company are frequent users of interest rate derivatives and are therefore inherently more exposed to the default risk of derivative counterparties than If P&C, which mainly uses short-term foreign exchange derivatives.

In addition, counterparty default risk arises from receivables from policyholders and other receivables related to commercial transactions. Risk exposure towards policyholders is very limited, because non-payment of premiums generally results in the cancellation of the insurance policies. Also, the risk exposures arising from other receivables related to commercial transactions are minor in Sampo Group.

Risk definitions related to counterparty default risks may be found in Appendix 2 (Risk Definitions).

The distribution of reinsurance receivables and reinsurers' portion of outstanding claims in If P&C on 31 December 2015 per rating category is presented in the table Reinsurance Recoverables, If P&C, 31 December 2015 and 31 December 2014.

Reinsurance Recoverables

If P&C, 31 December 2015 and 31 December 2014

	31 Dec 2015		31 Dec 2014	
Rating	**Total EURm**	**% of total**	**Total EURm**	**% of total**
AAA	0	0%	0	0%
AA+ - A-	97	94%	107	97%
BBB+ - BBB-	4	4%	2	2%
BB+ - C	0	0%	0	0%
D	0	0%	0	0%
Non-rated	2	2%	2	2%
Total	**103**	**100%**	**111**	**100%**

In the table, EUR 143 million (EUR 130 million in 2014) are excluded, which mainly relates to captives and statutory pool solutions. Thus the total recoverables are EUR 246 million. The ten largest individual reinsurance recoverables amounted to EUR 167 million, representing 68 per cent of the total reinsurance recoverables. If P&C's largest individual reinsurer is Munich Re (AA-). They account for 17 per cent of the total reinsurance recoverables.

The amount of ceded treaty and facultative premiums was EUR 63.3 million. Of this amount, 100 per cent related to reinsurance counterparties with a credit rating of A- or higher.

In Mandatum Life, the importance of reinsurance agreements is limited and thus the credit risk of reinsurance counterparties in Mandatum Life is immaterial.

Counterparty Default Risk Management

In Sampo Group, the default risk of derivative counterparties is a by-product of managing market risks. The risk is mitigated by careful selection of counterparties, diversification of counterparties to prevent risk concentrations and by using collateral techniques, e.g. ISDA Master Agreements backed by Credit Support Annexes. This is the case especially in Sampo plc and Mandatum Life which are frequent users of long-term derivatives.

The Reinsurance Committee (RC) is a collaboration forum for reinsurance related issues 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 the reporting of policy deviations and other issues dealt with by the committee.

The Reinsurance Security Committee (RSC) 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 the reporting of policy deviations and other issues dealt with by the committee.

At inception of the reinsurance, the default risk of the reinsurer is considered. The default risks of reinsurance assets are monitored continuously.

To limit and control default risk associated with ceded reinsurance, If P&C has a Reinsurance Security Policy that sets requirements for the reinsurers' minimum credit ratings and the maximum exposure to individual reinsurers. Credit ratings from rating agencies are used to determine the assessment of the creditworthiness of reinsurance companies.

ALM Risks

At the total balance sheet level, ALM risks contribute considerably to economic values of insurance liabilities, market value of assets, risks and capital need. ALM risks and exposures are analysed actively and the risks are taken into account when managing investments and developing insurance products. ALM risks include also liquidity risk and other risks that may cumulate at the balance sheet level.

Risk definitions related to ALM risks may be found in Appendix 2 (Risk Definitions).

Principles of Asset and Liability Management:

In Sampo Group, insurance liabilities are the starting point for investment management. Insurance liabilities are modelled and analysed to form an understanding of their expected future cash flows and their sensitivities to changes in factors such as inflation, interest rates and foreign exchange rates.

The solvency position and risk appetite define the general capacity and willingness for risk taking. The stronger the solvency position and the higher the risk appetite, the more the investment portfolio can potentially differentiate from a portfolio replicating cash flows of insurance liabilities.

Rating targets and regulatory requirements are major external factors affecting market and liquidity risk taking in general at the balance sheet level, and specifically at the investment portfolio level.

ALM in If P&C

The ALM risk in If P&C is managed in accordance with Sampo Group's principles. ALM is taken into account through the risk appetite framework and is governed by If P&C's Investment Policies.

In the accounts, most of the technical provision are nominal, while a significant part (the provisions for claims outstanding pertaining to annuities) is discounted with interest rates in accordance with regulatory rules. Thereby If P&C is, from an accounting perspective, mainly exposed to changes in inflation and the regulatory discount rates. From an economic perspective, in which the cash flows of insurance liabilities (technical provisions) are discounted with prevailing interest rates, If P&C is exposed to changes both in inflation and nominal interest rates. For more information see the table Sensitivities of Technical Provisions, If P&C, 2015 in Non-life Underwriting Risks section.

To maintain the ALM risk within the overall risk appetite, the cash flows of insurance liabilities (technical provisions) are matched by investing in fixed income instruments and by using currency derivatives.

ALM in Mandatum Life

The Board of Directors of Mandatum Life annually approves the Investment Policies for both segregated assets and other assets regarding the company's investment risks. These policies set principles and limits for investment portfolio activities.

The Investment Policy for segregated assets defines the risk bearing capacity and the corresponding control levels. 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 control levels for the maximum acceptable risk and respective measures to manage the risk. The control levels are the critical levels set above the Solvency II SCR and they are based on predetermined capital stress tests. The general objective of these control levels and respective guidelines is to maintain the required solvency.

When the above mentioned control levels are breached, the ALCO reports to the Board which then takes the 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. The company's claims costs do not contain a significant inflation risk element and thus the inflation risk in Mandatum Life is mainly related to administrative expenses.

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 adequate return compared to the guaranteed 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 of Balance Sheet

Because the duration of liabilities in Sampo Group companies is longer than the duration of assets, the effect of decreasing interest rates is negative for Sampo Group. This risk is partly mitigated by having major portion of Sampo plc´s debt tied to the short term interest rates.

Liquidity Risks

Liquidity risk is relatively immaterial in Sampo Group's businesses because liability cash flows in most lines of business are fairly stable and predictable and an adequate share of the investment assets are in short-term money market instruments and liquid government bonds. Sampo Group companies manage the liquidity risk on a daily basis and in addition both the parent company's and the subsidiaries' creditworthiness and reputation are proactively managed.

In Sampo Group, liquidity risk is managed by the legal entities, which are responsible for liquidity planning and maintaining adequate liquidity buffers. Liquidity risk is monitored based on the expected cash flows resulting from assets, liabilities and other business. In the subsidiaries, the adequacy of liquidity buffers is dependent on the underwriting cash flows. In the parent company, the adequacy of liquidity buffers is dependent also on potential strategic arrangements and a strong liquidity in general is preferred. At the end of 2015, the liquidity position in each legal entity was in accordance with internal requirements.

In If P&C, 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 who are responsible for liquidity planning. Liquidity risk is reduced by having investments that are readily tradable in liquid markets. The available liquid financial assets, which are the part of the assets that can be converted into cash at a specific point in time, is analysed and reported to the ORSA Committee.

In Mandatum Life, a large change in surrender rates could influence the liquidity situation. However, 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, If P&C, Mandatum Life and Sampo plc, 31 December 2015. The table shows the financing requirements resulting from expected cash inflows and outflows arising from financial assets and liabilities as well as technical provisions.

