# ANNUAL REPORT

2013

SAMPO GROUP

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# Group

# Group CEO's Review

## Records Are There to Be Broken

The operating environment for the financial sector in 2013 was similar to that of 2012. It was characterized by slow economic growth, low interest rates, a continual and substantial increase in regulation, controversial new taxes, as well as other obstacles. In short, it meant we faced challenging conditions.

In such a difficult situation, the only option is to exercise even stricter discipline: reduce risks, boost operational efficiency and put in the extra hours needed. There is no sense in waiting for better times ahead – we must act now.

The vast transfer of services to the internet and the digitization of society in general are changing the very foundations of our industry. Consequently, understanding the ever-evolving needs of our customers will be the key to building a sustainable competitive edge. As the market leaders in our businesses, we are – and must continue to be – in a better position than our peers in terms of responding to the challenges brought on by these structural changes.

Despite the weak operating environment in 2013, Sampo recorded an excellent year. In December, our share price peaked at almost EUR 36 - its highest level ever. And the increases have continued into the new year - in February 2014 the share price passed EUR 37.

### Best Ever Combined Ratio

Sampo's P&C operations broke many of our own earlier records in 2013: Profit before taxes amounted to EUR 929 million, once again the highest total recorded in Sampo's history, while the combined ratio reached a new record of 88.1 per cent. Furthermore, customer service was improved in a number of ways. A particularly noteworthy development was the launch of distribution co-operation with the largest bank in the Nordic countries - Nordea - in Sweden, Finland and the Baltics.

The value of our stake in our associated company Topdanmark has nearly doubled, and also reached a new high in 2013. Our holding, which covers 28 per cent of the voting rights, is also now at its highest ever level. Our stake is likely to continue growing in the future as Topdanmark intends to buy back and subsequently cancel its own shares.

## Nordea's Market Value Breaks Record

Following the Swedish government's sale of its stake in Nordea in 2013, the uncertainty lingering over the bank's ownership structure disappeared. Our current investment (21.2 per cent holding) in Nordea amounts to approximately EUR 5.6 billion; however, by the end of 2013, the book value of our holding stood at EUR 6.9 billion. The market value of our holding exceeded the book value by more than EUR 1.5 billion. In addition, we have received EUR 1.2 billion in dividends from Nordea during our period as a shareholder.

The stable profitability of our associated company Nordea was also reflected in the company's market value: its valuation of EUR 42.5 billion as at January 2014 represented yet another new record.

## Unit-linked Premium Income Reaches Historical High

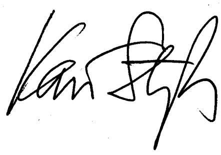
2013 was also a record year in the area of life insurance: the unit-linked premium income of EUR 909 million was the highest in the company's history, while the distribution co-operation with Danske Bank was more successful than ever before. At the same time, Mandatum Life recorded its best ever technical result, which was measured as the sum of the risk and expense result. Pleasingly, the improved levels of customer satisfaction that we have seen in previous years continued in 2013.

Sampo Group's risk-adjusted investment result was also good: investment return mark-to-market was 5.0 per cent from P&C insurance and 7.1 per cent from life insurance. However, while equity and fixed-income investments performed well, the investments in emerging markets and the foreign exchange result fell short of their respective targets.

## Dividend Proposal of EUR 1.65 per Share

The slow growth environment calls for careful focus on cash flows and proper capital allocation. To this end and thanks to our strong results, Sampo's Board of Directors proposes that a dividend of EUR 1.65 per share be paid for 2013.

Sampo is a dividend stock and increasing shareholder value is our main task. And whilst as I'm sure you can understand we are unable to predict levels of future dividends, we are striving for a steadily increasing distribution.



**Kari Stadigh**
Group CEO and President

# 2013 in Figures

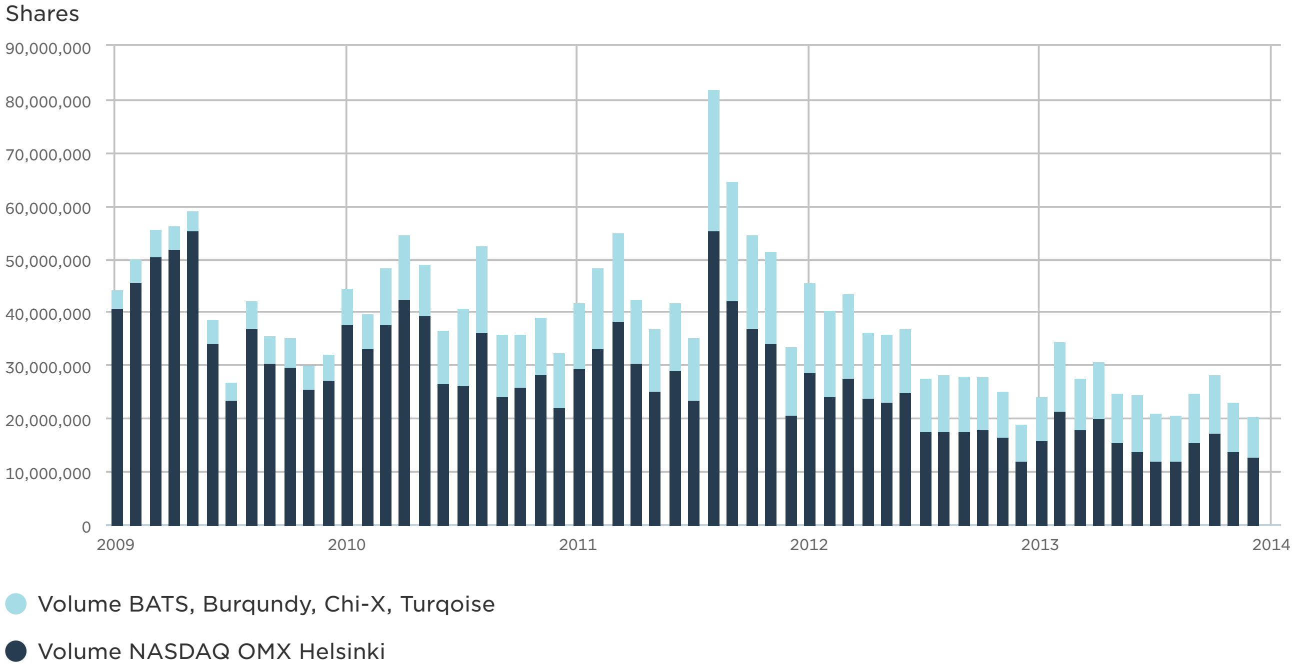
**Key Figures**
Sampo Group, 2013

| EURm | 2013 | 2012 | Change, % |
|---|---|---|---|
| Profit before taxes | 1,668 | 1,622 | 3 |
| P&C Insurance | 929 | 864 | 8 |
| Associate (Nordea) | 635 | 653 | -3 |
| Life Insurance | 153 | 136 | 12 |
| Holding (excl. Nordea) | -45 | -30 | 50 |
| **Profit for the period** | **1,452** | **1,408** | **3** |

| | 2013 | 2012 | Change |
|---|---|---|---|
| Earnings per share, EUR | 2.59 | 2.51 | 0.08 |
| EPS (incl. change in FVR), EUR | 2.54 | 3.37 | -0.83 |
| NAV per share, EUR | 22.15 | 17.38 | 4.77 |
| Average number of staff (FTE) | 6,832 | 6,823 | 9 |
| Group solvency ratio, % | 184.4 | 170.9 | 13.5 |
| Return on Equity, % | 13.8 | 19.9 | -6.1 |

**Share Price Performance**
Sampo plc, 2009–2013

## Monthly Trading Volume
Sampo plc, 2009–2013




## Share Main Facts

| A Shares | | B Shares | |
|---|---|---|---|
| **Market** | Nasdaq OMX Helsinki | **ISIN Code** | FI0009006613 |
| **List** | OMXH Large Caps | **Number of Shares (unlisted)** | 1,200,000 |
| **Business Sector** | Financials | **Votes/share** | 5/share |
| **Listed** | 01/14/1988 | | |
| **Trading Code** | SAMAS (OMX) | | |
| **Bloomberg** | SAMAS FH | | |
| **Reuters** | SAMAS.HE | | |
| **ISIN Code** | FI0009003305 | | |
| **Number of Shares** | 558,800,000 | | |
| **Votes/share** | 1/share | | |

All B shares are held by Kaleva Mutual Insurance Company. B shares can be converted into A shares at the request of the holder.

# Strategy

**Sampo Group aims to create value for its shareholders. Value is created through efficient and highly profitable operating units and by investments in situations offering significant upside potential with manageable downside risk. Shareholders benefit from the value creation through a high and stable dividend yield.**

Sampo Group's business areas are P&C insurance and life insurance under If and Mandatum Life brands, respectively. The Group is also the largest shareholder in Nordea Bank, the leading Nordic banking franchise. On a Group level Sampo has no stated strategy, but the business areas have well-defined strategies based on return on equity (RoE) targets.

The parent company Sampo plc's A shares are listed on the Nasdaq OMX Helsinki. The parent company sets financial targets for the subsidiaries. For both P&C and life insurance operations the return on equity target is a minimum of 17.5 per cent. In addition, a separate target has been set for the combined ratio in the P&C insurance operation, i.e. the annual combined ratio to be below 95 per cent each and every year.

## Financial Targets 2013

| | Target | Performance 2013 |
|---|---|---|
| **If P&C** Focus on underwriting | **RoE** 17.5% **Combined Ratio** < 95% | **RoE** 24.4% **Combined Ratio** 88.1% |
| **Sampo plc** Shareholder value creation | **Payout Ratio*** ≥ 50% | **Payout Ratio*** 64%** |
| **Mandatum Life** Focus on unit-linked | **RoE** 17.5% | **RoE** 18.3% |

*Dividend % of net profit
**Based on Board's proposal on 12 Feb 2014

# If P&C Insurance – Security and Stability

If's mission is to offer insurance solutions that provide customers security and stability in their business operations, housing and daily life. The company's vision is to be the leading property and casualty insurance company in the Nordic and Baltic regions with the most satisfied customers, leading edge insurance expertise and superior profitability.

If's strategic goal is to establish better profitability and customer satisfaction in the long run than competitors, coupled with high creditworthiness. The financial targets are to achieve a combined ratio of less than 95 per cent and a return on equity (RoE) of at least 17.5 per cent.

If's long-term priorities to ensure a strong and stable profitability development are based on a sound operating platform, leading cost position, most satisfied customers, leading edge insurance expertise and an investment strategy based on balanced risk. The following four areas constitute the key elements in If's strategic direction:

- **Customer value** – If will exceed customer expectations through superior insurance solutions, fast and accurate claims management and sympathetic behavior.
- **Focused Insurance Expertise** – If will purposefully strengthen the organization's skills in developing, pricing and distributing insurance products, as well as, in the areas of liability loss prevention and claims management.
- **Nordic Business Platform** – If will create competitive advantage through economies of scale and know-how transfer through an integrated Nordic and Baltic platform.
- **Investment Strategy with Balanced Risk** – If has adopted a low risk strategy in investments by maintaining a balance between insurance commitments and investment assets in terms of currency and duration. Surplus capital is invested to enhance total returns.

# Mandatum Life – An Expert in Money and Life

Mandatum Life is the leading provider of cover against life and health risks and a well-respected manager of customer assets in Finland and the Baltic countries. In new business, Mandatum Life's core product areas consist of unit-linked savings contracts and group pensions as well as risk insurance. As a result of the existing balance sheet, unit-linked individual pension policies and the with-profit portfolio in general play a significant role in the company, even though they are not being sold actively.

In addition to its life insurance business, Mandatum Life's activities in recent years have expanded to include pension services focusing on corporate pension funds and foundations. The company has also supplemented various services related to personnel rewards and incentives through, for example, personnel fund services. The need for business outside the life insurance sector grew when the company discontinued its granting of individual corporate pension policies as a result of changes related to the retirement age applied to new insurance policies. Going forward, Mandatum Life will continue to look into new opportunities to support its current business activities.

In Finland, Mandatum Life relies on three sales channels: in-house corporate sales teams, wealth management focusing on high-net-worth individuals, and Danske Bank's network.

Mandatum Life estimates that there is still a growing need for Finns to secure their income during retirement and to prepare for health and life risks. The company believes that voluntary corporate pension schemes will play an increasingly important role in complementing statutory earnings-related pension. As far as the corporate sales channel is concerned, greater emphasis will also be placed on meeting the investment-related needs of customers. In addition, companies are believed to gain significant value by covering their employees' life and health risks through voluntary insurance policies.

Mandatum Life began offering its own wealth management services in 2008. The services offered by Mandatum Life's Wealth Management are mainly intended for private individuals with a high net worth. Institutions are also an important customer group, and the weight given to institutional wealth management is expected to grow in future.

In Mandatum Life's services for private customers, the main service channel is Danske Bank's network. Co-operation with Danske Bank has been successful. Mandatum Life's offering has expanded Danske Bank's services in Finland and in the Baltic countries to include the life insurance needs of customers.

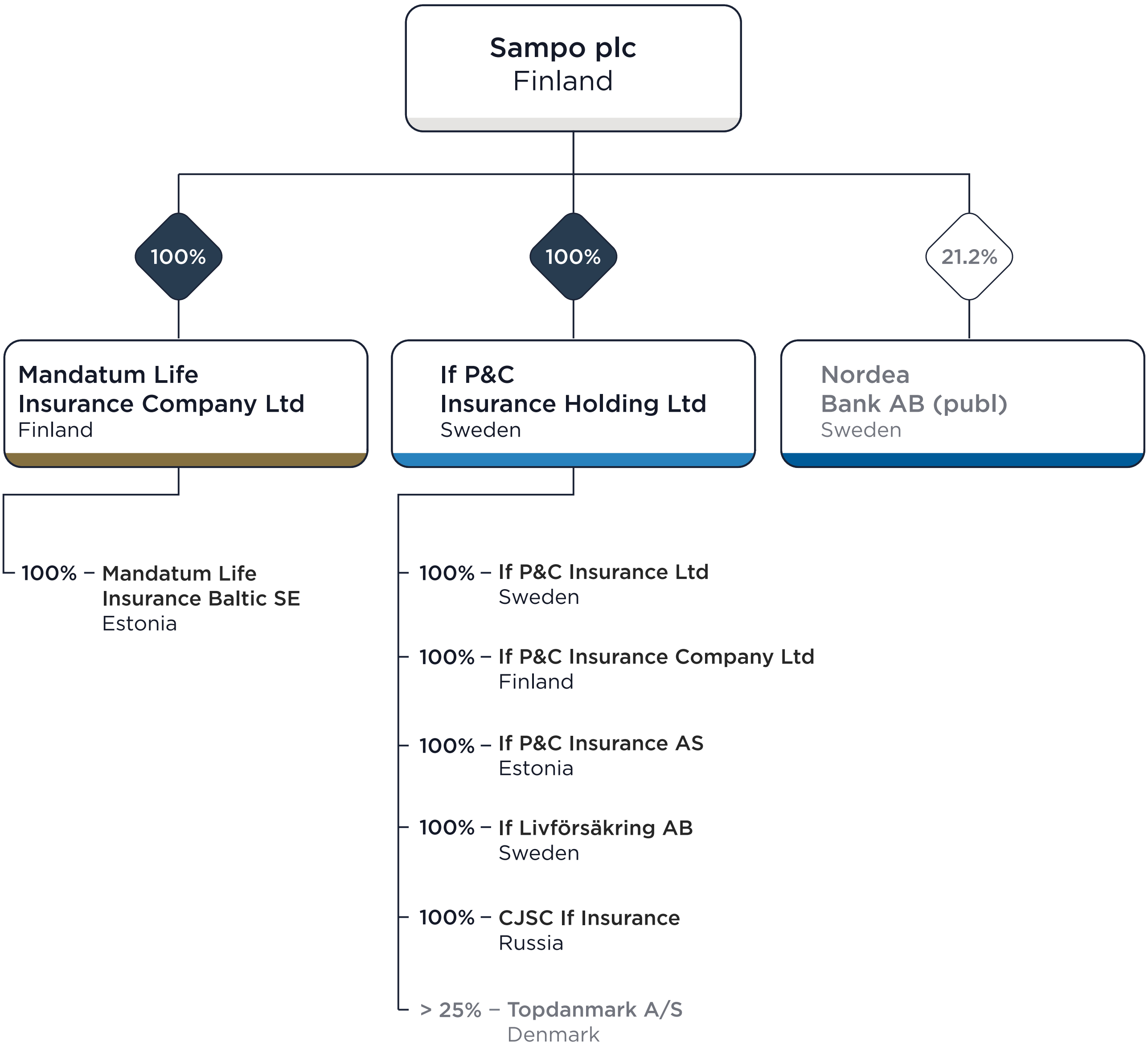
Mandatum Life's result consists of three components: the investment result, risk result and expense result. The company's strategy in investment activities is to maintain adequate solvency in relation to market risks in the balance sheet, which makes it possible to strive for a long-term return that is higher than the return requirement on with-profit technical provisions. In the expense and risk result, Mandatum Life seeks growth through both higher operational efficiency and volume growth. The company's financial target is to produce an RoE of at least 17.5 per cent.

# Dividend Policy

Sampo plc, the listed parent company of Sampo Group, is a good dividend payer. Sampo aims to pay at least 50 per cent of Group's net profit as dividend. Share buy-backs can be used to complement the dividend. The Board proposes to the AGM a dividend of EUR 1.65 per share for the year 2013. The proposed dividend corresponds to a payout ratio of 64 per cent.

# Group Structure

31 December 2013



# Organization

31 December 2013

- **Group CEO and President**
  Kari Stadigh
  - **P&C Insurance**
    Torbjörn Magnusson
    - **Deputy MD**
      Ricard Wennerklint
      - **Marketing and Communications**
        Katarina Mohlin
      - **IT**
        Kjell Rune Tveita
    - **Private**
      Morten Thorsrud
    - **Commercial**
      Ivar Martinsen
    - **Industrial**
      Niclas Ward
    - **Baltic**
      Timo Vuorinen
    - **Finance**
      Knut Arne Alsaker
    - **Legal Affairs**
      Dag Rehme
  - **Life Insurance**
    Petri Niemisvirta
    - **Finance**
      Jukka Kurki
    - **Private Customers**
      Sanna Rajaniemi
    - **Danske Bank and Alliances**
      Risto Honkanen
    - **Corporate Clients and Business Development**
      Tarja Tyni
    - **Wealth and Investment Management**
      Jukka Pirskanen, Juhani Lehtonen
    - **Baltics and Support Service**
      Timo Laitinen
    - **Legal Affairs**
      Timo Vuokila
    - **Marketing and Communications**
      Niina Riihelä
  - **Investments**
    Patrick Lapveteläinen
  - **Group Finance and Risk Management**
    Peter Johansson
  - **Investor Relations and Group Communications**
    Jarmo Salonen
  - **Internal Audit**
    Gunilla Werner Carlsson
  - **Personnel**
    Johan Börjesson

# Businesses

Sampo Group's parent company, Sampo plc, has two fully owned subsidiaries, If P&C Insurance Holding Ltd (publ) and Mandatum Life Insurance Company. The former is the largest Nordic P&C insurer and the latter a leading Finnish life insurer. Both insurers also operate in the Baltics.

In addition, Sampo plc is the biggest shareholder in Nordea Bank AB. Nordea is the largest bank in the Nordic region. At the end of 2013 Sampo plc held 21.2 per cent of shares in the Bank, which is accounted for as an associate in the Group accounts.

## Sampo plc

Sampo plc, the parent company, is listed in the Nasdaq OMX Helsinki since January 1988. It has no business activities of its own but administers the subsidiaries and is responsible for certain centralized functions in Sampo Group.

if...

If P&C Insurance is the leading property and casualty insurer in the Nordic region, with operations in Finland, Sweden, Norway, Denmark and the Baltic countries. Danish insurance company Topdanmark, in which If P&C Insurance is the largest owner with more than 25 per cent of the shares, is accounted for as an associated company in the P&C insurance segment.

Nordea

Nordea, the largest bank in the Nordic region, has around 11 million customers and is one of the largest universal banks in Europe in terms of total market capitalization. The Nordea share is listed in the NASDAQ OMX Nordic Exchanges in Stockholm, Helsinki and Copenhagen. In Sampo Group's reporting Nordea is included in the segment Holding.

MANDATUM LIFE

Mandatum Life, with operations in Finland and the Baltic countries, is responsible for Sampo Group's life insurance operations and, in addition, offers wealth management services under an insurance wrapper. In Finland, the company has 250,000 private customers and 25,000 corporate customers.

2013 was again a good year for If. The company has now exceeded its long-term profitability targets 37 times during the last 38 quarters. The only exception was the harsh winter of 2010, during which snow, ice and cold resulted in far more insurance claims than in a normal year. If's combined ratio for 2013 was 88.1 per cent, which is the best ever for the company. The technical result increased to EUR 601 million and pre-tax profits to EUR 929 million. The premium growth was a strong 2.9 per cent.

The result for 2013 was achieved in a period of very low interest rates. The low interest rate environment enables only a limited rate of return for insurance companies' investments, which are directed mainly to interest bearing debt instruments. Today, the industry is focusing more than ever on the profitability of the insurance business. This has been If's key strategic theme for more than a decade. With the industry now following the example set by If, the company has to perform more efficiently to maintain its competitive edge.

If's positive development is the result of a long-term strategy with a consistent focus on underwriting, meaning more efficient risk assessment and risk selection, and correct pricing of products, as well as, profitability and cost-effectiveness. Extensive work is currently being done to further strengthen the focus on underwriting. In order to improve efficiency, If is investing heavily in IT. An increasing number of customers are visiting If's Internet pages to get information, file claims or buy insurance. The number of visits increased by 15 per cent since 2012 and online sales to individuals rose by 18 per cent. IT investments are also strengthening Nordic cooperation within If. Tasks are coordinated in a way that the best expertise is available cost-efficiently.

One of If's primary goals is to deliver the best customer experience for everyone, despite the customer service channel chosen. This is particularly the case, when a customer has suffered a loss. Every claim case is followed up and the customer has the opportunity to rate and comment on the service. Surveys show that those customers, who have had an insurance claim, are even more pleased with If than those who have never had a claim.

During the year, customer reviews of If's claims handling process have improved further from an already high level. Nine out of ten private customers give If the highest or the second highest rating.

Towards the end of 2012, If acquired Tryg's Finnish business, with a premium volume of approximately EUR 80 million and a market share of about two per cent. The business has now been successfully integrated into the operations of If. In 2013, If entered into a partnership agreement with Nordea in Finland, Sweden and the Baltic countries, where Nordea now sells If products at its branches and via the Internet.

It seems that the repeatedly delayed EU reform of the regulatory system for the insurance industry, Solvency II, will be implemented in 2016. The Directive will provide a common European approach that will ensure financial stability and promote fair and efficient financial markets in Europe. Solvency II is very much in line with If's approach to risk management and we are already working in accordance with the Directive.

The beginning of the year saw two changes in the management team of If. Morten Thorsrud was appointed Head of Business area Private and Niclas Ward took over as Head of Business area Industrial.

Nordea

2013 was another year of low growth and interest rates declined to record-low levels. In this environment, Nordea delivered a stable income level and saw a continued inflow of relationship customers. Costs have been kept flat now for 13th consecutive quarters, net loan losses decreased and the operating profit increased, thus giving a continued strong and stable capital generation. The core tier 1 capital ratio increased to 14.9 per cent, up by 1.8 percentage points, and the dividend proposal increased to EUR 0.43 per share (EUR 0.34).

With loan demand foreseen to be lower in the coming years, customer activity lower and interest rates lower than previously expected, Nordea will increase its focus on cost efficiency and will accelerate and expand its cost efficiency program. This will enable Nordea to adjust its capacity to the lower activity level and to maintain its position as a strong bank. It will strengthen the foundation which is fundamental for meeting customer needs and for the relationship strategy.

The relationship strategy continued to be instrumental to Nordea in 2013 and Nordea is developing the future relationship bank with the 2015 plan. Since 2007, Nordea has consistently followed this strategy, which is based on long-term customer relationships. It has proven superior when working with customers, as Nordea studies closely the situation and needs of each customer. In this challenging macro environment Nordea is committed to serving customers and thus supporting the economy.

Nordea is less vulnerable to market turbulence than other banks due to its well-diversified business model. Nordea strives towards safeguarding its high credit rating, which further enables strong liquidity and funding position. This is vital in the process where you want to offer the right products and services at the right price to each customer.

The regulatory requirements on capital, liquidity and funding, following the global financial and sovereign debt crises, imply a cost and new demands for all banks. These will be reflected in business models and in other changes in the global banking market for years to come.

For the third year in a row, British financial magazine World Finance named Nordea the “Best banking Group in the Nordics”. Prospera survey showed that large companies in the Nordics rank Nordea the best bank in the Nordics, which was confirmed by the Euromoney awards “Best Bank” and “Best Investment Bank” in the Nordics and Baltics.

Nordea's AA rating was confirmed by Fitch, Moody's and Standard & Poor's, providing further proof of Nordea's strong financial position and solid earnings. Few banks in Europe have as high a rating as Nordea, which enables Nordea to have strong access to funding at competitive prices. AA rating level reflects that Nordea's repayment ability is perceived to be very good.

Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. Nordea is making it possible for customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 900 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalization. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

# MANDATUM LIFE

**By all key indicators, 2013 was a success for Mandatum Life. Unit-linked premium income was at a record-high level and the result improved, thanks to good investment returns. Positive development was also achieved in operating expenses, and, for the first time, unit-linked technical provisions exceeded the technical provisions related to with profit products.**

Mandatum Life's investment returns, boosted in particular by the excellent yield on equity investments, rose to a good level. Low-risk, long-term interest rates remained low, which means that, as in previous years, maturing fixed-income investments present a considerable re-investment risk. In response to the low interest rate levels, the company continued to supplement the reserve for decreased discount rates, and has consequently lowered the return requirement on technical provisions for 2014 and 2015.

Premium income continued to grow in the company's core businesses, and the company's unit-linked premiums reached a record-high level. The growth can be attributed to the increase in the premium income of Danske Bank's and the company's own networks. Despite the positive trend, the company lost market shares, since the premium income in the sector grew substantially.

In terms of new business, ten years ago Mandatum Life set unit-linked insurance and risk insurance as its core business areas. Back then, the company's technical provisions were almost exclusively related to with profit products. In 2013, a significant shift took place in the structure of the technical provisions: unit-linked technical provisions exceeded the technical provisions related to with profit products. This was a consequence of two things: the strong growth in unit-linked technical provisions, and the decline of pension-focused technical provisions related to with profit products. Technical provisions related to with profit products decreased to a lowest level ever in the history of the company in its current form.

Cost effectiveness becomes increasingly important as the weight given to unit-linked business grows. The company did, in fact, implement a cost-savings program in 2013, with the goal of keeping operating expenses, aside from those arising from sales and profit-linked operating expenses, at the 2012 level until 2015. Together with the growing insurance savings, the cost-saving measures are expected to improve the expense result over the next few years.

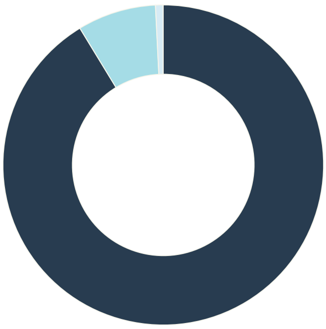
Demand for risk insurance grew in the Baltic countries, and with new insurance policies being taken out, there was significant growth in capital at risk. Unit-linked technical provisions grew compared to the previous year, but gross premium income fell slightly short of the 2012 figure. The organization's operations were reinforced and adapted to better reflect the customer segments.

A new operating model for corporate sales was cascaded within the Finnish organization in the course of 2013. The goal of the new sales and service model is to improve sales efficiency and enhance the customer experience. Due to the launch of the new operating model, particular emphasis was placed on developing sales competence. In addition, efforts focusing on supervisory work and well-being at work were continued.

# Personnel

**P&C insurance is Sampo Group's largest business area and in 2013 it employed 91 per cent of the personnel, while life insurance had approximately 8 per cent of the work force. Less than one per cent worked for the parent company, Sampo plc.**

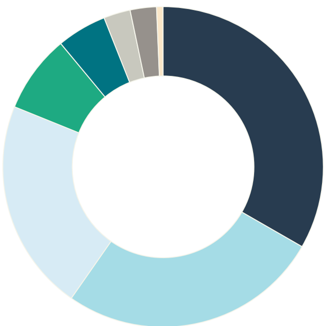
**Personnel by Company**
Sampo Group, 2013, average total 6,832 people (FTE)



- If P&C 6,238
- Mandatum Life 541
- Sampo plc 53

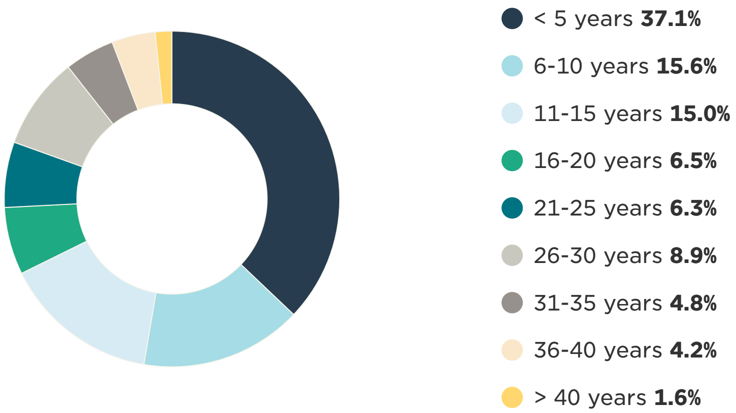
The average number of Sampo Group's employees (FTE) in 2013 amounted to 6,832 (6,823). In geographical terms Finland had 33 per cent of the personnel, Sweden 27 per cent and Norway 21 per cent. The share of Baltic countries, Denmark and other countries was 19 per cent.

**Personnel by Country**
Sampo Group, 2013, average total 6,832 people (FTE)



- Finland 2,276 (33.3%)
- Sweden 1,804 (26.4%)
- Norway 1,462 (21.4%)
- Denmark 537 (7.9%)
- Estonia 344 (5.0%)
- Latvia 184 (2.7%)
- Lithuania 181 (2.7%)
- Other countries 44 (0.6%)

**Years of Employment**
Sampo Group personnel, 2013




# Personnel at If P&C

From a HR perspective 2013 was an intensive year. Several parts of the organization were involved in major business development initiatives. These initiatives affect and rely on people. Consequently, the HR agenda was largely geared towards providing hands-on support to the organization for the processes of managing change, developing future ways of working, and identifying and meeting the requirements for new skills. The focus topics were:

- **Leadership:** A new leadership development concept was implemented with an increased focus on coaching and feedback to maximize each employee's performance. A new cohort was recruited to If's Future Leadership Programme.

- **Performance culture:** Development of the performance management process continued. An employeeship model clarifying the individual's responsibility for his/her performance through ongoing competence development was launched.

- **Competence development:** Throughout the year, If continued its major drive to develop the skills and capabilities of its employees to meet current and future business needs. If's employees attended more than 32,000 e-learning courses and over 8,600 seminars during the year. Various new methods were implemented, such as Learning Design and Action Reflection Learning. A number of mentor programs and other specific initiatives have been undertaken to support the parts of the organization that are facing a generational shift. Competence development schemes also included activities with If's main partners, for example the launch of the new Nordea agreement in Sweden and Finland.

- **Right person in the right place:** The If employer brand has been strengthened by carrying out specific initiatives throughout the year. One such initiative was LinkedIn, where the If career page has seen a 200 per cent increase in followers since its launch in the autumn of 2012. Targeted recruiting actions toward analysts and IT professionals has led to greater external interest in vacancies in these areas.