Cash Flows According to Contractual Maturity

If P&C, Mandatum Life and Sampo plc, 31 December 2015

	Carrying amount total			Cash flows						
EURm	**Carrying amount total**	**Carrying amount without contractual maturity**	**Carrying amount with contractual maturity**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021-2030**	**2031-**
If P&C										
Financial assets	12,730	1,977	10,753	2,079	1,559	1,590	1,744	1,824	692	0
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Financial liabilities	809	0	809	-11	-12	-101	-7	-7	-116	0
of which interest rate swaps	0	0	0	-0	-1	-1	-1	0	0	0
Net technical provisions	9,194	0	9,194	-3,108	-1,092	-648	-481	-404	-2,144	-1,904
Mandatum Life										
Financial assets	6,543	2,922	3,621	682	550	726	336	878	658	15
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Financial liabilities	194	0	194	-37	-5	-5	-6	-5	-64	-228
of which interest rate swaps	1	0	1	-0	0	0	-1	0	0	0
Net technical provisions	4,506	0	4,506	-516	-447	-407	-383	-351	-2,352	-1,787
Sampo plc										
Financial assets	1,618	988	630	60	80	118	167	44	274	228
of which interest rate swaps	10	0	10	19	18	0	0	0	0	0
Financial liabilities	2,318	0	2,318	-703	-556	-262	-39	-367	-508	0
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0

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. In the investment assets of Mandatum Life, the investments of the Baltic subsidiary are included in the carrying amount but excluded from the cash flows.

Sampo Group has a relatively low amount of financial liabilities and thus Group's respective refinancing risk is relatively small. During 2015, Sampo plc issued two public bonds amounting to 3 billion Swedish kronas and several private placements targeted at Mandatum Life's retail clients. Sampo Group companies have business relationships with several creditworthy counterparties which mitigate the risk that Group is not able to enter into reinsurance or derivative transactions when needed.

Since there is no unambiguous technique to quantify the capital need for liquidity risk, it is not directly taken into account in the capital need estimates. Thus only the interest rate risk part of the ALM risks is accounted for in the economic capital framework.

Operational Risks

The effects of operational risks have their general causes in external and internal drivers. For example the operational risks may realize as a result of epidemics, criminal acts or various operational failures (for further details, see Appendix 2, Risk Definitions - Operational Risks). Group companies have their own specific risk sources which are causes of events that may have negative impacts on different processes, personnel or fixed assets.

In Sampo Group, the parent company sets the following goals of operational risk management for its subsidiaries:

- To simultaneously ensure the efficiency and the quality of operations
- To ensure that operations are compliant with laws and regulations
- To ensure the continuity of business operations in exceptional circumstances.

Each company is responsible for arranging its operational risk management in line with the above mentioned goals, while also taking into account the specific features of its business activities.

If P&C

The continuity of operational risk management in If P&C is secured through the Operational Risk Committee (ORC), which coordinates the operational risk process. The task of the ORC is to provide opinions, advice and recommendations to the committee's chairman. The chairman reports a forward looking assessment of the operational risk status to ORSA. The ORC is responsible for preparing a comprehensive overview of the operational risk status in If P&C. The status assessment is based on the self-assessments performed by the organization, reported incidents and other additional risk information. Trend analyses are performed on a yearly basis, during which the most important trends affecting the insurance industry are identified and the effects on If P&C are assessed. The committee considers and proposes changes to policies and instructions regarding operational risks.

If P&C also has a Compliance Committee (CC), which is an advisory body for the Chief Compliance Officer regarding compliance issues. The task of the committee is to secure a comprehensive view of compliance risk and activities in If P&C.

The line organization and corporate functions have the responsibility to identify, assess, monitor and manage their operational risks. Risk identification and assessments are performed by the line organization twice a year and by corporate functions yearly. Identified risks are assessed from a probability and impact perspective.

Incident reporting and analysis are managed differently depending on the type of incident. All employees are required to report incidents via the intranet.

In order to manage operational risks, If P&C has issued a number of different steering documents: Operational Risk Policy, Business Continuity Policy, Security Policy, Outsourcing Policy, Complaints Handling Policy, Claims Handling Policy and other steering documents related to different parts of the organization. These documents are reviewed and updated at least annually.

A number of internal governing documents form the basis for the steering of compliance activities, including compliance risk: Sampo Group Compliance Principles, Compliance Policy, Policy on Conflicts of Interest, Internal Control Policy, Risk Management Policy, Compliance Plan, Working Routines for the Compliance Function and the Instruction for Compliance coordinators. The documents are reviewed and updated yearly or when necessary.

Mandatum Life

The objective of operational risk management in Mandatum Life is to recognize the risks proactively, manage the risks efficiently and to minimize the potential effects of realized risks in as cost-effective manner as possible.

Business units are responsible for the identification, assessment and management of own operational risks, including organizing adequate internal control. The Operational Risk Committee (ORC) monitors and coordinates risk management issues regarding operational risks within Mandatum Life, such as policies and recommendations concerning operational risk management. The committee ensures that risks are identified and internal control and risk management have been organized in a proper way. The committee also analyses deviations from operational risk management policies and monitors operational risks identified in the self-assessments as well as the occurred incidents. The committee meets three times a year at a minimum. Significant observations on operational risks are submitted to the Risk Management Committee and the Board of Directors on a quarterly basis.

The Operational Risk Committee (ORC) analyzes and handles operational risks, e.g. in relation to new products and services, changes in processes and risks as well as realized operational risk incidents. Significant observations are reported to the Risk Management Committee and to the Board of Directors quarterly. The ORC is also responsible for maintaining and updating the continuity and preparedness plans as well as the Internal Control Policy.

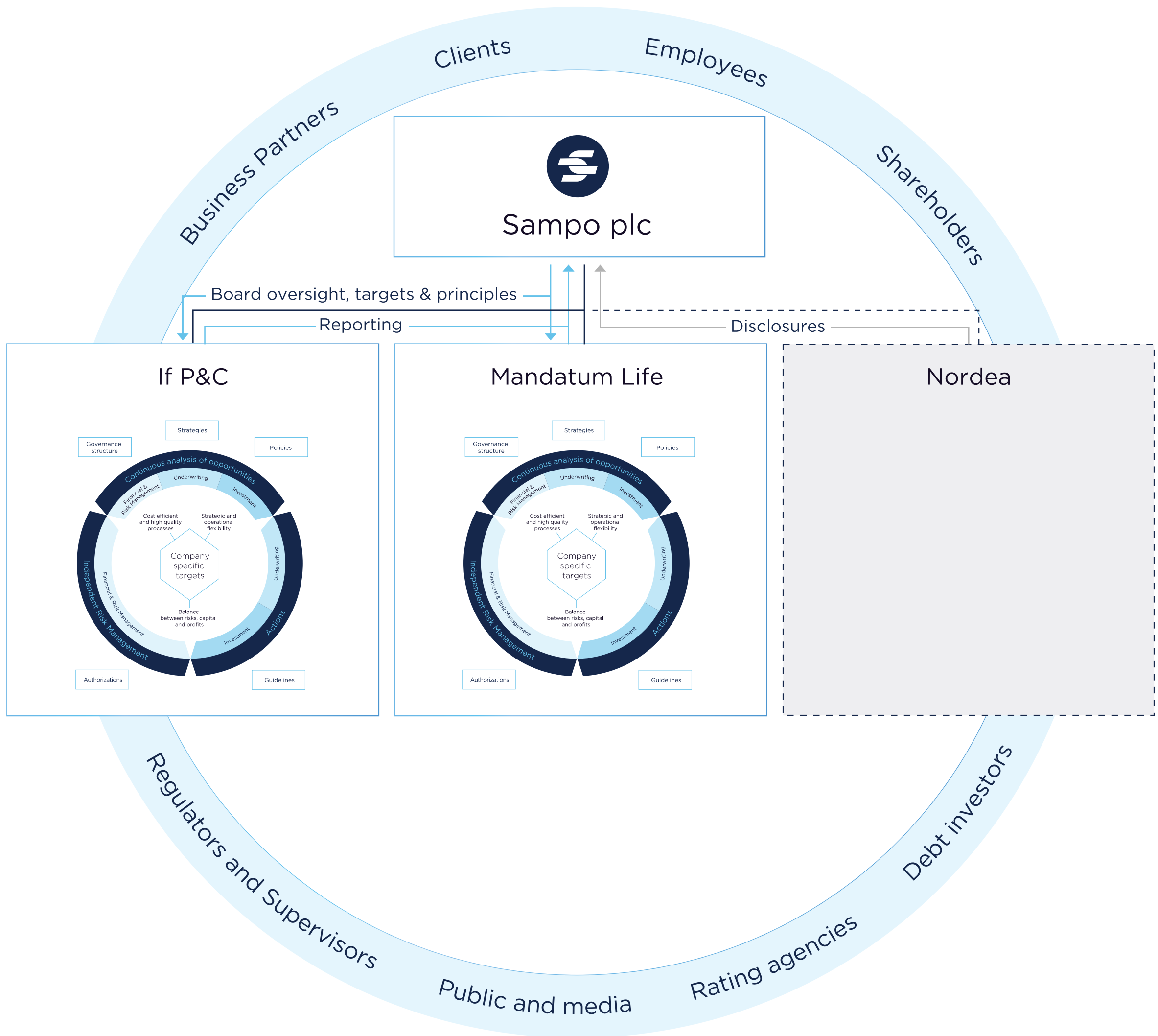
In order to limit operational risks, Mandatum Life has approved a number of policies including e.g. Internal Control Policy, Compliance Policy, Security Policies, Continuity Plan, Procurement and Outsourcing Policy, Complaints Handling Policy and a number of other policies related to ongoing operative activities. Deviations against different policies are followed up independently in each business unit and are reported to the Compliance Officer and the ORC.