## Personnel Facts

The number of persons employed by If on 31 December 2013 was 6,830 (6,788). The impact of normal efficiency improvements and some targeted efficiency actions within parts of the organization was offset by the one-time effect of acquiring Tryg in Finland and its approximately 200 employees. The integration of Tryg's and If's organizations during the year led to some overlaps in functions and subsequent redundancies of 26 employees.

Personnel turnover increased slightly from 8.7 per cent in 2012 to 9.3 per cent in 2013. The increase is attributable to Tryg redundancies and specific efficiency measures across the organization.

Employee satisfaction remains high. 9 out of 10 If employees gave a positive response when asked whether they enjoy working at If.

Overall, illness-related absenteeism is low (3.4 per cent). Norway continues to have a higher percentage of sickness absences (4.8 per cent) than If's other countries. In 2013, If has focused on improving the situation in Norway.

### Sickness Absences
If P&C, 2012–2013

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Denmark | 2.4% | 2.0% |
| Sweden | 3.4% | 3.3% |
| Finland | 2.9% | 3.2% |
| Norway | 4.8% | 4.8% |
| Latvia | 2.2% | 2.2% |
| Lithuania | 1.5% | 0.8% |
| Estonia | 1.9% | 1.7% |
| Total | 3.4% | 3.3% |

### Personnel Turnover
If P&C, 2012–2013

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Denmark | 10.9% | 11.4% |
| Sweden | 6.7% | 8.8% |
| Finland | 8.7% | 6.6% |
| Norway | 8.6% | 8.0% |
| Latvia | 17.7% | 13.1% |
| Lithuania | 14.0% | 18.5% |
| Estonia | 22.2% | 12.8% |
| Total | 9.3% | 8.7% |

## Personnel Cost Initiatives

Focus on further leveraging If's Nordic synergies through cross-border personnel cost initiatives was seen in 2013. Cost-saving opportunities are opening up as information technology matures and processes and systems become more Nordic. These include taking into account the differences in personnel costs among the countries when hiring employees for staff and back office positions.

# HR at Mandatum Life

A new operating model for corporate sales and service was initiated in 2013. The goal is to enhance the customer experience, improve management of sales per unit time and set clear, targeted objectives for sales operations. Face-to-face meetings will be conducted for larger customer accounts and for accounts with significant customer potential. Smaller customer accounts will mainly be managed electronically and over the phone. Particular emphasis has been placed on strengthening sales skills. By the end of 2013, nearly 90 per cent of sales personnel who previously only specialized in life insurance had completed the Investment Advisor Exam (APV).

An efficiency improvement program was launched in 2013. Employee participation was high and the company successfully met its targets. In addition to fixed cost savings, Mandatum Life also achieved savings in process development by centralizing operations and introducing more efficient operating methods.

## Development of Personnel Benefits

A personnel fund, established in 2012 for the employees of the subsidiary company Innova, was extended in 2013 to all Mandatum Life personnel. The employees can use their annual performance-based reward to save an amount equivalent to a maximum of half a monthly salary in the fund. Since contributions to the personnel fund are exempt from social costs, an extra 20 per cent reward is added to the transferred amount. All employees of Mandatum Life's parent company are additionally covered by the company's group pension insurance scheme.

## Well-being at Work and Employee Satisfaction

Employee satisfaction has remained at a high level. A survey conducted in November showed that overall satisfaction was 76 per cent compared to 77 per cent in 2012. All in all, 81 per cent (83) of those surveyed said that Mandatum Life is a good place to work.

Over the past few years, processes have been developed to promote well-being at work. This has led to a steady decline in the levels of sickness absences. The absence percentage in 2013 was about 2.5 per cent (3.3). Mandatum Life's employee pension insurance premium category also remained low in 2013.

# Corporate Responsibility

**Corporate responsibility is an inherent component of insurance activities and it is high on the agenda both in If P&C, the largest P&C insurer in the Nordic and Baltic countries, and Mandatum Life, the leading life insurer in Finland and the Baltic countries. It is also demonstrated by the fact that Sampo Group companies are significant taxpayers in their main markets.**

If has a basic commitment to promote a society in which everyone is able to live safely and securely. Along with the police, rescue services, judiciary and other public authorities, the property and casualty insurance companies play a key role in creating a safe and secure society.

If endeavors to take its social responsibility beyond its business operations. Its principal objective is to constantly act in a manner that satisfies or exceeds the ethical, legal, and commercial requirements placed upon the business.

Mandatum Life's corporate responsibility is based on the cornerstones of its operations: increasing and securing the financial welfare of its customers and the company's business success.

Responsible business conduct requires ensuring the profitability and development of the company's operations. As one of the largest corporate taxpayers in Finland, Mandatum Life contributes directly to the well-being of Finnish society through the taxes paid on its business profits.

## Corporate Responsibility in If P&C

If has a basic commitment to promote a society in which everyone is able to live safely and securely. Along with the police, rescue services, judiciary and other public authorities, the property and casualty insurance companies play a key role in creating a safe and secure society.

In 2013 alone, If dealt with more than 1.5 million insurance claims. These vary greatly, ranging from private clients injured in road accidents to companies whose production has been suspended, for example, due to fire. In total, If has paid out over EUR 3 billion in claims over the past year.

If endeavors to take its social responsibility beyond its business operations. Its principal objective is to constantly act in a manner that satisfies or exceeds the ethical, legal and commercial requirements placed upon the business.

Environmental issues are of critical importance to everyone and often have an immediate impact on the operations of the non-life insurance companies.

Climate-related meteorological phenomena, such as heavy rainfalls and flooding, are becoming increasingly common. Populated areas along the coastlines of exposed regions are experiencing frequent flooding.

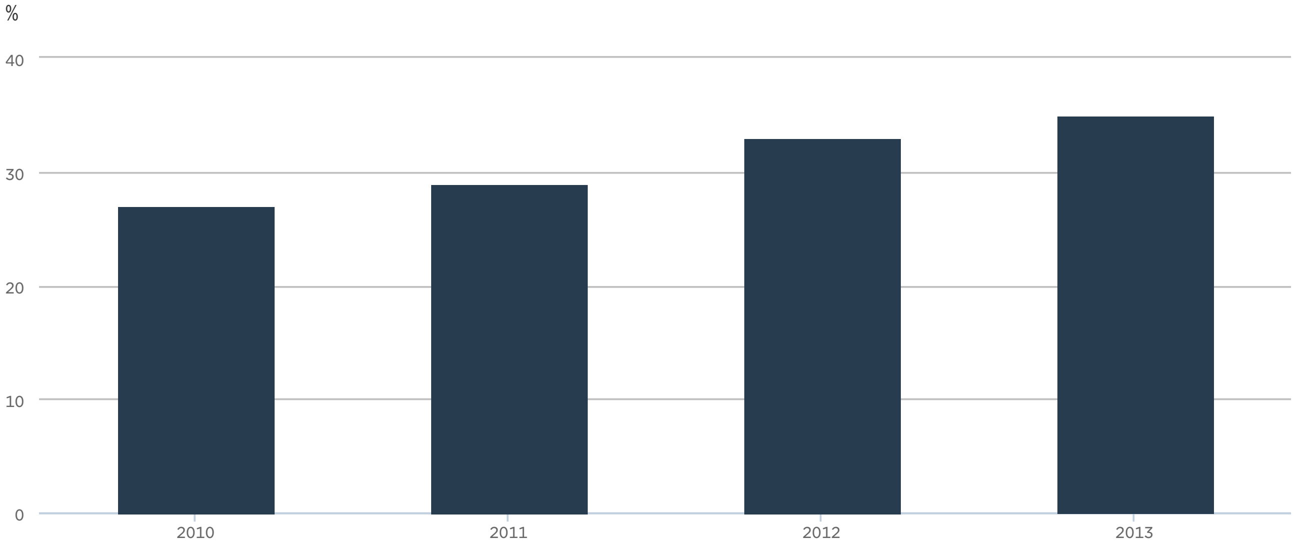
All of If's activities are governed by a strict environmental policy. The essence of this policy is that If will always endeavor to find the most environmentally viable solution for If, its clients, suppliers and partners.

## Key Environmental Issues for If P&C

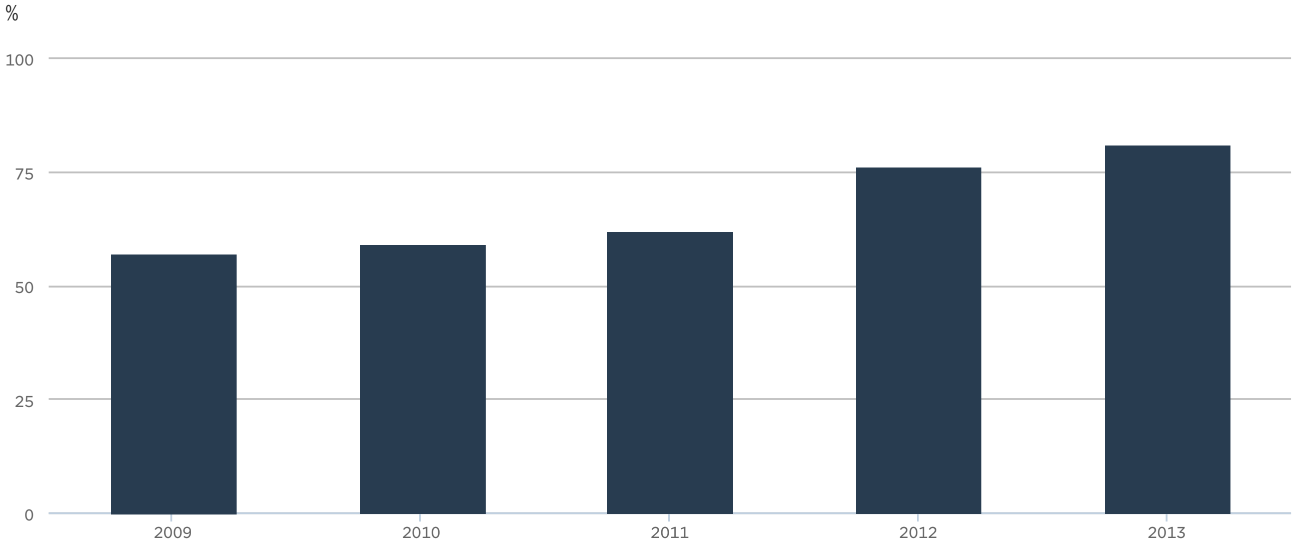
**Environmental impact of claims handling:** In 2013, If handled around 800,000 claims for damaged cars and properties. The correct handling of damaged materials is a key environmental issue. If's goal is to reuse undamaged parts and increase recycling. As a step towards achieving this, If has implemented stringent environmental standards for its suppliers.

Online filing of claims is becoming more common and represents a more environmentally responsible choice than traditional filing methods. More than 60 per cent of all private insurance claims to If in Finland are now filed over the Internet.

**Share of Online Claim Reports from Business Area Private on a Nordic Level**
If P&C, 2010–2013



**Share of E-invoices in Vehicle Claims on a Nordic Level**
If P&C, 2009–2013

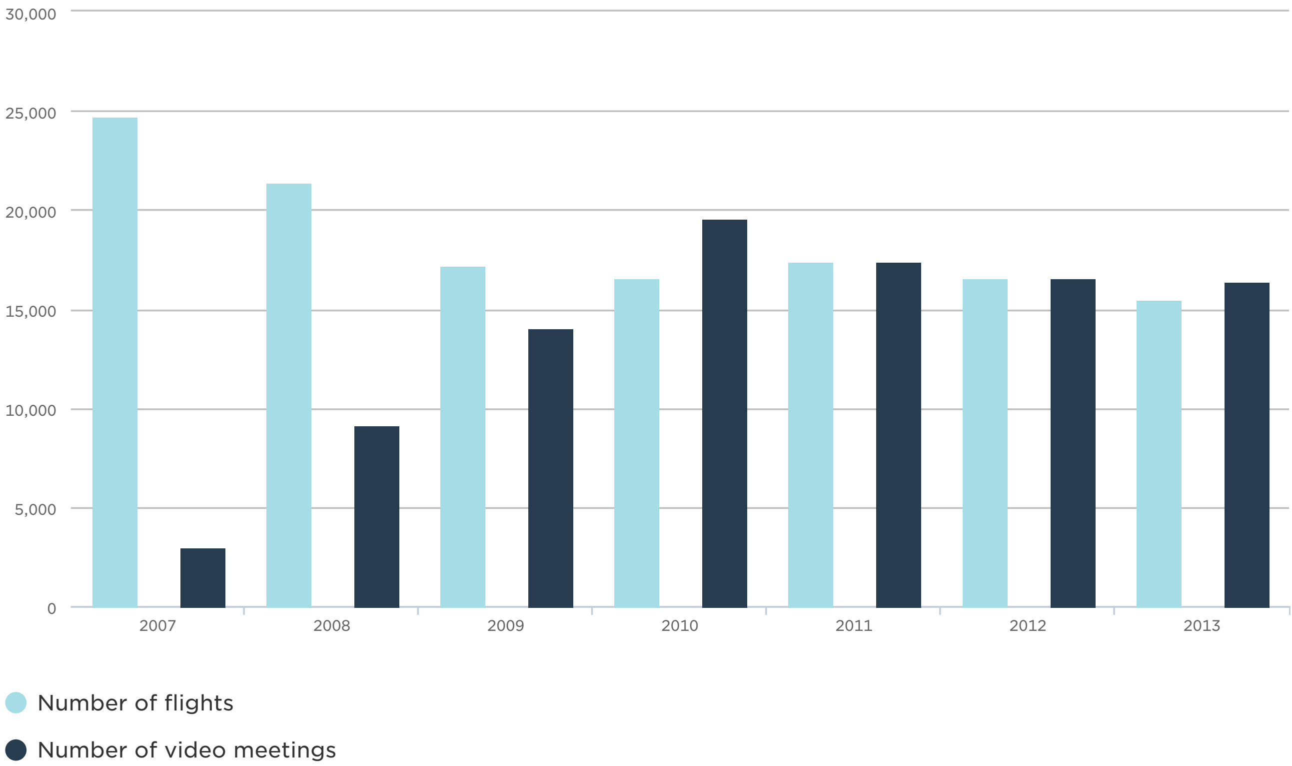



**Climate impact:** If's carbon dioxide emissions have continued to decrease in 2013. In 2013, If launched a carbon offsetting scheme whereby it compensates for its emissions of carbon dioxide in the Nordic region by distributing energy-efficient wood-burning stoves to villages in India. The scheme is a so-called "Gold Standard project", which is an internationally recognized certification standard developed in collaboration with the World Wide Fund for Nature and other organizations. Not only do the wood-burning stoves reduce carbon dioxide emissions, they also save lives. A report published by the World Bank shows that about four million people die each year from the pollutants emitted by inefficient wood-burning stoves.

**Travel and meetings:** If has reduced the number of business flights taken by its employees by one third since 2007. Many of its meetings are now conducted online or as video conferences instead of face-to-face.

Other priority environmental issues are energy consumption (for example, If's Gothenburg office has cut its energy use by 50 per cent over the last two years) and waste minimization.

### Yearly Development of Flight Travel and Video Meetings
If P&C, 2007–2013




## Getting Stakeholders Involved

A key issue for If is to get all the parties concerned involved in If's environmental efforts. The goal is to stimulate understanding, commitment and, ultimately, action.

If is developing products and processes to help customers to act in a more environmentally-friendly manner. By giving customers advice on how to prevent accidents and damage, If is helping them to save money and take action to protect the environment.

If encourages and supports its suppliers and partners in their efforts to use more environmentally-friendly methods in their operations. If has a dialogue with its suppliers regarding If's environmental goals and requirements. Owners receive regular environmental reports.

If provides its more than 6,000 employees with environmental training courses, gives them guidelines to help them make sound environmental decisions and conducts internal environmental campaigns aimed at developing the employees as environmental ambassadors.

## Environmental Highlights

### 2013

- Energy declarations and action plans are in place at If's 28 largest offices.
- If launches an environmental insurance product in Finland and Sweden, based on an EU directive.
- If's office in Espoo, Finland, is certified as a WWF Green Office.
- If's office in Gothenburg, Sweden, is certified as a Green Building. Green Building is an EU initiative.

### 2012

- If in Denmark launches an emissions-based car insurance. The premium is determined by the level of CO? emissions.

- Green Tenant Award first prize is awarded to If's office in Gothenburg, Sweden.
- If's office in Turku, Finland, is certified as a WWF Green Office.
- If and the Nordic Centre of Excellence (NCoE) NORD–STAR initiate a research collaboration project on climate change adaptation and insurance.

## 2011

- If joins UN's Clean Development Mechanism, compensation CO? emission arising from If's operations through a project in Gayatri Agro India.
- If in Finland and Denmark become the first members of the local Buy Ecolabelled Network.
- If launches Europe's first eCustomer center in Lysaker in Norway.
- If launches an insurance product for liabilities based on the Norwegian Nature Conservation Act.

## 2010

- The tasks in the list of 100–environmental–action–points are completed.
- A green procurement program is implemented. If in Sweden and Norway become members of Buy Ecolabelled Network.
- If in Finland extends the coverage for natural phenomena in home and real estate insurances.

## 2009

- A list of 100 activities designed to lead to a greener If is established and implementation starts.
- A meeting management program to reduce travel is implemented.
- Climate impact accounting according to Greenhouse Gas Protocol starts.

## 2008

- The Environmental steering group is established.
- If's environmental strategy and policy are developed.

## If's Environmental Policy

If must take substantial measures to improve the environment on a daily basis. We always endeavor to find the best possible environmental solution – for our company, our customers, our suppliers and our partners.

- We must always give our staff the opportunity to act in an environmentally-friendly way through the provision of guidelines and support.
- We are developing products, processes and damage prevention services in order to help our customers act in a more environmentally-friendly manner.
- We encourage and support our suppliers and partners in their efforts to use more environmentally-friendly methods in their operations.
- We must always provide information about environmental risks and participate actively in the public debate concerning climate change.

## Structure of the Environmental Program

If's environmental program basically has three levels:

- A steering group, led by a member of If's executive board, sets up and upholds If's environmental strategy, policies and overall goals.
- The Nordic Environmental Group is responsible for managing and monitoring the implementation of all environmental initiatives concerning facilities and procurement.
- Local Environmental Groups formulate local action plans and arrange activities for increasing awareness of environmental issues. These groups are present at all larger offices.

## Environmental Policies and Tools

Strictly defined environmental policies and tools are established to support and lead If's environmental initiatives. Some of the key policies are:

- Environmental policy
- Procurement policy in line with Nordic Ecolabel procurement guidelines
- Supplier assessment principles
- Climate impact accounting tool based on Greenhouse Gas Protocol standard
- ClimateWise platform for best practice and exchange of ideas
- Environmental rules for claims handling.

# Corporate Responsibility in Mandatum Life

Mandatum Life's corporate responsibility is based on the cornerstones of its operations: increasing and securing the financial welfare of its customers and the company's business success.

## Successful Business Operations Contribute to Well-being

Responsible business conduct requires ensuring the profitability and development of the company's operations. As one of the largest corporate taxpayers in Finland, Mandatum Life contributes directly to the well-being of Finnish society through the taxes paid on its business profits. To secure its business success, Mandatum Life has in place, among other things, an active HR policy. The company believes that greater employee work satisfaction leads to improved customer satisfaction and thus more profitable business.

## Providing Security Fosters Entrepreneurship

Mandatum Life provides security to its self-employed customers and their families, and safeguards the future of the company in the event of the sudden illness, disability or death of the entrepreneur. While statutory cover provides a basic level of security, supplementary insurance offers entrepreneurs better possibilities to focus on managing their company, to cope better in the face of life and health risks, and to secure their income level during retirement.

## Remuneration Impacts Well-being at Work

Mandatum Life helps companies in developing HR strategies and processes. Providing the right rewards is one way for companies to offer their employees an effective financial incentive that enhances their motivation and can also be used to supplement pension cover. Additionally, a responsible customer company can take care of its employees and indirectly also their families by offering supplementary cover against, for example, disability and death.

## Responsibility as Part of Investment Operations

Mandatum Life wants to increase the financial welfare of its customers and secure their accrued wealth. Mandatum Life strives to achieve these goals by applying responsible and open investment principles and by actively monitoring its progress in this area. Mandatum Life's investment managers and analysts are in the best position to understand how various investment objects function and to communicate on them with the parties in charge of them. In reporting on and monitoring responsible investment operations, Mandatum Life's Investment Management team is assisted by a dedicated risk management unit. Mandatum Life Wealth Management has signed the UN's Principles for Responsible Investment (UN PRI).

The indemnities paid by Mandatum Life help companies, and people and their families to cope better in difficult situations. In 2013, Mandatum Life paid out a total of approximately EUR 320 million in pensions to 61,000 pensioners, as well as other indemnities totaling EUR 415 million to 38,000 insured.

# Governance

# Corporate Governance Statement

Sampo complies in full with the Finnish Corporate Governance Code issued by the Securities Market Association, effective from 1 October 2010.

Acting in compliance with Recommendation 54 of the Corporate Governance Code, Sampo has published a separate Corporate Governance Statement on its website in fulfillment of the requirement referred to in the Finnish Securities Markets Act (746/2012), chapter 7, section 7.

Sampo's Corporate Governance Statement (www.sampo.com/cg)

## Governance Structure

# Board of Directors

Sampo plc's Board of Directors, elected annually by the AGM of Sampo plc, uses the highest decision making power in Sampo Group between the AGMs. Sampo's Board of Directors is responsible for the management of the company in compliance with the law, the regulations of the authorities, Sampo's Articles of Association and the decisions of Shareholders Meetings.

**The following persons served on Sampo plc's Board of Directors in 2013:**

## Björn Wahlroos

Chairman of the Board
Born 1952

### Positions of Trust

Nordea Bank AB (publ), *Chairman of the Board*;
UPM-Kymmene Corporation, *Chairman of the Board*;
Finnish Business and Policy Forum EVA, *Board Member*;
The Research Institute of the Finnish Economy ETLA, *Board Member*;
Hanken School of Economics, *Chairman of the Board*;
The Mannerheim Foundation, *Board Member*

- Wahlroos was appointed to the Board of Directors of Sampo plc on 5 April 2001.
- Wahlroos holds 11,863,141 Sampo plc shares directly or through a controlled company.

## Matti Vuoria

Vice Chairman of the Board; CEO, President of Varma Mutual Pension Insurance Company (2004–2013)
Born 1951

### Positions of Trust

Wärtsilä Corporation, *Vice Chairman of the Board*;
Stora Enso Oyj, *Board Member*;
Securities Market Association, *Chairman of the Association's Board*;
The Finnish Pension Alliance TELA, *Vice Chairman of the Board (2011–2013)*;
Federation of Finnish Financial Services, *Board Member (2007–2013)*

- Member of the Board of Directors of Sampo plc since 7 April 2004.
- Vuoria holds 35,804 Sampo plc shares directly or through a controlled company.

## Anne Brunila

Professor of Practice, Hanken School of Economics
Born 1957

### Positions of Trust

Kone Corporation, *Board Member*;
Sanoma Corporation, *Board Member;*
Stora Enso, *Board Member;*
The Research Institute of the Finnish Economy ETLA, *Board Member*;
Finnish Business and Policy Forum EVA, *Board Member*;
International Chamber of Commerce Finland, C*hairman of the Board;*
Aalto University Foundation, *Vice Chairman*

- Member of the Board of Directors of Sampo plc since 9 April 2003.
- Brunila holds 9,059 Sampo plc shares directly or through a controlled company.

## Jannica Fagerholm

Managing Director, Signe and Ane Gyllenberg Foundation
Born 1961

### Positions of Trust

Teleste Corporation, *Board Member;*
Aktia plc and Aktia Bank, *Board Member and Member of the Audit Committee (2012–2013);*
Kelonia (Private Equity holding company), *Board Member;*
Veritas Pension Company, *Member of the Supervisory Board;*
Hanken School of Economics, *Board Member and Chairman of the Investment Committee;*
Swedish Society of Literature (Svenska litteratursällskapet i Finland), *Member of the Investment Committee*

- Member of the Board of Directors of Sampo plc since 18 April 2013.
- Fagerholm holds 679 Sampo plc shares directly or through a controlled company.

## Adine Grate Axén

CEO of Adine Grate AB
Born 1961

### Positions of Trust

NASDAQ OMX, Sweden, *Chairman of the Swedish Listing Committee*;
Swedish Orphan Biovitrum AB (Sobi), *Board Member and Member of the Audit Committee*;
Swedavia AB, *Board Member*;
3 Scandinavia, *Advisor and Executive Board Member*;
AP 7, *Vice Chairman of the Board;*
Madrague Capital Partners AB, *Board Member;*
Alhanko & Johnson AB (BASE 23), *Board Member;*
BSkyB (British Sky Broadcasting Group plc), *Board Member and Member of the Audit Committee*

- Member of the Board of Directors of Sampo plc since 14 April 2011.
- Grate Axén holds 3,061 Sampo plc shares directly or through a controlled company.

## Veli-Matti Mattila

President and CEO of Elisa Corporation
Born 1961

### Positions of Trust

The Finnish Fair Association, *Member of the Supervisory Board*;
Confederation of Finnish Industries EK, *Member of the Representative Assembly;*
Service Sector Employers PALTA, *Board Member;*
Finnish Foundation for Technology Promotion, *Board Member*

- Member of the Board of Directors of Sampo plc since 7 April 2009.
- Mattila holds 3,796 Sampo plc shares directly or through a controlled company.

## Eira Palin-Lehtinen

Born 1950

### Positions of Trust

Elisa Corporation, *Board Member*;
Sigrid Juselius Foundation, *Deputy Board Member and Member of the Finance Committee*;
Nordea Funds (Nordea Alternative Investment, Nordea Funds of Funds, Nordea I Sicav), Luxembourg, *Board Member*;
Föreningen Konstsamfundet, *Member of the Investment Committee*;
The Finnish Foundation for Share Promotion (Pörssisäätiö), Chairman of the *Board;*
Sibelius Academy Foundation, *Board Member*

- Member of the Board of Directors of Sampo plc since 15 April 2008.
- Palin-Lehtinen holds 3,479 Sampo plc shares directly or through a controlled company.

## Per Arthur Sørlie

President & CEO, Borregaard
Born 1957

### Positions of Trust

Umkomaas Lignin (Pty) Ltd,South Africa, *Chairman of the Board;*
Inspiria Science Center, Norway, *Board Member*

- Member of the Board of Directors of Sampo plc since 12 April 2012.
- Sørlie holds 1,690 Sampo plc shares directly or through a controlled company.

**Jukka Pekkarinen, born 1947**
Member of the Board of Directors of Sampo plc from 5 April 2006 to 18 April 2013.

**Christoffer Taxell, born 1948**
Member of the Board of Directors of Sampo plc from 1 January 1998 to 18 April 2013.

When elected, all Board members were independent of company's major shareholders and following members were also independent of the company: **Anne Brunila, Jannica Fagerholm, Adine Grate Axén, Veli-Matti Mattila, Eira Palin-Lehtinen, Per Arthur Sørlie** and **Björn Wahlroos**.

Information as of 31 December 2013, unless stated otherwise. The CVs of members of the Board of Directors can be viewed at www.sampo.com/board.

# Board of Directors' Duties

The operating procedures and main duties of the Board of Directors have been defined in the Board's Charter.

Among other things, the Board of Directors decides on Sampo Group's strategy, approves the principles governing the Group's risk management, remuneration, compliance and internal control, takes responsibility for the proper organization of the Group's operations, defines the required internal minimum capitalization for Group companies and supervises Group's profitability and liquidity position as well as capitalization. The Board also decides, within the framework of the company's business area, on other exceptional and far-reaching matters with respect to the scope and nature of Sampo Group.

In addition, the Board regularly evaluates its own activities and cooperation with the management.

The Board elects the Group CEO and President, the members of the Group Executive Committee and the Group Chief Audit Executive, and releases them from their duties. The Board also decides on the terms and conditions of their employment and on other compensation. In addition, the Board confirms the Group's staff planning targets and monitors their fulfillment, determines the grounds for the Group's compensation system and decides on other far-reaching matters concerning the staff.

In order to secure the proper running of operations, Sampo's Board of Directors has approved internal rules concerning general corporate governance, risk management, remuneration, compliance, internal control and reporting in Sampo Group.

# Election and Terms of Office of Board Members

According to Sampo's Articles of Association, the company's Board of Directors comprises no fewer than three and no more than ten members elected by shareholders at the Annual General Meeting ("AGM").

The AGM of 2013 decided that the Board would consist of eight members until the close of the AGM to be held in 2014. The term of office of the Board members ends at the close of the AGM that first follows their election. The members of the Board elect a Chairman and Vice Chairman from among their members at their first meeting following the AGM.

The Board convened 8 times in 2013. The average attendance of Board members at meetings was 100 per cent.

# Board-Appointed Committees

The Board may appoint committees, executive committees and other permanent or fixed-term bodies for duties assigned by the Board. The Board confirms the Charter of Sampo's committees and Group Executive Committee, and also the guidelines and authorizations given to other bodies appointed by the Board.

The Board has an Audit Committee and a Nomination and Compensation Committee, whose members it appoints from its midst in accordance with the charters of the respective committees.

## Audit Committee

The Audit Committee is responsible for monitoring the statutory auditing and reporting process of the financial statements and consolidated financial statements, and for overseeing the veracity of Sampo Group's financial statements and the financial reporting process.

The Committee also oversees the actions of the auditor under the laws of Finland, monitors the auditor's invoicing for audit and non-audit services as deemed appropriate. Furthermore, the Audit Committee is responsible for evaluating the auditor's and auditing firm's independence and particularly their provision of related services to Sampo Group, and for preparing proposals to the Annual General Meeting concerning the auditor's election and his fee.

The Committee also monitors the efficiency of the Group's internal control, internal audit and risk management systems, and monitors the Group's risks and the quality and scope of risk management. In addition, the Committee approves internal audit's annual action plan, monitors internal audit's reporting, monitors the fulfillment of risk policies, the use of limits and the development of profit in various business areas, oversees the preparation of and compliance with risk management policies and other guidelines within the scope of Audit Committee's activities, and reviews the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's Corporate Governance Statement.

The Committee also evaluates the compliance with laws and regulations in Sampo Group, monitors significant litigations of Group companies, and executes any other duties that may be bestowed upon it by the Board.

According to its Charter, the Committee comprises at least three members elected from among those Board members who do not hold executive positions in Sampo and are independent of the company and of which at least one is independent of Sampo's major shareholders. Also participating in the meetings of the Committee are the Responsible Auditor, Group CEO, Group CFO, CFO of the most significant subsidiary, Group Chief Audit Executive, the member of the Group Executive Committee responsible for risk control and Group Chief Risk Officer.

In 2013, the Chairman of the Audit Committee was **Anne Brunila**, and the other members were **Jannica Fagerholm (as of 18 April 2013), Adine Grate Axén, Jukka Pekkarinen (until 18 April 2013)** and **Per Arthur Sørlie**. Also participating in the meetings were the Auditor's representative, Group CEO, Group CFO, CFO of If P&C, Group Chief Risk Officer and Group Chief Audit Executive.

The Audit Committee convened five times in 2013 and the average attendance of members at the meetings was 100 per cent.

# Nomination and Compensation Committee

The Nomination and Compensation Committee is entrusted to prepare and present proposals for Sampo's Annual General Meeting on the composition of the Board, the remuneration of Board members and the principles on which this remuneration is determined. The Committee consults the largest shareholders in these matters.