The internal control system aims at preventing and identifying negative incidents and minimizing their impact. In addition, would there be an operational risk event or a near miss, this must be analyzed and reported to ORC.

Appendix 1: Sampo Group Steering Framework and Risk Management Process

When Sampo Group is organizing its business and risk management activities, clear responsibilities and simple and flat operational structures are the profound principles. The responsibilities and operational structures, as illustrated in the figure Sampo Group's Steering Framework, are described in the following paragraphs.

Sampo Group's Steering Framework



Parent Company's Guidance

Group's parent company steers the subsidiaries by setting targets for their capitalization and return on equity (RoE) and by defining the main preconditions for the subsidiaries' operations in the form of the group-wide principles.

Target Setting: The Board of Directors of Sampo plc decides on the subsidiaries' return on equity targets which are currently 17.5 per cent for both If P&C and Mandatum Life. In addition, If P&C has a long-term target of maintaining the combined ratio below 95 per cent.

The parent company assesses the adequate level of capitalization and the suitability of the capital structure as described at the section "Capitalization at the Company level". Based on this analysis, the parent company estimates the amount of dividends distributed by the subsidiaries to the parent company. In Sampo Group, the excess capital from an operational point of view is held by the parent company which capitalizes the subsidiaries if needed.

The Board of Directors of the Sampo plc decides on the main guidelines governing the subsidiaries' business activities and risk management. The most significant of these guidelines are the Code of Conduct, Risk Management Principles, Remuneration Principles and Compliance Principles. There are also further guidelines which are followed in order to prevent reputational and compliance risks, for example the Disclosure Policy.

Moreover, the external regulatory environment and expectations of different stakeholders on Sampo Group's operations impact on the Sampo plc's Board of Directors' decisions in general and thereby also the guidance given by the parent company. Further information on Sampo Group's stakeholders is available at Code of Conduct at www.sampo.com/steeringsystem.

Subsidiaries' Activities and Risk Management

Subsidiaries organize their activities independently, taking into account the specific characteristics of their business operations and the guidance from the parent company relating to targets, capitalization and group-wide principles. The stakeholders' expectations and external regulations also have a direct effect on the subsidiaries' activities.

Sampo Group's subsidiaries decide independently on the governance structure of their operations. The executive management of the subsidiaries have extensive experience in the insurance industry, as well as in financial and risk management. The members of different committees and governing bodies represent expertise related to business and other functions. The subsidiaries' operations are monitored by the different governing bodies and ultimately by the Boards of Directors whose members are mainly in senior management positions in Sampo plc.

Since only the main guidelines are prepared by the parent company, the subsidiaries' management have the power and responsibility to incorporate the specific characteristics of their own operations into the company specific policies, limits, authorizations and guidelines.

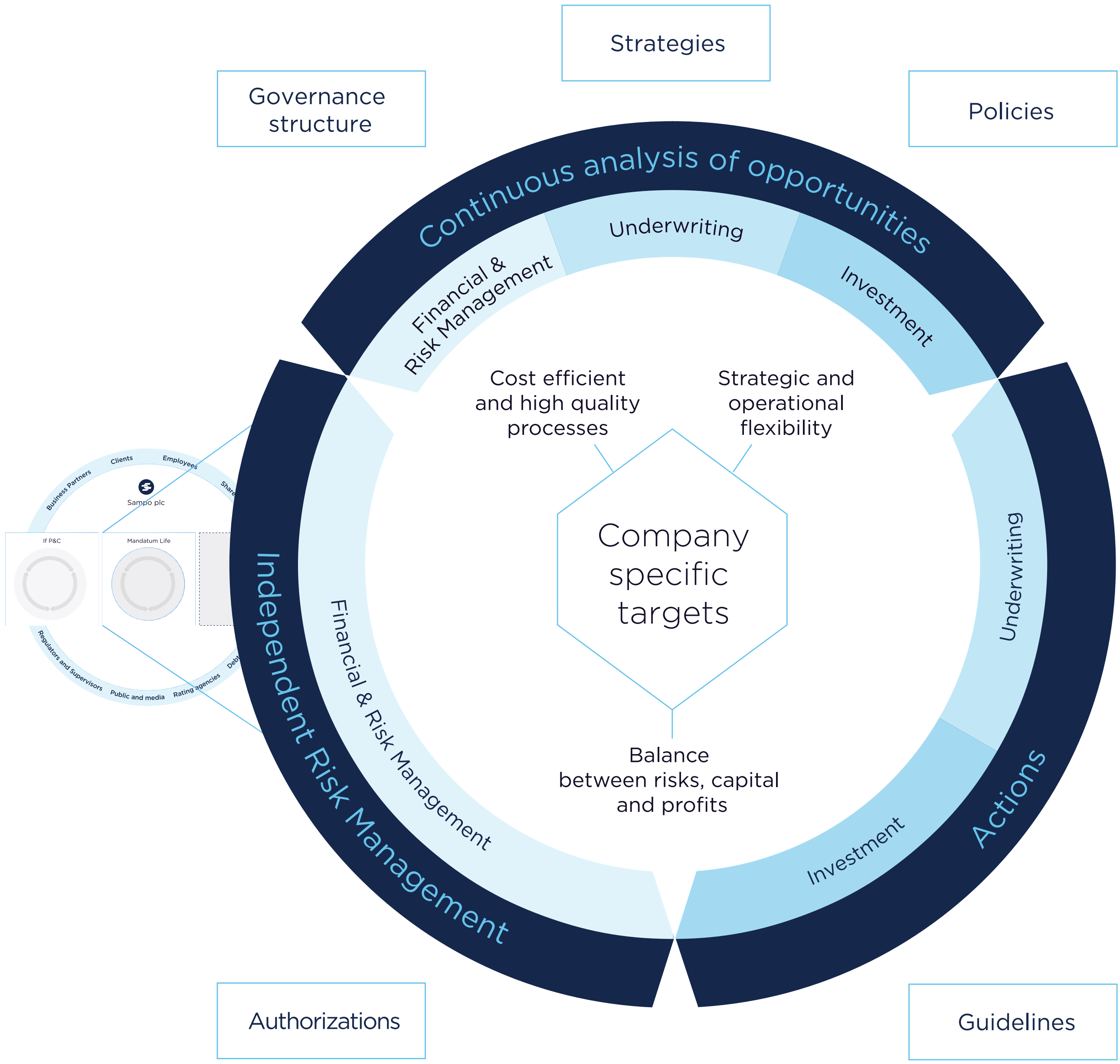
At the operative level, the subsidiaries focus on the effective execution of insurance operations and financial and risk management activities. Investments are managed according to the Investment Policies which are approved by the Board of Directors of the respective subsidiaries. Parent company led day-to-day management of investments, facilitates simultaneous effective execution of the subsidiaries' investment policies and group-wide oversight of the investment portfolios.