The Committee is also responsible for preparing proposals for Sampo's Board on the evaluation of the independence of the members of the Board, on the composition and chairman of the Board's committees, on the appointment of Sampo Group CEO and President and the composition of Sampo Group's Executive Committee, the composition of the Group MD Committee, and, to the extent required, makes surveys of potential successors to aforementioned positions. The Committee also prepares proposals for the Board on the principles by which the members of the Group Executive Committee are to be compensated and their remuneration.

Nomination and Compensation Committee also prepares for the Board’s decision Sampo Group’s Remuneration Principles and Sampo plc’s Remuneration Policy, Sampo Group’s long-term incentive programs, maximum pay-outs based on short and long-term incentive programs as well as the actual payments to be made.

As authorized by the Board of Directors, the Committee also decides on the fixed salaries of the members of the Group Executive Committee, excluding the Group CEO and his/her deputy.

Furthermore, the Committee prepares a proposal for the Board on the appointment, employment conditions and other compensation of Sampo Group's Chief Audit Executive, and on the principles by which Sampo Group's staff are to be compensated. In addition, the Committee is responsible for preparing proposals for the Board on issues relating to the development of corporate governance and confirming the criteria and processes used for the Board's self-evaluation.

The Committee also regularly evaluates its own practices and co-operation with the executive management.

In 2013, the Nomination and Compensation Committee comprised the Chairman of the Board (who acted as the Committee's Chairman), the Vice Chairman of the Board and, as of 18 April 2013, two members elected from among the members of the Board.

The Chairman of the Nomination and Compensation Committee in 2013 was **Björn Wahlroos**, and the other members were **Veli-Matti Mattila**, **Eira Palin-Lehtinen**, **Christoffer Taxell** (until 18 April 2013) and **Matti Vuoria**.

The Committee convened five times in 2013. The average attendance of members at meetings was 100 per cent.

# Group Executive Committee

The Board of Directors has appointed the Sampo Group Executive Committee and a Group MD Committee to the Group Executive Committee, which supports the Group CEO in preparing matters to be handled by the Group Executive Committee.

**The following persons served on the Group Executive Committee in 2013:**

## Kari Stadigh

Group CEO and President,
MD of Sampo plc
Born 1955

### Positions of Trust

Nordea Bank AB (publ), *Board Member*, Board Risk Committee, *Chairman*;
Nokia Corporation, *Board Member*;
Confederation of Finnish Industries EK, *Vice Chairman of the Board 2011–2013*;
The Federation of Finnish Financial Services, Vice *Chairman of the Board*;
If P&C Insurance Holding Ltd (publ), Sweden, *Chairman of the Board;*
Mandatum Life Insurance Company Limited, *Chairman of the Board;*
Kaleva Mutual Insurance Company, *Chairman of the Board*;
Varma Mutual Pension Insurance Company, *Board Member 2008–2013*

- Member of Sampo Group Executive Committee since 2001.
- Stadigh holds 268,711 Sampo plc shares directly or through controlled companies or persons closely associated with him.

## Peter Johansson

Group CFO
Born 1957

### Positions of Trust

If P&C Insurance Holding Ltd, Sweden, *Board Member*;
Mandatum Life Insurance Company Limited, *Vice Chairman of the Board*

- Member of Sampo Group Executive Committee since 2001.
- Johansson holds 58,986 Sampo plc shares directly or through controlled companies or persons closely associated with him.

## Patrick Lapveteläinen

Group CIO

Born 1966

### Positions of Trust

If P&C Insurance Holding Ltd, *Board Member*;

Mandatum Life Insurance Company Limited, *Board Member*

- Member of Sampo Group Executive Committee since 2001.
- Lapveteläinen holds 239,132 Sampo plc shares directly or through controlled companies or persons closely associated with him.

## Torbjörn Magnusson

Head of P&C Insurance; MD of If P&C Insurance Holding Ltd

Born 1963

### Positions of Trust

If P&C Insurance Ltd, Sweden, *Chairman of the Board*;

If P&C Insurance Company Ltd, Finland, *Chairman of the Board*;

Swedish Insurance Federation, *Board Member*;

Swedish Insurance Employer Association (FAO), Board *Member*;

AcadeMedia Aktiebolag, Sweden, *Board Member*;

Insurance Europe, *Vice President*

- Member of Sampo Group Executive Committee since 2004.
- Magnusson holds 22,154 Sampo plc shares directly or through controlled companies or persons closely associated with him.

## Ivar Martinsen

Head of Business Area Commercial, If P&C Insurance

Born 1961

### Positions of Trust

The Norwegian Financial Services Association (FNO), *Board Member*

- Member of Sampo Group Executive Committee since 2005.
- Martinsen holds 25,668 Sampo plc shares directly or through controlled companies or persons closely associated with him.

## Petri Niemisvirta

Head of Life Insurance; MD of Mandatum Life Insurance Company Limited
Born 1970

### Positions of Trust

Alma Media Corporation, *Board Member*;
BenCo Insurance Holding B.V., the Netherlands, *Board Member*;
Federation of Finnish Financial Services, Life Insurance Executive Committee, *Board Member*;
Kaleva Mutual Insurance Company, *Board Member;*
Varma Mutual Pension Insurance Company, *Board Member (2014–)*

- Member of Sampo Group Executive Committee since 2001.
- Niemisvirta holds 52,248 Sampo plc shares directly or through controlled companies or persons closely associated with him.

## Morten Thorsrud

Head of Business Area Private, If P&C Insurance
Born 1971

### Positions of Trust

Urzus Group AS, *Chairman of the Board;*
FNO – Finansnæringens hovedorganisasjon, *Member of BRS – Line of Business P&C Board*

- Member of Sampo Group Executive Committee since 2006.
- Thorsrud holds 23,628 Sampo plc shares directly or through controlled companies or persons closely associated with him.

## Timo Vuorinen

Head of BA Baltic; Head of Private (Finland); MD of If P&C Insurance Company (Finland)
Born 1964

### Positions of Trust

If P&C Insurance AS, Baltic, *Chairman of the Board*

- Member of Sampo Group Executive Committee since 2009.
- Vuorinen holds 16,085 Sampo plc shares directly or through controlled companies or persons closely associated with him.

## Ricard Wennerklint

Deputy MD, If P&C Insurance Holding Ltd
Born 1969

Positions of Trust

If P&C Insurance Company Ltd, Finland, *Board Member*;
If P&C Insurance AS, Estonia, *Board Member*;
CJSC If Insurance, Russia, *Board Member*

- Member of Sampo Group Executive Committee since 2005.
- Wennerklint holds 26,994 Sampo plc shares directly or through controlled companies or persons closely associated with him.

Information as of 31 December 2013, unless stated otherwise. The CVs of members of the Group Executive Committee can be viewed at www.sampo.com/management.

## Group Executive Committee's Duties

Sampo Group Executive Committee supports the Group CEO in the preparation of strategic issues relating to Sampo Group, in the handling of operative matters that are significant or involve questions of principle, and in ensuring a good internal flow of information.

The Group Executive Committee addresses especially the following: Sampo Group's strategy, profit development, large purchases and projects, the Group's structure and organization, as well as key strategic issues pertaining to administration and personnel.

The Group MD Committee comprised **Kari Stadigh** (Chairman), **Peter Johansson**, **Patrick Lapveteläinen**, **Torbjörn Magnusson, Petri Niemisvirta** and **Ricard Wennerklint**.

In 2013, the Group Executive Committee convened four times at the request of Group CEO. The Group MD Committee, which assists the Group Executive Committee, met nine times.

# Group CEO and President

The company has a Managing Director who is simultaneously Group CEO and President of Sampo Group.

The Board of Directors elects and releases the Group CEO, and decides on the terms of employment and other compensation. The Managing Director of the company and the Group CEO and President of Sampo Group is Mr. **Kari Stadigh**, M.Sc. (Eng.), BBA (Econ.).

The Group CEO is in charge of the daily management of Sampo, subject to the instructions and control of the Board of Directors. The Group CEO is empowered to take extraordinary and broad-ranging actions, taking into account the scope and nature of Sampo's operations, only upon authorization by the Board of Directors. The Group CEO ensures the legal compliance of Sampo's accounting and the trustworthy organization of asset management.

According to his current agreement the Group CEO is entitled to retire in December 2015 when he turns 60. However, at the request of Sampo's Board of Directors, Kari Stadigh will continue as Group CEO and President from January 2016 until further notice.

Under the terms of the Group CEO contract, the notice period for the Group CEO is six months. In addition to receiving salary for the period of notice, the Group CEO is entitled to severance compensation of 18 months' full salary, provided that the service contract has been terminated by Sampo. In the new service contract entering into force on 1 January 2016, Mr. Stadigh has relinquished the right to the afore-mentioned 18 months' severance compensation.

# Remuneration

Fair and rewarding remuneration to all employees is an important factor in Sampo Group's ability to enhance shareholder value in a competitive business environment. Remuneration is an equally important determinant of success in the competition for talent. Sampo's remuneration strategy is responsible both towards the employees and the shareholders and, consequently, long-term financial stability and value creation of the Group guides the design of compensation schemes.

Sampo plc's Board of Directors has approved common Remuneration Principles applicable to all companies within Sampo Group.

Remuneration Principles (www.sampo.com/remuneration)

## Remuneration Report

Sampo has published a Remuneration Report on its website in accordance with section 7 (Remuneration) of the Corporate Governance Code.

Sampo's Remuneration Report (www.sampo.com/remuneration)

## Compensation of the Members of the Board of Directors

According to Sampo's Articles of Association, the Annual General Meeting decides on the compensation of the members of the Board of Directors.

In accordance with the decision of the Annual General Meeting in 2013, the following annual fees will be paid to the members of the Board of Directors for their Board and committee work up to the close of the Annual General Meeting in 2014: EUR 160,000 to the Chairman, EUR 100,000 to the Vice Chairman, and EUR 80,000 to the other members of the Board, with approximately 50 per cent of each Board member's fee being paid, after taxes and corresponding charges, in Sampo A shares and the rest in cash. In addition, potential statutory social and pension costs incurring to non-Finnish members according to applicable national legislation will be borne by Sampo plc.

Board members employed by the company will not receive separate compensation for Board work during the validity of the employment or service relationship.

Members of the Board of Directors have not received any other benefits, nor do they participate in Sampo's long-term incentive programs.

## Compensation of the Managing Director and Other Executives

The Board of Directors decides on the terms of employment and remuneration of the Group CEO and other executives on the Sampo Group Executive Committee, on the basis of a proposal by the

Nomination and Compensation Committee. However, the Nomination and Compensation Committee decides, upon authorization by the Board of Directors, on the salaries of the members of the Group Executive Committee, excluding the Group CEO and Deputy CEO.

## Principles of the Remuneration System

In addition to receiving monthly salaries, executives who are members of the Group Executive Committee are participants in the Group's short-term incentive programs, which are decided upon separately each year. Short-term incentives are determined on the basis of the Group result, business area result and individual performance. The maximum amount that can be paid for 2013 to members of the Executive Committee is an amount corresponding to nine months' fixed salary.

Members of the Group Executive Committee are also participating in the long-term incentive program 2011 I for Sampo's management. The terms of the incentive programs are available on Sampo's website.

Terms of the incentive programs (www.sampo.com/remuneration)

Based on his employment contract, the Group CEO will be paid a fixed monthly salary and a yearly short-term incentive, which may be no more than an amount corresponding to nine months' fixed salary. The Group CEO is also participating in the long-term incentive program 2011 I for Sampo's management.

Mr. Kari Stadigh is the CEO of Sampo Group. For year 2013 the Group CEO was paid EUR 902,961 in fixed salary and EUR 288,996 in short-term incentive (excluding deferred compensation) and EUR 2,338,000 in long-term incentive, together totaling EUR 3,529,957.

Part of the variable compensation payable to members of the Group Executive Committee is deferred as required in the regulatory framework applicable to each Group company. After the deferral period and on the basis of a risk adjustment review, the Board of Directors decides whether the deferred variable compensations shall be paid out in full, partly or omitted in whole.

The members of the Group Executive Committee are each covered by the employment pension system of their country of residence. Under the terms of their employment contracts, the majority of them are also covered by supplementary pension schemes. The retirement age for the Committee's members as set out in their contracts is 60, 65 or the age laid down in the employment pension system of their country of residence.

More detailed information on compensation in Sampo Group during 2013 is available at the Remuneration Report published by Sampo.

# Internal Audit

Sampo's Internal Audit is a function independent of business operations, which evaluates the sufficiency and effectiveness of the internal control system and the quality with which tasks are performed in Sampo Group. The Internal Audit reports to the Group CEO. The Internal Audit has been organized to correspond with the business organization.

The Audit Committee of Sampo's Board of Directors annually approves the Internal Audit's operating plan. The Internal Audit reports on the audits performed to the Group CEO and the Audit Committee. Company-specific audit observations are reported to the respective companies' governing bodies and management.

In its auditing work, the Internal Audit complies with, in addition to the Internal Audit Charter approved by Sampo's Board of Directors, the international professional standards approved by the IIA (the Institute of Internal Auditors).

# Insider Administration

Given the nature of Sampo's business areas, especially bearing in mind their extensive investment activities, Sampo's Board of Directors has approved a separate Group Guideline for Insiders. These comply, as required by the Corporate Governance Code, with NASDAQ OMX Helsinki Ltd's Guidelines for Insiders and the Standards of the Financial Supervisory Authority.

Sampo Group's Guidelines for Insiders are stricter than the above-mentioned norms on matters that concern the Group Executive Committee, other corporate executives and other specifically named persons, as these persons must obtain a separate written permission in advance for each share related securities transaction they make with the securities of Sampo plc or any of Sampo's publicly listed subsidiary or affiliate company (currently Nordea AB (publ.) and Topdanmark A/S).

Sampo plc's insider guidelines and register may be viewed on Sampo's website.

Sampo plc's insider register (www.sampo.com/insiders)

# External Auditor

**Ernst & Young Oy**

Authorised Public Accountant

Responsible auditor

**Heikki Ilkka, APA**

The total fees paid to the auditor for services rendered and invoiced were EUR 2,241,568. In addition, Ernst & Young Oy were paid fees for non-audit services rendered and invoiced totaling EUR 300,695.

# Board of Directors' Report

# Sampo Group

Sampo Group reported a very good result for 2013. Combined ratio in P&C insurance was better than ever before, Nordea announced increased ambitions on efficiency improvement and life insurance reported strong result. Sampo Group's profit before taxes for 2013 rose to EUR 1,668 million (1,622). Total comprehensive income for the period, taking changes in the market value of assets into account, amounted to EUR 1,425 million (1,887).

Earnings per share amounted to EUR 2.59 (2.51). Mark-to-market earnings per share were EUR 2.54 (3.37) and return on equity for the Group decreased to 13.8 per cent for 2013 (19.9).

The Board proposes to the Annual General Meeting to be held on 24 April 2014 a dividend of EUR 1.65 per share (1.35) and an authorization to repurchase a maximum of 50 million Sampo A shares. The proposed dividend payment amounts in total to EUR 924 million (756).

Net asset value per share on 31 December 2013 increased to EUR 22.15 (17.38) supported by the increase in Nordea's share price.

Profit before taxes in the P&C insurance segment amounted to EUR 929 million (864). Combined ratio for the full year 2013 was 88.1 per cent (88.9). This is the best ever combined ratio in If P&C's history. Return on equity amounted to 24.4 per cent (36.9). Premiums, excluding currency effects, grew by 2.9 per cent (3.5). Share of associate Topdanmark's profit amounted to EUR 52 million (50).

Sampo's share of Nordea's net profit in 2013 amounted to EUR 635 million (653). Nordea's RoE was 11.0 per cent (11.6) and core Tier 1 ratio (excluding transition rules) strengthened to 14.9 per cent (13.1). In segment reporting the share of Nordea's profit is included in the segment 'Holding'.

Profit before taxes in life insurance rose to EUR 153 million (136). The interest rate used to discount the with profit liabilities was lowered to 2.25 per cent for 2014 and 2.75 per cent for 2015. Premiums grew 9 per cent to EUR 1,063 million (977). Return on equity decreased to 18.3 per cent (28.5).