The risk management process consists of continuous activities that are partly the responsibility of the personnel involved in business activities and partly the responsibility of independent risk management specialists. Although the responsibilities of business lines and independent risk management are clearly segregated in Sampo Group, these functions are in continuous dialogue with each other.

Parties independent of business activities are responsible for the risk management governance framework, risk policies, risk limits and authorizations which form the structure that sets the limits for business and investment units' risk taking and principles for risk monitoring. These structures are one prerequisite for the risk management process and they reflect capital adequacy targets and the risk appetite in general.

The figure Company Level Financial and Risk Management Process illustrates the (i) prerequisites, (ii) tasks together with the responsible functions and (iii) targets of company level risk management.

Company Level Financial and Risk Management Process



The central prerequisites for facilitating successful risk management include the following:

- Risk management governance structure and authorizations (see Risk Governance section) and clear division of responsibilities between business lines and independent functions
- Companies' own risk policies and more detailed instructions related to risk management
- Prudent valuation, risk measurement and reporting procedures.

The tasks included in the risk management process can be classified as follows:

Independent Risk Management

Financial and risk management functions are explicitly responsible for preparing the above prerequisites of risk management. Operationally they are responsible for independent measurement and control, including the monitoring of operations in general as well as profitability, risk and capitalization calculations. The following items are examples of these responsibilities:

- Detailed reporting on risks to subsidiaries' and Sampo plc's Risk Committees and the Boards of Directors
- Internal reporting on Capital need and actual available Capital at least on a quarterly basis
- Internal reporting on regulatory and rating agency capital charges and capital positions on a quarterly basis
- Disclosure of internal and regulatory capitalization figures quarterly.

Continuous Analysis of Opportunities and Risks

Both the business lines and the financial and risk management functions are active in supporting the business with continuous analysis and assessment of opportunities. This can be seen as a separate phase in the risk management process as the insurance and investment business units assess different business opportunities, especially their risk return ratios, on a daily basis. In the financial and risk management functions, on the other hand, a considerable amount of time is spent on risk assessment and capital planning.

This assessment of opportunities generates, for example, the following outputs:

- Identification of business opportunities (e.g. product and service development and investment opportunities) and analysis of respective earnings potential and capital consumption
- Intra-group and external dividend plans
- Hybrid and senior debt issuance initiatives.

Actions

Actions, i.e. transactions representing the actual insurance and investment operations are performed in accordance with the given authorizations, risk policies and other instructions. These actions are the responsibility of business and centralized functions such as the investment unit. Activities related to capitalization and liquidity positions are included in this part of the process. In Sampo Group, proactive actions to manage profitability, risks and capital are seen as the most important phase of the risk and capital management process. Hence, risk policies, limits and decision making authorizations, together with profitability targets, are set up in a way that they facilitate business and investment units to take carefully considered risks. Examples of the actions are as follows:

- Pricing of insurance policies and execution of investment asset transactions
- Dividend payments, share buy-backs, hybrid issuances and senior debt issuances
- Derivative and reinsurance transactions
- Business acquisitions and divestments.

High quality execution of the above tasks contributes to the achievement of the three central targets of the risk management process:

Balance between risks, capital and earnings

- The risks affecting profitability as well as other material risks are identified, assessed and analyzed.
- Capitalization is adequate in terms of risks inherent in business activities and strategic risks, taking into account the expected profitability of the businesses.
- Risk bearing capacity is allocated to different business areas in accordance with the strategy.
- Underwriting risks are priced to reflect their inherent risk levels, expected returns from investment activities are in balance with their risks, and consequential risks are mitigated sufficiently.

Cost efficient and high quality processes

- Client service processes and internal operative processes are cost efficient and of high quality.
- Decision making is based on accurate, adequate and timely information.
- Continuity of operations is ensured and in the case of a discontinuity event, recovery is fast and comprehensive.

Strategic and operational flexibility

- External risk drivers and potential strategic risks are identified and the company is in a good position, in terms of capital structure and management skills, to react to changes in the business environment.
- Corporate structure, knowledge and processes in the companies facilitate effective implementation of changes.

When the above targets are met, risk management contributes positively to return on equity and mitigates the yearly fluctuations in profitability. The risk management process is therefore considered to be one of the contributors in creating value for the shareholders of Sampo plc.

Parent Company's Oversight and Activities

Sampo plc reviews Group as a business portfolio and is active especially in matters related to Group's capitalization and risks as well as related to the parent company's capital structure and liquidity.

Sampo plc reviews the performance of Sampo Group both on a company level and on a group level based on the reporting provided by the subsidiaries and the associated company, Nordea Bank AB. The information on Nordea Bank AB is, however, based on publicly available material and is therefore less detailed. Reporting on the subsidiaries' performance to the Board of Directors and Audit Committee of Sampo plc is based mainly on the reporting produced by the subsidiaries. The reporting concentrates on the balance between risks, capitalization and profitability. The parent company is responsible for reporting on its own activities.

At group level, the central focus areas are potential concentrations arising from Group companies' operations as well as Group's capitalization and the parent company's ability to generate liquidity. The parent company is also projecting and analyzing Group companies' profitability, risks and capitalization with uniform scenarios to have company specific forecasts that are additive at group level.

Based on both the company and group level information, the Board of Directors of Sampo plc decides on Group's capitalization as well as sets the guidelines on the parent company's capital structure and liquidity reserve. The underlying objective for Sampo plc is to maintain a prudent capital structure and adequate liquidity in order 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.

Risk Governance

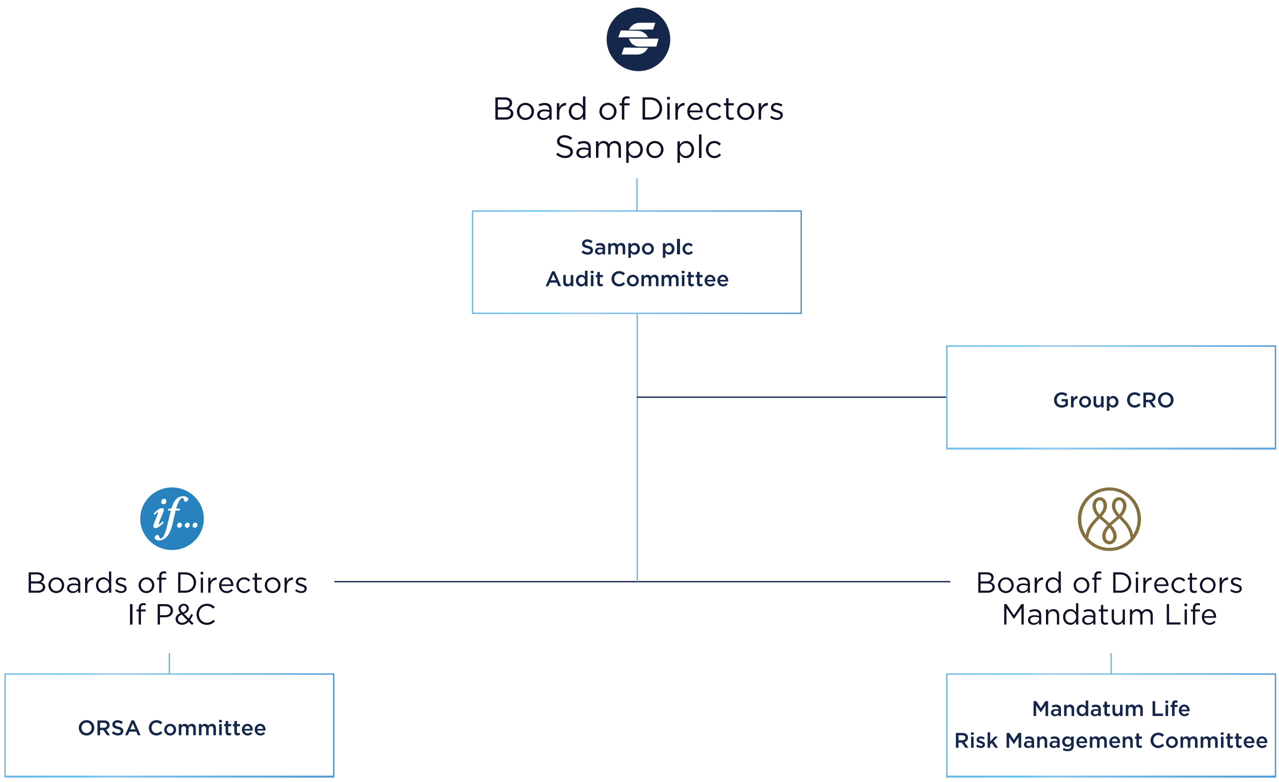
This section describes the governance framework of Sampo Group and its subsidiaries from a risk management perspective. A more detailed description of Sampo Group's corporate governance and internal control system is included in the Corporate Governance section.

Risk Governance at Group Level

The Board of Directors of Sampo plc is responsible for ensuring that Group's risks are properly managed and controlled. The Board of Directors of Sampo plc defines financial and capitalization targets for the subsidiaries and approves group level principles which steer the subsidiaries' activities. The risk exposures and capitalization reports of the subsidiaries are consolidated at group level on a quarterly basis and reported to the Board and to the Audit Committee of Sampo plc.

The reporting lines of different governing bodies at group level are described in the figure Risk Governance in Sampo Group.

Risk Governance in Sampo Group



The Audit Committee (“AC”) is responsible, on behalf of the Board of Directors, for the preparation of Sampo Group’s risk management principles and other related guidelines. The AC shall ensure that the operations are in compliance with these guidelines, control Sampo Group’s risks and risk concentrations as well as control the quality and scope of risk management in the Group companies. The committee shall also monitor the implementation of risk policies, capitalization and the development of risks and profit. At least three members of the AC must be elected from members of the Board who do not hold management positions in Sampo Group and are independent of the company. The AC meets on a quarterly basis.

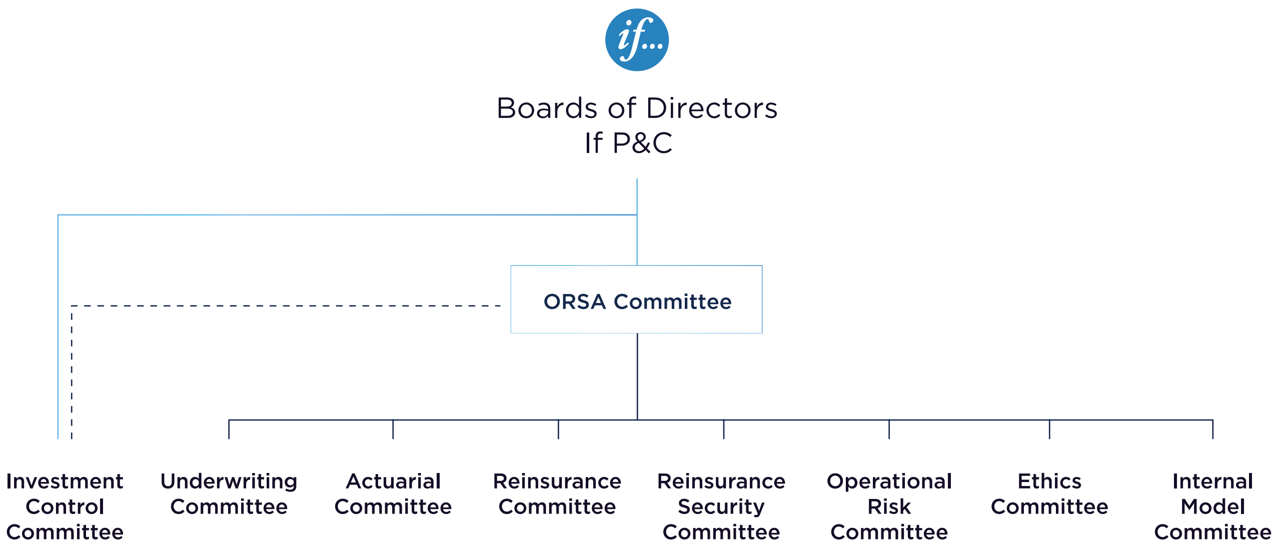
Group Chief Risk Officer (“CRO”) is responsible for the appropriateness of risk management on the group level. The CRO’s responsibility is to monitor Sampo Group’s aggregated risk exposure as a whole and coordinate and monitor company specific and group level risk management.

The Boards of Directors of If P&C and Mandatum Life are the ultimate decision making bodies of the respective companies and have the overall responsibility for the risk management process in If P&C and Mandatum Life respectively. The Boards of Directors appoint the If P&C ORSA Committee and the Mandatum Life Risk Management Committee and are responsible for identifying any need to change the policies, principles and instructions related to risk management.

Risk Governance in If P&C

The main risk steering mechanism used by the Boards of Directors is the policy framework. As part of their responsibilities, the Boards of Directors approve the Risk Management Policy and the other risk steering documents, receive risk reports from the Chief Risk Officer and the Chief Executive Officers, take an active part in the forward looking risk and solvency assessment process and ensure that the management and follow-up of risks is satisfactory and effective. The reporting lines of different governing bodies in If P&C are described in the figure Risk Governance in If P&C.

Risk Governance in If P&C



The Own Risk and Solvency Assessment Committee ("ORSAC") assists the Chief Executive Officers ("CEO") of If P&C in fulfilling their responsibilities to oversee the risk management process. The ORSAC reviews and gives input to reporting from If P&C's other committees within the Risk Management System, as well as reporting from both corporate functions and the line organization. Furthermore, the ORSAC monitors that If P&C's short-term and long-term aggregated risk profile is aligned with its risk strategy and capital adequacy requirements. The Risk Management function is responsible for coordinating the risk management activities on behalf of the Boards of Directors and the CEOs.

The responsibility to identify, evaluate, control and manage risks lies within the line organization. There are separate committees in place for key risk areas and they have the responsibility of monitoring the management and control risks to ensure compliance with the instructions of the Boards of Directors. The risk committees in If P&C do not have a decision mandate.

There are policies in place for each risk area which specify restrictions and limits chosen to reflect and ensure that the risk level is constantly in compliance with the overall risk appetite and capital adequacy constraints of If P&C. The committees also monitor the effectiveness of policies and give input to changes and updates if needed.

In addition to the risk specific committees, there are two other committees included in the Risk Governance structure. Their responsibilities are described as follows:

- The Ethics Committee ("EC") discusses and coordinates ethical issues in If P&C. The committee gives recommendations on ethical issues and proposes changes to the Ethics Policy. The Chairman is responsible for the reporting of ethics risk and other issues dealt with by the committee.
- The Internal Model Committee is an advisory and preparatory body to the Boards of Directors and the CEOs. In accordance with the committee instruction, its tasks are to identify sources for potential model changes and to give its opinion to the Chairman on the assessment and classification of potential changes and on further validation activities or internal model development. In addition to the tasks above, the committee discusses and analyzes information related to the internal model from other committees as well as monitors the status of internal model use and development activities.