Sampo Group's total investment assets on 31 December 2013 amounted to EUR 17.9 billion (18.2), of which 80 per cent was invested in fixed income instruments (79), 15 per cent in equities (16) and 5 per cent in other assets (5).

The Group's equity as at 31 December 2013 amounted to EUR 10,643 million (10,020). Equity was strengthened mainly by the comprehensive income for the year of EUR 1,425 million and reduced by the EUR 756 million of dividends paid. Other changes were small.

Sampo Group's own funds exceeded the minimum solvency requirements at the end of 2013 by EUR 3,935 million (3,379) and the conglomerate solvency ratio stood at 184.4 per cent (170.9).

## Key Figures
Sampo Group, 2013

| EURm | 2013 | 2012 | Change, % |
|---|---|---|---|
| Profit before taxes | 1,668 | 1,622 | 3 |
| P&C Insurance | 929 | 864 | 8 |
| Associate (Nordea) | 635 | 653 | -3 |
| Life Insurance | 153 | 136 | 12 |
| Holding (excl. Nordea) | -45 | -30 | 50 |
| **Profit for the period** | **1,452** | **1,408** | **3** |

| | 2013 | 2012 | Change |
|---|---|---|---|
| Earnings per share, EUR | 2.59 | 2.51 | 0.08 |
| EPS (incl. change in FVR), EUR | 2.54 | 3.37 | -0.83 |
| NAV per share, EUR | 22.15 | 17.38 | 4.77 |
| Average number of staff (FTE) | 6,832 | 6,823 | 9 |
| Group solvency ratio, % | 184.4 | 170.9 | 13.5 |
| Return on Equity, % | 13.8 | 19.9 | -6.1 |

Income statement items are compared on a year-on-year basis and comparison figures for balance sheet items are from 31 December 2012 unless otherwise stated.

The average EUR-SEK exchange rate used for income statement items is 8.6522 and the year-end exchange rate used for balance sheet items is 8.8591. For 2012 the corresponding exchange rates used were 8.7040 and 8.5820, respectively.

On 1 January 2013 the amendment to IAS 19 Employee Benefits mandated all actuarial gains and losses be recognized in other comprehensive income, thus the so-called corridor approach was eliminated and in the future the benefit cost will be determined based on the net funding. This change had an impact on the employee benefits recognized in If P&C subgroup. The net accumulated unrecognized losses EUR 126 million related to the corridor method at 31 December 2011 reduced the opening equity for the comparison year 2012. The corresponding amount at 31 December 2012 was EUR 93 million. The subsequent changes from 2013 on (including comparables for 2012) are recognized in other comprehensive income.

# Business Areas

## P&C Insurance

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

**Results**
P&C Insurance, 2013

| EURm | 2013 | 2012 | Change, % |
|---|---|---|---|
| Premiums, net | 4,560 | 4,441 | 3 |
| Net income from investments | 368 | 359 | 2 |
| Other operating income | 28 | 33 | -14 |
| Claims incurred | -2,946 | -2,876 | 2 |
| Change in insurance liabilities | -55 | -78 | -29 |
| Staff costs | -564 | -521 | 8 |
| Other expenses expenses | -493 | -521 | -5 |
| Finance costs | -18 | -19 | -5 |
| Share of associates' profit/loss | 50 | 46 | 8 |
| **Profit before taxes** | **929** | **864** | **8** |

| | 2013 | 2012 | Change |
|---|---|---|---|
| Combined ratio, % | 88.1 | 88.9 | -0.8 |
| Risk ratio, % | 65.4 | 65.9 | -0.5 |
| Cost ratio, % | 22.8 | 23.0 | -0.2 |
| Expense ratio, % | 16.8 | 16.9 | -0.1 |
| Return on equity, % | 24.4 | 36.9 | -12.5 |
| Average number of staff (FTE) | 6,238 | 6,225 | 13 |

P&C insurance segment's profit before taxes for 2013 rose to EUR 929 million (864) because of the excellent insurance technical profitability.

Combined ratio for the full year 2013 was the best ever in If P&C's history and amounted to 88.1 per cent (88.9). EUR 79 million (133) was released from technical reserves relating to prior year claims.

Technical result improved to EUR 601 million (574) for the full year 2013. Technical result for Private business area increased to EUR 360 million (349) and for business area Industrial to EUR 43 million (28). The technical result for Commercial and Baltics remained stable at EUR 166 million (168) and EUR 15 million (17), respectively. The mild weather at the beginning and end of 2013 influenced the frequency claims development positively. Storm claims incurred in the fourth quarter of 2013 affected results at the same time negatively, the most significant storm amounted to approx. EUR 23 million. Insurance margin (technical result in relation to net premiums earned) improved to 13.3 per cent (13.1).

Return on equity (RoE) decreased to 24.4 per cent (36.9). Fair value reserve for If P&C rose to EUR 472 million (364) at the end of December 2013 because of the good equity market performance. Currency movements had a negative impact of EUR 153 million on the fair value reserve.

| | Combined ratio, % | | | Risk ratio, % | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| Private | 87.8 | 88.1 | -0.3 | 64.9 | 64.9 | -0.0 |
| Commercial | 88.6 | 89.0 | -0.4 | 65.1 | 65.5 | -0.4 |
| Industrial | 91.5 | 95.8 | -4.3 | 70.7 | 73.9 | -3.2 |
| Baltic | 88.4 | 87.1 | 1.3 | 56.2 | 54.7 | 1.5 |
| Sweden | 93.5 | 95.8 | -2.3 | 70.7 | 72.4 | -1.7 |
| Norway | 83.3 | 81.3 | 2.0 | 61.4 | 59.1 | 2.3 |
| Finland | 88.5 | 89.5 | -1.0 | 65.5 | 66.7 | -1.2 |
| Denmark | 91.3 | 99.4 | -8.1 | 64.7 | 71.7 | -7.0 |

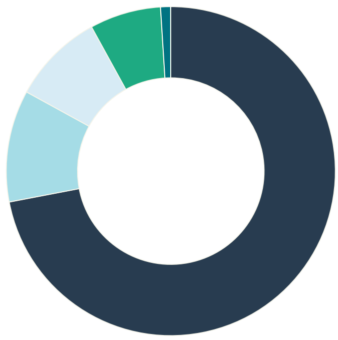
Combined ratios improved in all business areas except Baltics during 2013. Business area Baltic continued to have very good profitability and combined ratio in business area Industrial improved significantly in 2013 due to lower large claims costs compared to 2012. Combined ratios decreased in all the markets with a clear improvement in Denmark, despite the high storm related claims in the fourth quarter.

Large claims development in 2013 was better than in 2012 and in total large claims ended up EUR 14 million (51) higher than normalized for the full year 2013, an improvement by EUR 37 million.

Gross written premiums increased 1.5 per cent to EUR 4,768 million (4,698). Adjusted for currency premiums increased 2.9 per cent. Premiums grew in all business areas except Industrial. In Private gross written premiums adjusted for currency increased 5.0 per cent, in Commercial 1.7 per cent and in the Baltic operations by 1.6 per cent. Gross written premiums in Industrial decreased by 4.4 per cent.

Cost ratio for 2013 improved by 0.2 percentage points and amounted to 22.8 per cent (23.0). Expense ratio decreased to 16.8 (16.9). In Finland the acquisition of Tryg's Finnish business increased nominal costs as the number of employees increased.

**Investment Allocation**
P&C Insurance, 31 December 2013, total EUR 11.7 billion




At the end of December 2013 the total investment assets of If P&C amounted to EUR 11.7 billion (11.7).

Net income from investments increased to EUR 368 million (359). Investment return mark-to-market for 2013 was 5.0 per cent (6.1).

Duration for interest bearing assets was 1.3 year (1.1) and average maturity 2.3 years (2.3). Fixed income running yield as at 31 December 2013 was 2.9 per cent (3.6).

If P&C's solvency ratio as at 31 December 2013 (solvency capital in relation to net written premiums) amounted to 81 per cent (75). Solvency capital increased from the previous year to EUR 3,601 million (3,485), although a dividend of SEK 4.3 billion was paid to Sampo plc in the fourth quarter. Reserve ratios were 160 per cent (164) of net written premiums and 227 per cent (222) of claims paid.

## Significant Events During 2013

If P&C Insurance Company Ltd (Finland) signed an agreement to acquire the P&C insurance business of the Finnish branch of Tryg A/S in November 2012. Tryg's Finnish branch had approximately 155,000 customers and a market share of around two per cent. The acquisition was closed in May 2013 after all necessary approvals had been obtained.

If P&C and Nordea signed in November 2012 a partnership agreement. Nordea sells If P&C's insurance products to its clients in Sweden, Finland, Estonia, Latvia and Lithuania. The first months of co-operation have been encouraging, particularly in Sweden.

## Associated Company Topdanmark

If P&C holds 25.2 per cent of the total number of shares in Topdanmark and 28.0 per cent of all shares excluding the shares held by the company itself. Topdanmark, which is listed in the Copenhagen Stock Exchange, is a P&C insurance company with a small exposure to life insurance in Denmark. In 2012 Topdanmark's gross written premiums amounted to approx. EUR 1.6 billion. The company has a market share of 17 per cent in P&C insurance and 3 per cent in life insurance in Denmark.

Topdanmark has a profit distribution policy according to which it does not pay dividends but buys back its own shares in the market. If P&C has not bought Topdanmark's shares since May 2011, but as it has not participated in the buybacks, its holding as a percentage of all Topdanmark shares has grown. In May 2011 the holding exceeded 20 per cent and If P&C started to account for Topdanmark as an associated company.

In Sampo Group's segment reporting Topdanmark holding is included in the P&C insurance segment. Due to the late publication of financial reports by Topdanmark, consensus estimate for the company's profit is used as a basis of calculating If P&C's share of Topdanmark's profit. Any deviation from the actual reported profit will be corrected in Sampo Group's next quarterly report.

In Sampo Group's 2013 accounts the contribution of Topdanmark's net profit after an amortization of EUR 8 million amounted to EUR 52 million (50). If P&C's solvency capital on 31 December 2013 includes the proportion of Topdanmark's solvency capital corresponding to If P&C's holding.

On 31 December 2013 If P&C held 31,476,920 Topdanmark shares. The average acquisition price is DKK 78 and the book value in Sampo Group's balance sheet on 31 December 2013 was EUR 363 million. The closing price at the end of trading year 2013 in the Copenhagen Stock Exchange was DKK 142.80 (approx. EUR 19) per share.

# Associated Company Nordea Bank AB

**Nordea, the largest bank in the Nordic region, has around 11 million customers and is among the ten largest universal banks in Europe in terms of total market capitalization. In Sampo Group's reporting Nordea is treated as an associated company and is included in the segment Holding.**

On 31 December 2013 Sampo plc held 860,440,497 Nordea shares corresponding to a holding of 21.2 per cent. The average price paid per share amounted to EUR 6.46 and the book value in the Group accounts was EUR 8.03 per share. The closing price as at 30 December 2013 was EUR 9.78.

Nordea's Board of Directors proposes to the AGM 2014 a dividend of EUR 0.43 per share (0.34). The ambition is to increase the dividend payout ratio in 2014 and 2015, while maintaining a strong capital base. If the AGM approves the Board's dividend proposal, Sampo plc will receive a dividend of EUR 370 million from Nordea in April 2014.

**Results**
Nordea Bank AB, 2013

| EURm | 2013 | 2012 | Change, % |
|---|---|---|---|
| Net interest income | 5,525 | 5,563 | -1 |
| Total operating income | 9,891 | 9,998 | -1 |
| Profit before loan losses | 4,851 | 4,934 | -2 |
| Net loan losses | -735 | -895 | -18 |
| Loan los ratio (ann.), bps | 21 | 26 | - |
| Operating profit | 4,116 | 4,039 | 2 |
| Risk-adjusted profit | 3,351 | 3,313 | 1 |
| Diluted EPS (cont.oper.), EUR | 0.77 | 0.77 | - |
| Return on equity, % | 11.0 | 11.6 | - |

The following text is based on Nordea's full-year 2013 result release published on 29 January 2014.

The fourth quarter was characterized by some improvements in global economic data and a positive development in financial markets. In the Nordic economies, the latest developments have been weaker, although the overall picture still appears relatively robust.

Total income was down 1 per cent compared to last year and operating profit was up 2 per cent compared to the last year. Risk-adjusted profit increased by 1 per cent compared to the preceding year. The effect from currency fluctuations was a reducing effect of 1 percentage point on income and on expenses and approximately -3 percentage points on loan and deposit volumes compared to one year ago.

Net interest income decreased 1 per cent compared to last year. Lending volumes were unchanged excluding reversed repurchase agreements in local currencies. Corporate and household lending margins were higher, while deposit margins overall were down from 2012.

Net fee and commission income increased 7 per cent and the net result from items at fair value decreased by 13 per cent compared to last year.

Total expenses were largely unchanged compared to 2012 in local currencies when excluding performance-related salaries and profit sharing. For the 13th consecutive quarter, costs have been kept flat. Staff costs were also largely unchanged in local currencies when excluding performance-related salaries and profit sharing.

Net loan loss provisions decreased to EUR 735 million for the continuing operations, corresponding to a loan loss ratio of 21 basis points (26 basis points in 2012).

Net profit for the continuing operations increased 1 per cent to EUR 3,107 million. Net profit for the total operations was largely unchanged at EUR 3,116 million. Risk-adjusted profit increased 1 per cent from last year.

The core tier 1 ratio, excluding transition rules, has improved by 1.8 percentage point to 14.9 per cent ratio. Excluding the increased dividend payout ratio, the strengthening of the core tier 1 capital ratio would have been 0.8 percentage points. The tier 1 capital ratio excluding transition rules increased 0.4 percentage point to 15.7 per cent. The total capital ratio excluding transition rules increased 0.6 percentage point to 18.1 per cent. The increase in core tier 1 capital ratio has been achieved by RWA efficiency initiatives and strong profit generation during the quarter.

RWA were EUR 155.3 billion excluding transition rules, a decrease of EUR 4.3 billion, or 2.7 per cent, compared to the previous quarter. RWA reduction of EUR 3.2 billion has been realised in the quarter, driven by the IRB approval in Russia as well as other RWA initiatives. Currency fluctuation effects also contributed to a lower RWA.

Since Nordea foresees in the coming years a lower loan demand, lower customer activity and lower interest rates than previously expected it will increase the focus on cost efficiency. In the fourth quarter 2012 report Nordea launched efficiency initiatives with an effect of EUR 450 million during 2013 to 2015. Nordea sees many of these initiatives delivering better than expected and in addition it will also accelerate the efficiency programme. Thus, the ambition has been raised from EUR 450 million towards a level of EUR 900 million during 2013 to 2015, of which EUR 210 million has already been achieved. Part of this will be offset by reinvestments, but net Nordea expects to have a 5 per cent lower cost base in 2015 compared to 2013. This will be possible by reducing activity related expenses, adjusting distribution to meet changed customer behaviour, increasing the Product and IT platform efficiency, optimising processes and reducing cost in central functions, including downscaling the internal service levels.

For more information on Nordea Bank AB and its results for 2013, see www.nordea.com.

# Life Insurance

Mandatum Life Group consists of Mandatum Life, a wholly-owned subsidiary of Sampo plc, operating in Finland, and its subsidiary Mandatum Life Insurance Baltic SE. Mandatum Life Insurance Baltic SE has the form of a European company and is headquartered in Estonia. It operates in the other Baltic countries through branches.