Risk Governance in Mandatum Life

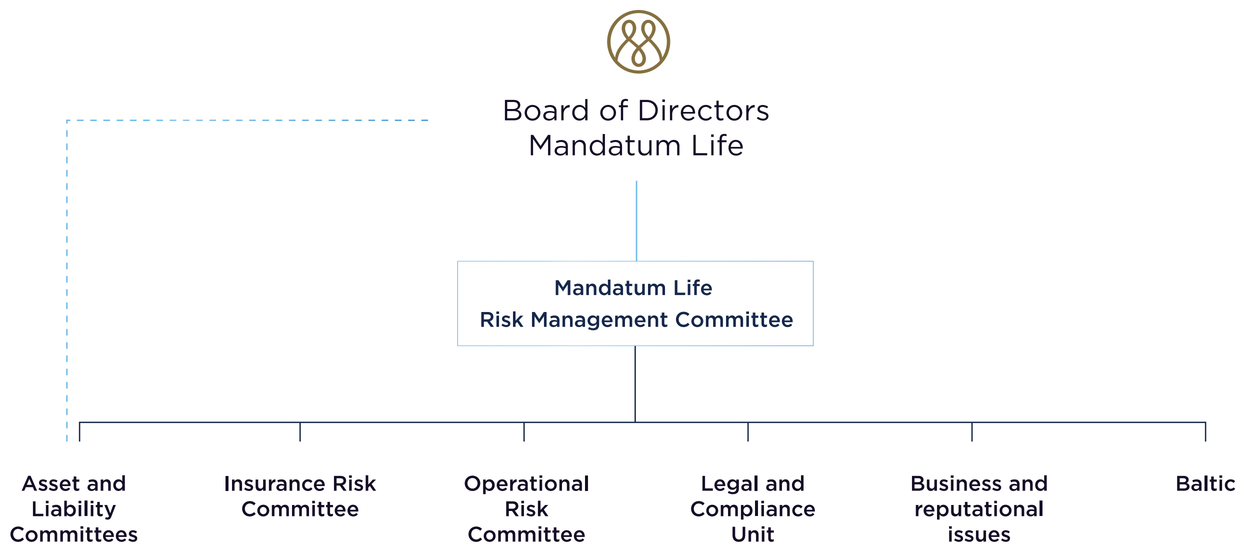
In Mandatum Life the Board of Directors is responsible for risk management and the adequacy of internal control. The Board of Directors annually approves the

Risk Management Plan, Investment Policy and other risk management and internal control instructions.

The Managing Director of Mandatum Life has the overall responsibility for risk management according to the Board of Directors' instructions. The Managing Director is the Chairman of the Risk Management Committee ("RMC") which coordinates and monitors all risks in Mandatum Life. The risks are divided into one of several main groups, the main groups being insurance, market, operational, legal and compliance risks as well as business and reputation risks. Each risk area has its own specialized committee or unit and a responsible person in the RMC.

The reporting lines of the main governing bodies in Mandatum Life are described in the figure Risk Governance in Mandatum Life.

Risk Governance in Mandatum Life



In addition to the risk specific committees, the duties related to compliance and risk management of the Baltic subsidiary have been organized as follows:

- The Legal and Compliance Unit takes care of compliance matters with the Head of the Unit being a member of the Risk Management Committee.
- The Baltic subsidiary has its own risk management procedures. All major incidents are also reported to Mandatum Life's Risk Management Committee. The Chairman of the Baltic Subsidiary is a member of the Risk Management Committee.

Internal Audit, through its audit recommendations, has a role to ensure that adequate internal controls are in place and provides Internal Audit's annual review to the Board of Directors.

Appendix 2: Risk Definitions

Underwriting Risks

In general, the book value of insurance liabilities (technical provisions) and economic value of insurance liabilities are dependent on (i) the size and timing of future claims payments including expenses and (ii) the interest rates used to discount these claims payments to the current date.

The first component is source of underwriting risk and second component is affecting the interest rate risk of total balance sheet.

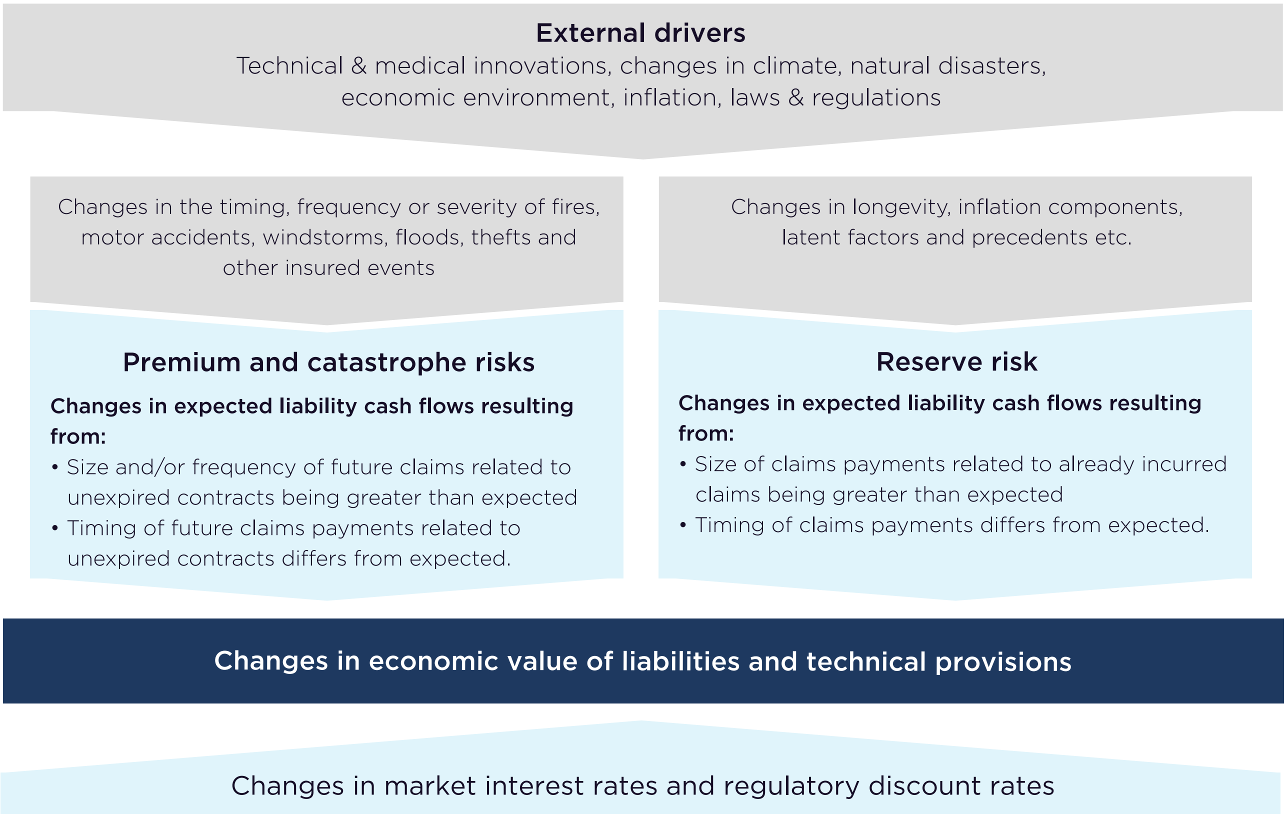
Underwriting risk can be generally defined as a change in the value of insurance liabilities which is caused by the final costs for full contractual obligations varying from those assumed when these obligations were estimated. Hence, underwriting risk is realized as unexpected liability cash flows or unexpected change in the value of insurance liabilities when the pricing and provisioning assumptions on claims payments differ to the actual payments.

Technical provisions and the economic value of insurance liabilities always include a degree of uncertainty as they are based on estimates of the size, timing and the frequency of future claim payments. The uncertainty is normally greater for new portfolios for which comprehensive run off statistics are not yet available, and for portfolios which include claims that take a long time to settle. Workers' Compensation ("WC"), Motor Third Party Liability ("MTPL"), Personal Accident and Liability insurance are examples of non-life products with the latter characteristics. In principle most of the Life products are embedding the latter characteristics as well. Life insurance policies are also exposed to the behaviour of policyholders, because policyholders can change their premium payment intensity or cancel the existing policy.

Non-life Insurance Underwriting Risks

Non-life insurance underwriting risks are often divided into premium and catastrophe risks and reserve risk in order to separate the risks related to future claims of current insurance contracts and already incurred claims.

Non-life Insurance Underwriting Risks



Premium Risk and Catastrophe Risk

Premium risk relates to future claims resulting from expected insured events which have not occurred at the balance sheet date. The frequency, severity and timing of insured events and hence future claims may differ from those expected. As a result, the claims cost for future claims exceeds the expected level and there is a loss or adverse changes in the value of the insurance liabilities.

Catastrophe risk can be seen as an extreme case of premium risk. It is the risk of extreme or exceptional events, such as natural catastrophes where the pricing and setting of provisioning assumptions include significant uncertainty. These events may lead to significant deviations between the actual claims and the total expected claims resulting into a loss or adverse changes in the value of insurance liabilities.

Reserve Risk

Reserve risk relates to incurred claims, resulting from insured events which have occurred at or prior to the balance sheet date. The final amount, frequency and timing of claims payments may differ from those originally expected. As a result technical provisions are not sufficient to cover the cost for already incurred claims and there is a loss or adverse changes in the value of insurance liabilities.

Reserve risk includes **revision** risk, which is defined as the risk of loss, or of adverse change in the value of insurance and reinsurance liabilities, resulting from fluctuations in the level, trend, or volatility of revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.

Life Insurance Underwriting Risks

The value of life insurance liabilities is sensitive to underwriting risks and discount rate risk in technical provisions. Underwriting risk includes biometric, policyholder behavior and expense risks as presented in the picture Life Insurance Underwriting Risks.

Life Insurance Underwriting Risks

External drivers
Emerging infectious diseases, medical innovations, natural disasters, changes in lifestyles, economic environment, laws, taxation and regulations

Changes in longevity, mortality, morbidity and disability, or inaccuracy of used models

Biometric risks

Changes in expected liability cash flows resulting from:
- Actual pensions are being paid for a longer time than expected.
- Actual mortality, disability or morbidity rate is greater than expected.

Changes in policyholders' behavior

Policyholder behavior risks

Changes in expected liability cash flows resulting from:
- Actual rate of policy lapses differs from expected.
- Rate of actual surrenders differs from expected.

Changes in general expenses and/or direct underwriting costs

Expense risk

Changes in expected liability cash flows resulting from:
- Amount of expenses incurred is greater than expected.
- Timing of expenses incurred is earlier than expected.

Changes in economic value of liabilities and technical provisions

Changes in market interest rates and regulatory discount rates

Biometric Risks

Biometric risks refer to the risk that the company has to pay more mortality, disability or morbidity benefits than expected, or the company has to keep paying pension payments to the pension policy holders for a longer period (longevity risk) than expected originally when pricing the policy.

In life insurance, catastrophe events include – as in non-life insurance – rare single events or a series of events, usually over a short period of time and, albeit even less frequently, longer lasting events. When a low frequency, high severity event or series of single events lead to a significant deviation in actual benefits and payments from the total expected payments, a catastrophe risk, i.e. an extreme case of biometric risk, has been realized.

Policyholder Behaviour and Expense Risks

Policyholder behaviour risks arise from the uncertainty related to the behaviour of policyholders. The policyholders have the right to cease paying premiums (lapse risk) and may have a possibility to interrupt their policies (surrender risk).

The company is also exposed to expense risk, which arises from the fact that the timing and/or the amount of expenses incurred differs from those expected at the time of pricing. As a result, expense charges originally assumed may not be enough to cover the realized expenses.

Discount Rate Risk in Technical Provisions

Discount rate risk in technical provisions is the main risk affecting the adequacy of technical provisions. The guaranteed interest rate in policies is fixed for the whole policy period. Thus, if market interest rates and expected investment returns fall, technical provisions may have to be supplemented.

Investment Portfolio Market Risks

In general, market risks refer to fluctuations in the financial results and capital base caused by changes in market values of financial assets and liabilities, as well as by changes in the economic value of insurance liabilities. The changes in market values and economic values are caused by movements in underlying market variables such as interest rates, inflation, foreign exchange rates, credit spreads and share prices.

Furthermore, market risks include also the risk of worsening market liquidity in terms of widening bid-ask spreads and the risk of unexpected changes in the repayment schedules of assets. In both cases the market values of financial instruments in investment portfolios may change.

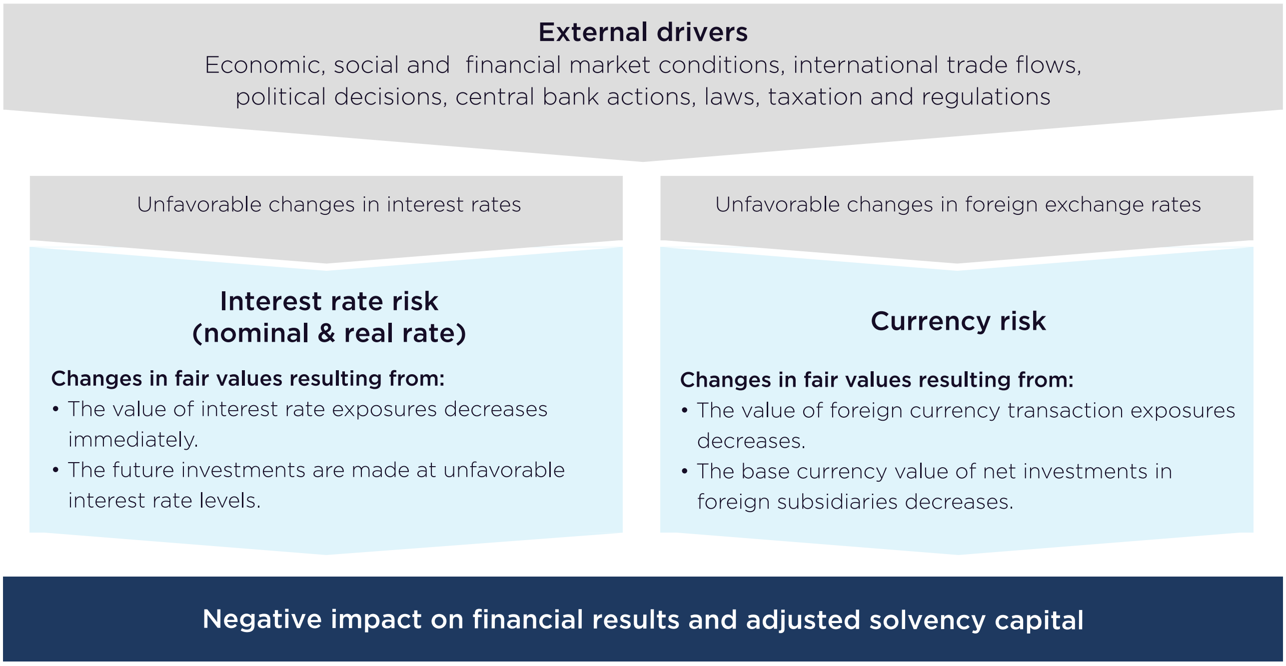
The risks caused by changes in interest rates, foreign exchange rates and inflation together with a general trend of credit spreads and equity prices are defined as **general market risks** and are managed by allocation limits and other risk limits.

The risk related to debt and equity instruments issued by a specific issuer can be defined as **issuer specific market risk** that is managed by issuer specific limits.

Interest Rate and Currency Risks

Many external drivers are affecting interest rates, inflation, inflation expectations and foreign exchange rates as illustrated by the following Interest Rate and Currency Risks chart.

Interest Rate and Currency Risks



Currency risk can be divided into transaction and translation risk. Transaction risk refers to currency risk arising from contractual cash flows in foreign currencies which are related to insurance activities, investment operations and foreign exchange transactions. Translation risk refers to currency risk that may realize when balance sheet values or some measures like SCRs expressed in base currency are converted to other currencies.

Equity and Spread Risks

Sampo Group is exposed to price risk dependent on changes in equity prices and spreads arising from its fixed income and equity investments. Equity price and spread movements are affected by general market trends and by risk factors that are related specifically to a certain issuer or a specific issue.

Equity and Spread Risks

External drivers

Economic, social and financial market conditions, laws, taxation and regulations, technical development and innovations

- Changes in issuer's financial position and future prospects
- Changes in market expectation on issuer's financial future
- Volatility of markets in general

- Changes in issuer's financial position and future prospects
- Changes in market expectation on issuer's probability of default or issue's loss given default
- Volatility of markets in general
- Terms of debt instruments and related collaterals

Equity risk

Fair value changes and credit losses resulting from:
- Increasing risk premiums and respective negative changes in valuations are decreasing the fair value of long positions in equity instruments.
- Decreasing risk premiums and respective positive changes in valuations are decreasing the fair value of short positions in equity instruments.