**Results**
Life Insurance, 2013

| EURm | 2013 | 2012 | Change, % |
|---|---|---|---|
| Premiums written | 1,063 | 977 | 9 |
| Net income from investments | 569 | 574 | -1 |
| Other operating income | 4 | 3 | 23 |
| Claims incurred | -731 | -669 | 9 |
| Change in liabilities for inv. and ins. contracts | -648 | -642 | 1 |
| Staff costs | -46 | -42 | 9 |
| Other operating expenses | -54 | -58 | -8 |
| Finance costs | -7 | -7 | -9 |
| Share of associate's profit | 1 | 0 | - |
| **Profit before taxes** | **153** | **136** | **12** |

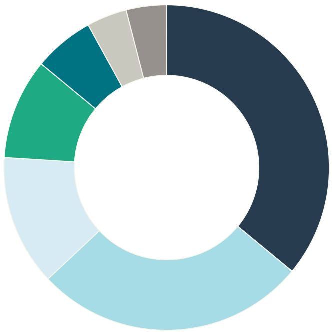
| Key Figures | 2013 | 2012 | Change |
|---|---|---|---|
| Experse ratio, % | 106.6 | 113.9 | -7.3 |
| Return on equity, % | 18.3 | 28.5 | -10.2 |
| Average number of staff (FTE) | 541 | 545 | -4 |

By all key indicators, 2013 was a successful year for life insurance operations. Unit-linked premium income was at a record-high level and investment returns were good. Positive development was also achieved in operating expenses, and unit-linked technical provisions exceeded the technical provisions related to with profit products.

Profit before taxes in life insurance operations in 2013 increased by 12 per cent to EUR 153 million (136). The total comprehensive income for the period reflecting the changes in market values of assets was EUR 220 million (286). Return on equity (RoE) amounted to 18.3 per cent (28.5).

Mandatum Life Group's investment assets, excluding the assets of EUR 4.6 billion (3.8) covering unit-linked liabilities, amounted to EUR 5.5 billion (5.5) at market values as at 31 December 2013.

**Investment Allocation**
Life Insurance, 31 December 2013, total EUR 5.5 billion




Mark-to-market return on investments in 2013 was 7.1 per cent (9.4). At the end of December 2013 duration of fixed income assets was 1.8 years (1.8) and average maturity 2.2 years (2.1). Fixed income running yield was 3.7 per cent (4.8).

Net investment income, excluding income on unit-linked contracts, increased to EUR 299 million (280) boosted in particular by excellent yield on equity investments. Net income from unit-linked contracts was EUR 270 million (294). In 2013, fair value reserve increased by EUR 101 million to EUR 492 million.

Mandatum Life Group's solvency margin clearly exceeded Solvency I requirements and the solvency capital amounted to EUR 1,403 million (1,391) as at 31 December 2013. The solvency ratio was 27.6 per cent (27.7). Total technical reserves of Mandatum Life Group increased to EUR 8.5 billion (7.9). The unit-linked reserves reached EUR 4.6 billion (3.8) at the end of 2013, which corresponds to 54 per cent (48) of total technical reserves. With profit reserves decreased further during 2013 and amounted to EUR 3.9 billion (4.1), of which the reserves to lower the discount rate for with profit liabilities amount to EUR 146 million.

Majority of Mandatum Life's traditional policies carry a guaranteed interest of 3.5 per cent. Individual policies sold in Finland before 1999 carry a guaranteed interest of 4.5 per cent. The discount rate for these policies has been lowered to 3.5 per cent and subsequently technical reserves have been supplemented with EUR 75 million (71). In addition, EUR 71 million has been reserved to lower the interest rate of all with profit liabilities to 2.25 per cent in 2014 and to 2.75 per cent in 2015. All in all, Mandatum Life has increased its technical reserves with EUR 146 million (118) due to low level of interest rates.

The various measures introduced during the last few quarters to improve the cost efficiency are beginning to show, and together with growing fee income, the expense result for life insurance segment increased to EUR 14 million (6). Risk result was excellent at EUR 24 million (19) in 2013. The expense result is expected to further improve during 2014 due to increased unit-linked savings and efficiency measures.

Mandatum Life Group's premium income on own account increased 10 per cent to EUR 1,063 million (977). Increase in the sales through the Danske Bank distribution channel and own channels explained the positive development. Premiums in the main focus area of unit-linked insurance increased to a new record of EUR 909 million (810). Premium income from the Baltic countries was EUR 32 million (33).

Despite high premium income, Mandatum Life's unit-linked market share in Finland decreased to 19.3 per cent (26.2) due to the strong growth in overall life insurance premium income in Finland. Mandatum Life's overall market share in Finland decreased to 19.2 per cent (24.5). Market share in the Baltic countries decreased to 10 per cent (11).

# Holding

**Sampo plc owns and controls its subsidiaries engaged in P&C and life insurance. In addition Sampo plc held on 31 December 2013 approximately 21.2 per cent of the share capital of Nordea, the largest bank in the Nordic countries. Nordea is an associated company to Sampo plc.**

### Results
Holding, 2013

| EURm | 2013 | 2012 | Change, % |
|---|---|---|---|
| Net investment income | 26 | 51 | -49 |
| Other operating income | 15 | 15 | -1 |
| Staff costs | -23 | -18 | 26 |
| Other operating expenses | -11 | -13 | -11 |
| Finance costs | -51 | -65 | -21 |
| Share of associate's profit | 635 | 653 | -3 |
| **Profit before taxes** | **589** | **623** | **-5** |
| | | | **Change** |
| Average number of staff (FTE) | 53 | 53 | 0 |

Holding segment's profit before taxes amounted to EUR 589 million (623), of which EUR 635 million (653) relates to Sampo's share of Nordea's 2013 profit. Segment's profit excluding Nordea was EUR -45 million (-30).

Sampo plc's holding in Nordea Bank was booked in the consolidated balance sheet at EUR 6.9 billion. The market value of the holding was EUR 8.4 billion at 31 December 2013. In addition the assets on Sampo plc's balance sheet included holdings in subsidiaries for EUR 2.4 billion (2.4).

# Governance

Sampo Group complies in full with the Finnish Corporate Governance Code issued by the Securities Market Association, effective from 1 October 2010.

Acting in compliance with Recommendation 54 of the Corporate Governance Code, Sampo has annually published a separate Corporate Governance Statement on its website in fulfillment of the requirement referred to in the Finnish Securities Markets Act (746/2012), chapter 7, section 7. The Corporate Governance Statement will be published in connection to the Annual Report in March 2014. The statement will be available at www.sampo.com/cg. The Governance section of the Annual Report 2013 also contains a more detailed description of the Group's governance system.

# Changes in Group Structure

Sampo Group's structure remained unchanged during 2013.

# Annual General Meeting

The Annual General Meeting of Sampo plc, held on 18 April 2013, decided to distribute a dividend of EUR 1.35 per share for 2012. The record date for dividend payment was 23 April 2013 and the dividend was paid on 30 April 2013. The Annual General Meeting adopted the financial accounts for 2012 and discharged the Board of Directors and the Group CEO and President from liability for the financial year.

The Annual General Meeting elected eight members to the Board decreasing the number of the members by one. The following members were re-elected to the Board of Directors: Anne Brunila, Adine Grate Axén, Veli-Matti Mattila, Eira Palin-Lehtinen, Per Sørlie, Matti Vuoria and Björn Wahlroos. Of the old members Jukka Pekkarinen and Christoffer Taxell were not available for re-election. Jannica Fagerholm was elected as a new Board member.

At its organizational meeting, the Board elected Björn Wahlroos as Chairman and Matti Vuoria as Vice Chairman. The following members were elected to the Nomination and Compensation Committee: Veli-Matti Mattila, Eira Palin-Lehtinen, Matti Vuoria, and Björn Wahlroos (Chairman). Anne Brunila (Chairman), Jannica Fagerholm, Adine Grate Axén, and Per Sørlie were elected to the Audit Committee.

The Annual General Meeting decided to pay the following fees to the members of the Board of Directors until the close of the 2014 Annual General Meeting: the Chairman of the Board will be paid EUR 160,000 per year, the Vice Chairman EUR 100,000 per year and the other members EUR 80,000 per year. A Board member shall in accordance with the resolution of the Annual General Meeting acquire Sampo plc's A shares at the price paid in public trading for 50 per cent of his/her annual fee excluding taxes and similar payments.

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

# Group CEO and President

Kari Stadigh will continue as Group CEO and President at the request of Sampo's Board of Directors from January 2016 until further notice. According to his earlier agreement he was entitled to retire in December 2015 when he turns 60.

# Corporate Responsibility

As a listed company, Sampo plc has the responsibility of acting in the best interests of its shareholders, in compliance with legislation and in accordance with sound business practices. Sampo Group's companies follow the common values of ethicality, loyalty, transparency and enterprise in their business operations and contacts with all stakeholders.

Insurance is a business where responsibility and trust are inherent in daily customer contacts.

If P&C endeavors to take its social responsibility beyond its business operations. Its principal objective is to constantly act in a manner that satisfies or exceeds the ethical, legal and commercial requirements placed upon the business. One example of this is the environment.

All of If P&C's activities are governed by a strict environmental policy. The essence of this policy is that If P&C will always endeavor to find the most environmentally viable solution for If P&C, its clients, suppliers and partners. Further details on If P&C's environmental activities can be read from The If Environmental Report 2012 published in March 2013 available at www.sampo.com/materials/annual-reports/2012.

Mandatum Life's corporate responsibility is based on the cornerstones of its operations: increasing and securing the financial welfare of its customers and the company's business success. In 2013, Mandatum Life paid out a total of approximately EUR 320 million in pensions to 61,000 pensioners, as well as other indemnities totaling EUR 415 million to 38,000 insured.

# Personnel

The number of full-time equivalent staff decreased slightly during the year as the number of staff was at 6,800 employees as at 31 December 2013 compared to 6,820 employees at the end of 2012. In P&C insurance, the number of staff remained broadly unchanged. The number of P&C insurance staff increased in Finland due to integration of Tryg's Finnish P&C insurance operations but remained stable in Sweden and decreased in other countries due to some targeted efficiency actions. In life insurance, the number of staff reduced in Finland and in Baltic countries due to efficiency improvement actions.

During the year 2013, approximately 91 per cent of the staff worked in P&C insurance, 8 per cent in life insurance and less than 1 per cent in the Group's parent company Sampo plc. Geographically, 33 per cent worked in Finland, 27 per cent in Sweden, 21 per cent in Norway and 19 per cent in the Baltic and other countries. The average number of employees during the year 2013 was 6,832. A year earlier the corresponding figure was 6,823.

# Remuneration

Remuneration in Sampo Group is based on the Remuneration Principles which Sampo plc's Board approved on 4 November 2013. The principles are available at www.sampo.com/remuneration.

Given the inherent risks involved in the businesses carried out in different Group companies, it is of paramount importance that compensation mechanisms are tightly aligned with risk management. Neither the design of any compensation scheme nor the evaluation of the subsequent payouts can be separated from simultaneous assessment of related risks. Sampo's remuneration strategy shall be responsible towards employees and shareholders. This means that the long-term financial stability and value creation of the Group shall guide the remuneration design.

The starting point of any compensation mechanism shall be to encourage and stimulate employees at all levels to do their best and surpass their targets. Remuneration packages shall be designed to reward employees on all levels, compensating them fairly for prudent and successful performance. At the same time, however, in order to safeguard the interest of other stakeholders, compensation mechanisms shall neither entice nor encourage employees to excessive or unwanted risk taking.

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

(a) Fixed Compensation
Fixed compensation is customarily the basis of an employee's remuneration package. Fixed salaries shall support financial stability, represent a sufficiently high share of the total remuneration and be competitive but not leading in the market. As a rule, fixed salary shall be based on the employee's general responsibility level and position in the organization.

(b) Variable Compensation
Variable compensation can be divided into two main groups, based on the underlying motivation of the compensation.

- (i) Variable compensations based on the contribution to the company's profitability. In this compensation group compensation shall be based on the individual employee´s contribution to the company´s profitability. In addition to individual performance criteria, a combination of the assessment of the performance of the company, business area and/or business unit concerned and of the overall result of the division or Group define the overall ability of Sampo Group companies to pay out certain forms of variable compensation.
- (ii) Variable compensations linked to committing employees to the Group. As part of the total remuneration package, in addition to fixed compensation and different forms of other variable compensation, Sampo Group may, at the sole discretion of Sampo plc's Board of Directors, use long-term incentive programs to commit Executive Management and Key Persons to the Group for a longer period of time. The programs are designed to also align the participants' interests with those of the shareholders in a longer perspective by linking the payout of the programs not only to certain performance criteria but also to the positive development of Sampo's share price. The payout of the programs is always capped i.e. the size of payment is limited to a maximum amount.

Additionally, long-term incentive programs shall always, above a certain level or for certain groups of participants, include terms requiring a defined part of the payout to be used to buy Sampo shares, which shall be held for a defined period of time.

(c) Pension
Pensions shall be based on collective agreements and/or reflect conditions in the relevant labor market. As a general rule, pension plans should be of defined contribution nature.

(d) Other Benefits
Sampo Group's benefit packages shall reflect the conditions in relevant labor markets.

The payment of a certain portion of the variable compensation payable to senior executive management and to certain key persons shall be deferred for a defined period of time as required in the regulatory framework applicable to each Group company. After the deferral period, a retrospective risk adjustment review shall be carried out and the Board shall decide whether the deferred compensation can be paid out or not. For the year 2013, part of short-term incentives has been deferred. Payout from agreements or programs decided prior to the publishing of FSA deferral recommendations has not been deferred.

In 2013 EUR 27 million (17), including social costs, was paid on the basis of the long-term incentive scheme 2009:1. EUR 34 million (28), including social costs, was paid as short-term incentives during the same period. The outcome of the long-term incentive schemes is determined by Sampo's share price development over a period of approximately three years starting from the issue of the respective program. The programs are subject to thresholds on share price development and company profitability, as well as ceilings for maximum payout. Furthermore, the programs are subject to rules requiring part of the paid incentive reward to be used to acquire Sampo shares, which must in turn be held for a specified period of time.

The terms of the long-term incentive schemes are available at www.sampo.com/remuneration. During 2013 Sampo plc's Board did not adopt new long-term incentive schemes.

Sampo Group will also publish a Remuneration Report in March 2014. The report is drawn up in accordance with section 7 (Remuneration) of the Corporate Governance Code. The report will be available at www.sampo.com/remuneration.

# Risk Management

Sampo Group companies operate in business areas where profit generation based on risk taking and active management of risks is a key component of earnings logic. The most important objective of risk management in Sampo Group is to ensure the adequacy of the available capital in relation to the risks arising from the business activities and operating environment, as well as to ensure that expected returns are in balance with risks taken. Core competencies when managing the balance between risks, capitalization, liquidity and profitability in these business areas can be summarized as follows:

1. Appropriate selection and pricing of insurance risks
2. Effective management of insurance exposures
3. Careful selection and execution of investment transactions
4. Effective management of investment portfolios and balance sheet
5. Effective management of consequential risks

In Sampo Group procedures related to above core competences are continuously developed in all parts of the organization.

As a diverse financial institution, Sampo Group is exposed to a variety of different risks, both financial and non-financial. The most significant risk arising from the operations of the insurance subsidiaries in 2013 was market risk. The main market risks of Sampo Group during 2013 were equity, interest rate, credit spread and currency risks.

During 2013, Sampo Group's insurance risk profile remained relatively stable. In Mandatum Life longevity risk is still the most critical biometric risk and most of it arises from the with-profit group pension portfolio. In If P&C the most material insurance risk is reserve risk, which to a large extent is driven by long-tailed businesses such as workers' compensation and motor third party liability.

On the Group level, the most significant risks were market risk and credit risk. The latter due to Sampo plc's sizeable holding in Nordea Bank.

A more detailed description of Sampo Group's risk management activities, governance, risks and capitalisation is available in the Risk Management section of the 2013 Annual Report.

# Shares, Share Capital and Shareholders

## Shares and Share Capital

As at 31 December 2013, Sampo plc had 560,000,000 shares, which were divided into 558,800,000 A shares and 1,200,000 B shares. Total number of votes attached to the shares is 564,800,000. Each A share entitles the holder to one vote and each B share entitles the holder to five votes at the General Meeting of Shareholders. According to the company's Articles of Association, A Shares must number at least 179,000,000 and no more than 711,200,000. Meanwhile, B shares must number at least zero and no more than 4,800,000. As at 31 December 2013 Sampo plc's share capital amounted to EUR 98 million (98).