Spread risk

Fair value changes and credit losses resulting from:
- Widening credit spreads are decreasing the value of long positions in debt instruments.
- Tightening credit spreads are decreasing the value of short positions in debt instruments.
- Value of collateral differs from expected.
- Ultimately borrower is not able to meet its financial obligations when they fall due.

Negative impact on financial results

Counterparty Default Risks

Credit risk by definition comprises of default, spread and settlement risks. Default risk refers to losses arising from occurred defaults of contractual counterparties (counterparty risk) or debtors (issuer risk).

In the case of counterparty risk, the final loss depends on the positive mark-to-market value of derivatives or reinsurance recoverables at the time of default and on the recovery rate which is affected by collaterals.

In the case of issuer risk the final loss depends on the investor's holding of the security or deposit at the time of default, mitigated by the recovery rate.

Spread risk refers to losses resulting from changes in the credit spreads of debt instruments and credit derivatives. Credit spreads are affected when the market's perception of probabilities of defaults is changing. In essence, credit spread is the market price of default risk which is priced into the market value of the debt instrument. Hence the debt instrument's value should lower before the event of default occurs. Because of these features, spread risk, including also the default risk of debt instruments, is categorized in Sampo Group under investment portfolio market risks.

Settlement risk realizes when one party fails to deliver the terms of a contract with another party at the time of settlement. Settlement risk can be the loss associated with default at settlement and any timing differences in settlement between the two parties. Settlement risks are effectively mitigated by using centralized settlement and clearing systems by Sampo Group companies.

Counterparty Default Risk

External drivers

Economic, social and financial market conditions, laws, taxation & regulations, technical development and innovations, natural disasters and other catastrophic events

- Changes in counterparty creditworthiness
- Terms of the instruments and collateral mechanisms
- Volatility of underlying instruments and collateral markets

Default risk of derivate counterparty

Credit losses resulting from:
- Rapid increase in value of net exposure
- Derivative counterparty is not able to post collateral or pay settlement amounts when they fall due
- Value of collateral differs from expected.

- Changes in counterparty creditworthiness
- Terms of the agreement

Default risk of reinsurance counterparty

Credit losses resulting from:
- Increase in reinsurance recoverables
- Reinsurer is not able to pay reinsurance recoverables when they fall due.

Negative impact on financial results

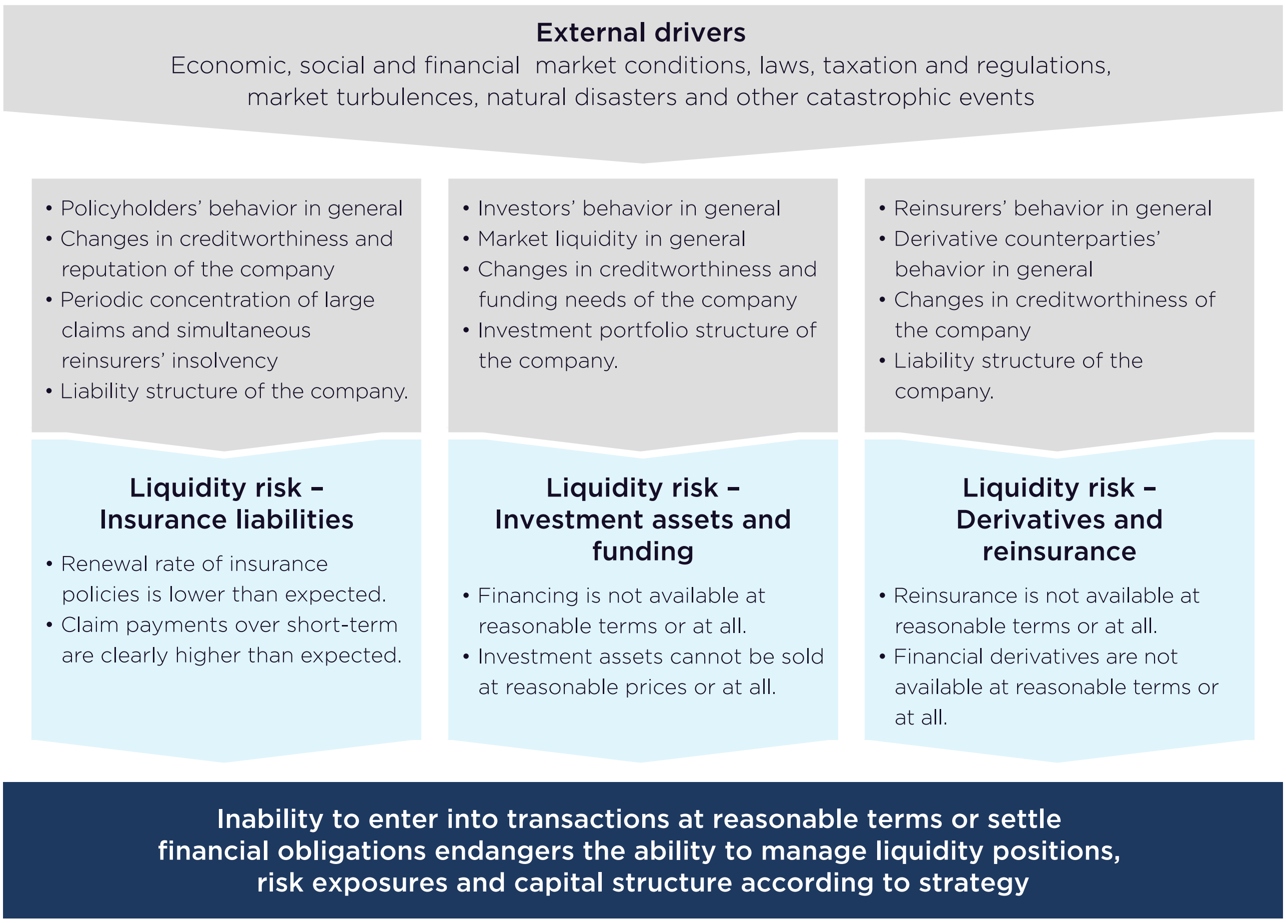
ALM Risks

When changes in different market risk variables (interest rates, inflation, foreign exchange rates) cause a change in the fair values of investment assets and derivatives that is of a different size than the respective change in the economic value of the insurance liabilities, the company is exposed to ALM risk. It has to be noted that the cash flows of insurance liabilities are modelled estimates and are therefore uncertain in relation to both their timing and amount. This uncertainty is a central component of ALM risk.

Liquidity Risks

Liquidity risk is the risk that Group companies are, due to a lack of available liquid funds or access to relevant markets, unable to conduct their regular business activities in accordance with the strategy, or in extreme cases, are unable to settle their financial obligations when they fall due.

Liquidity Risks



The sources of liquidity risk in Sampo Group are either internal or external by their nature. If the company's rating declines or if the company's solvency otherwise appears jeopardised, its ability to raise funding, buy reinsurance cover or enter into financial derivatives at a reasonable price is endangered. Moreover, policyholders may also not be willing to renew their policies because of the company's financial challenges or in the case of reputational issues. If these risks, caused by internal reasons, are realized together with general market turmoil, which makes the selling of investment assets and the refinancing of debt difficult, maintaining adequate liquidity can be a challenge.

Operational Risks

Operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel or from external events. This definition includes compliance risk but excludes risks resulting from strategic decisions. The risks may realize for instance as a consequence of:

- Internal misconduct
- External misconduct
- Insufficient human resources management
- Insufficiencies in operating policies as far as customers, products or business activities are concerned
- Damage to physical property
- Interruption of activities and system failures
- Defects in the operating process.

Materialized operational risks can cause an immediate negative impact on the financial results due to additional costs or loss of earnings. In the longer term, materialized operational risks can lead to a loss of reputation and, eventually, a loss of customers which endangers the company's ability to conduct business activities in accordance with the strategy.

Compliance risk is the risk of legal or regulatory sanctions, material financial losses or loss of reputation resulting from a company's failure to comply with laws, regulations and administrative orders as applicable to its activities. A compliance risk is usually the consequence of internal misconduct and hence it can be seen as a part of operational risk.

Operational Risks