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

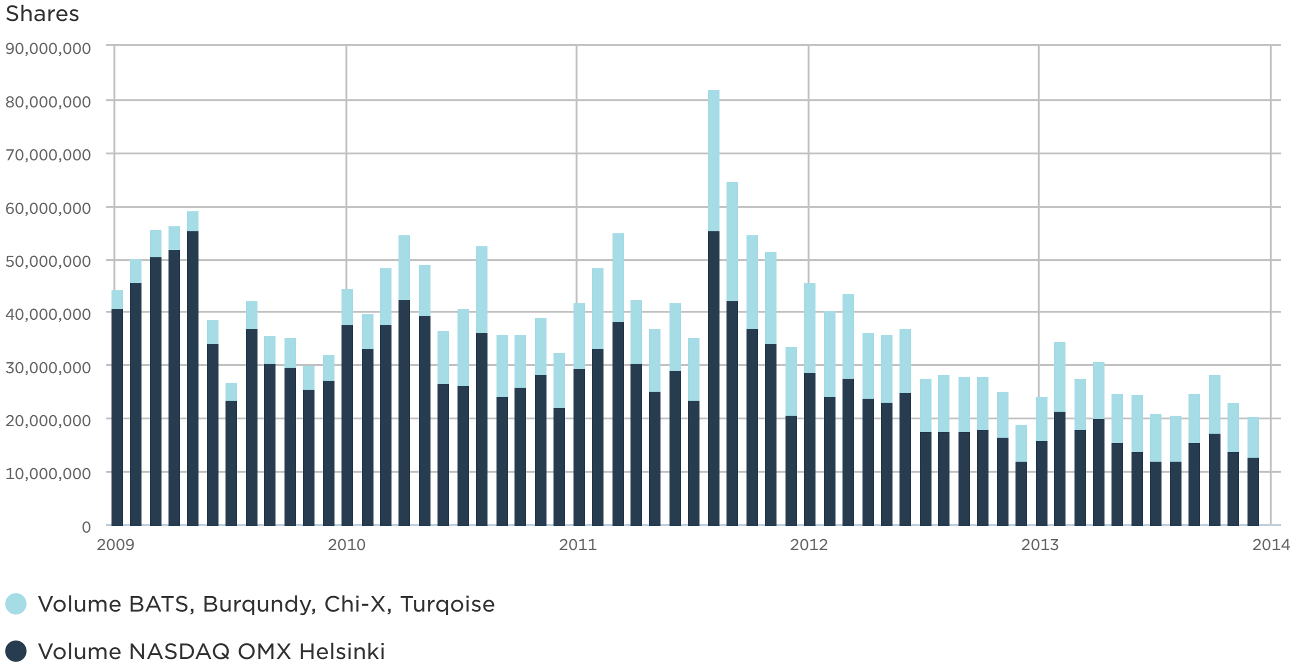
## Development of the Number of Shares
Sampo plc, 2009–2013

| Year | A shares | B shares | Total | Change during year | Reason for change |
|---|---|---|---|---|---|
| 1 Jan 2009 | 560,172,390 | 1,200,000 | 561,372,390 | no change | |
| 1 Jan 2010 | 560,172,390 | 1,200,000 | 561,372,390 | -90,000 | Cancellation of shares bought back (A share) |
| 1 Jan 2011 | 560,082,390 | 1,200,000 | 561,282,390 | -1,282,390 | Cancellation of shares bought back (A share) |
| 1 Jan 2012 | 558,800,000 | 1,200,000 | 560,000,000 | no change | |
| 1 Jan 2013 | 558,800,000 | 1,200,000 | 560,000,000 | no change | |
| 1 Jan 2014 | 558,800,000 | 1,200,000 | 560,000,000 | | |

Sampo A shares have been quoted on the main list of the NASDAQ OMX Helsinki since 1988 and all of the B shares are held by Kaleva Mutual Insurance Company. B shares can be converted into A shares at the request of the holder. At the end of the financial year, Sampo plc didn't hold any of its own A shares. Neither did the other Group companies hold any shares in the parent company.

## Share Price Performance
Sampo plc, 2009–2013

**Monthly Trading Volume**
Sampo plc, 2009–2013




# Authorizations Granted to the Board

The Annual General Meeting of 2013 authorized the Board to acquire in one or several lots a maximum of 50,000,000 Sampo A shares. Shares can be repurchased in other proportion than the shareholders' proportional shareholdings (private repurchase). The share price will be no higher than the highest price paid for Sampo shares in public trading at the time of purchase. The authorization is valid until the close of the next Annual General Meeting, nevertheless not more than 18 months after AGM's decision.

Sampo plc made no repurchases during 2013 and has not purchased its own shares after the end of the reporting period.

# Shareholders

The number of Sampo plc's shareholders remained stable and amounted to 82,092 (82,216) as at 31 December 2013. Approximately 1.3 per cent of shares had not been transferred to the book-entry system. The holdings of nominee-registered and foreign shareholders grew to 56.79 per cent (54.65) of the shares and 56.31 per cent of the votes (54.19).

During 2013 Sampo did not receive notifications of change in holdings pursuant to Chapter 9 of the Securities Markets Act.

## Shareholders by the Number of Shares Owned
Sampo plc, 31 December 2013

| Number of shares | Shareholders, number | Shareholders, % | Shares, number | Shares, % | Votes, number | Votes, % |
|---|---|---|---|---|---|---|
| 1-100 | 26,084 | 31.77 | 1,565,087 | 0.28 | 1,565,087 | 0.28 |
| 101-500 | 36,133 | 44.02 | 9,418,457 | 1.68 | 9,418,457 | 1.67 |
| 501-1,000 | 9,574 | 11.66 | 7,382,536 | 1.32 | 7,382,536 | 1.31 |
| 1,001-5,000 | 8,486 | 10.34 | 18,064,078 | 3.23 | 18,064,078 | 3.20 |
| 5,001-10,000 | 979 | 1.19 | 7,095,199 | 1.27 | 7,095,199 | 1.26 |
| 10,001-50,000 | 673 | 0.82 | 13,876,780 | 2.48 | 13,876,780 | 2.46 |
| 50,001-100,000 | 66 | 0.08 | 4,678,619 | 0.84 | 4,678,619 | 0.83 |
| 100,001-500,000 | 68 | 0.08 | 13,917,187 | 2.49 | 13,917,187 | 2.46 |
| 500,001-9,999,999,999 | 29 | 0.04 | 476,880,117 | 85.16 | 481,680,117 | 85.28 |
| **Total** | **82,092** | **100.00** | **552,878,060** | **98.73** | **557,678,060** | **98.74** |
| Nominee registered | 17 | | 311,683,693 | 55.66 | 311,683,693 | 55.19 |
| On waiting list, total | 0 | | 0 | 0.00 | 0 | 0.00 |
| On joint account | | | 7,121,940 | 1.27 | 7,121,940 | 1.26 |
| Total | | | 0 | 0.00 | 0 | 0.00 |
| Total shares issued | | | 560,000,000 | 100.00 | 564,800,000 | 100.00 |

## Shareholders
Sampo plc, 31 December 2013

| A and B shares | Number of shares | % of share capital | % of votes |
|---|---|---|---|
| Solidium Oy | 79,280,080 | 14.16 | 14.04 |
| Varma Mutual Pension Insurance Company | 43,934,421 | 7.85 | 7.78 |
| Wahlroos Björn Arne Christer | 11,763,141 | 2.10 | 2.08 |
| Kaleva Mutual Insurance Company *) | 5,200,000 | 0.93 | 1.77 |
| Ilmarinen Mutual Pension Insurance Company | 4,241,614 | 0.76 | 0.75 |
| The State Pension Fund | 3,960,000 | 0.71 | 0.70 |
| Schweizer Nationalbank | 2,630,544 | 0.47 | 0.47 |
| Keva | 2,170,102 | 0.39 | 0.38 |
| Mutual Insurance Company Pension-Fennia | 1,766,000 | 0.32 | 0.31 |
| Svenska litteratursällskapet i Finland r.f. | 1,605,800 | 0.29 | 0.28 |
| Folketrygdfondet | 1,568,088 | 0.28 | 0.28 |
| Odin Norden | 1,070,403 | 0.19 | 0.19 |
| OP-Focus Non-UCITS Fund | 909,195 | 0.16 | 0.16 |
| Sigrid Jusélius Foundation | 876,400 | 0.16 | 0.16 |
| OP-Delta Fund | 825,000 | 0.15 | 0.15 |
| Nordea Suomi | 785,000 | 0.14 | 0.14 |
| Nordea Pro Finland Fund | 640,000 | 0.11 | 0.11 |
| Teollisuuden Voima Oyj | 610,260 | 0.11 | 0.11 |
| OP-Finland Value Fund | 557,500 | 0.10 | 0.10 |
| The Finnish Cultural Foundation | 532,271 | 0.10 | 0.09 |
| Nominee registered total | 311,683,693 | 55.66 | 55.18 |
| Others total | 83,390,488 | 14.89 | 14.76 |
| **Total** | **560,000,000** | **100.00** | **100.00** |

*) *4,000,000 A shares and 1,200,000 B shares*

## Shareholders by Sector
Sampo plc, 31 December 2013 (A and B shares)

| Sector | Number of shares | % |
|---|---|---|
| Foreign ownership and nominee registered | 318,020,728 | 56.79 |
| Corporations | 89,884,276 | 16.05 |
| Households | 60,245,606 | 10.76 |
| Public institutions | 57,877,080 | 10.34 |
| Financial institutions and insurance corporations | 14,226,069 | 2.54 |
| Non-profit institutions | 12,624,301 | 2.25 |
| On joint account | 7,121,940 | 1.27 |
| **Total** | **560,000,000** | **100.00** |

The table below presents the Board's and Group Executive Committee's holdings of Sampo A shares. At the end of 2013, the members of Sampo plc's Board of Directors and their close family members owned either directly or indirectly 11,920,709 (11,933,741) Sampo A shares. Their combined holdings constituted 2.1 per cent (2.1) of the share capital and related votes.

The members of the Group Executive Committee and their close family members owned either directly or indirectly 733,626 (696,511) Sampo A shares representing 0.1 per cent (0.1) of the share capital and related votes.

### Shares Owned by the Board of Directors and by the Group Executive Committee
Sampo plc, 31 December 2013 and 31 December 2012

| **Board of Directors** | **31 Dec 2013** | **31 Dec 2012** |
|---|---|---|
| Wahlroos | 11,863,141 | 11,861,383 |
| Vuoria | 35,804 | 35,017 |
| Brunila | 9,059 | 8,380 |
| Fagerholm | 679 | - |
| Grate Axén | 3,061 | 2,251 |
| Mattila | 3,796 | 4,089 |
| Palin-Lehtinen | 3,479 | 4,343 |
| Pekkarinen | - | 8,315 |
| Sørlie | 1,690 | 1,039 |
| Taxell | - | 8,924 |
| **Total** | **11,920,709** | **11,933,741** |
| Board of Directors' ownership of shares, % | 2.1 % | 2.1 % |
| Board of Directors' ownership of votes, % | 2.1 % | 2.1 % |

| **Group Executive Committee** | **31 Dec 2013** | **31 Dec 2012** |
|---|---|---|
| Stadigh | 268,711 | 258,108 |
| Johansson | 58,986 | 55,224 |
| Lapveteläinen | 239,132 | 234,759 |
| Magnusson | 22,154 | 22,232 |
| Martinsen | 25,688 | 22,496 |
| Niemisvirta | 52,248 | 48,403 |
| Thorsrud | 23,628 | 20,001 |
| Vuorinen | 16,085 | 12,161 |
| Wennerklint | 26,994 | 23,127 |
| **Total** | **733,626** | **696,511** |
| Group Executive Committee's ownership of shares, % | 0.1 % | 0.1 % |
| Group Executive Committee's ownership of votes, % | 0.1 % | 0.1 % |

# Financial Standing

## Internal Dividends

Sampo Group's parent company Sampo plc received almost EUR 900 million in dividends from its subsidiaries and associated company Nordea Bank AB during 2013. The following dividend payments were received during 2013:

- 26 March 2013; Nordea Bank AB; EUR 293 million;
- 25 April 2013; Mandatum Life; EUR 100 million and
- 5 December 2013; If P&C; SEK 4.3 billion (approx. EUR 490 million).

On 29 January 2014 Nordea Bank AB's Board of Directors proposed to the Annual General meeting to be held on 19 March 2014, a dividend of EUR 0.43 per share. With its current holding Sampo plc's share amounts to EUR 370 million. The dividend is proposed to be paid on 1 April 2014.

A planned dividend of EUR 100 million has already been deducted in Mandatum Life's solvency calculation as at 31 December 2013. The dividend will be paid during the first quarter of 2014.

# Ratings

All the ratings for Sampo Group companies remained unchanged in 2013.

| | Moody's | | Standard and Poor's | |
|---|---|---|---|---|
| **Rated Company** | **Rating** | **Outlook** | **Rating** | **Outlook** |
| Sampo plc | Baa2 | Stable | Not rated | - |
| If P&C Insurance Ltd (Sweden) | A2 | Stable | A | Stable |
| If P&C Insurance Company Ltd (Finland) | A2 | Stable | A | Stable |

# Group Solvency

Nordea Bank AB (publ) has been Sampo plc's associated company since 31 December 2009. Under the Act on the Supervision of Financial and Insurance Conglomerates (2004/699), Sampo Group is therefore treated as a financial and insurance conglomerate.

Group solvency has in 2013 been calculated according to Chapter 3 of the Act on the Supervision of Financial and Insurance Conglomerates (2004/699). The Act is based on Directive 2002/87/EC of the European Parliament and of the Council on the supplementary supervision of credit institutions, insurance undertakings and investment.

## Sampo Group Solvency

| EURm | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| Group capital | 10,643 | 10,020 |
| Sectoral items | 1,274 | 1,285 |
| Intangibles and other deductibles | -3,319 | -3,160 |
| Group's own funds, total | 8,598 | 8,145 |
| Minimum requirements for own funds, total | 4,663 | 4,767 |
| Group solvency | 3,935 | 3,379 |
| Group solvency ratio<br>(Own funds % of minimum requirements) | 184.4% | 170.9% |

Group solvency ratio (own funds in relation to minimum requirements for own funds) increased during 2013 and amounted to 184.4 per cent (170.9) as at 31 December 2013. The improvement was due to Sampo Group's strong profit generation. Changes in other items were relatively small, except for the increased dividend assumption.

In addition to the aforementioned conglomerate solvency considerations, Sampo Group's solvency is assessed internally by comparing the capital required to the capital available. Capital requirement assessment is based on an economic capital framework, in which Group companies quantify the amount of capital required for measurable risks over a one year time horizon at 99.5 per cent's confidence level. In addition to economic capital, companies assess their capital need related to non-measurable risks like risks in business environment.

Capital available or Adjusted Solvency Capital include regulatory capital and in addition other loss absorbing items like the effect of discounting technical reserves and other reserves excluded from regulatory capital.

The economic capital tied up in Group's operations on 31 December 2013 was EUR 5,361 million (4,560) and adjusted solvency capital was EUR 9,417 million (8,197).

# Debt Financing

Sampo plc's debt financing on 31 December 2013 amounted to EUR 2,027 million (2,162) and interest bearing assets to EUR 980 million (1,048). Interest bearing assets include bank accounts, money market instruments and EUR 350 million of hybrid capital issued by the subsidiaries and associates. During 2013 the net debt decreased EUR 65 million to EUR 1,048 million (1,113). Gross debt to Sampo plc's equity was 29 per cent (32).

As at 31 December 2013 financial liabilities in Sampo plc's balance sheet consisted of issued senior bonds and notes of EUR 1,720 million (1,710) and EUR 308 million (451) of outstanding CPs issued. The average interest on Sampo plc's debt as of 31 December 2013 was 2.26 per cent (2.33).

On 28 May 2013 Sampo plc bought back SEK 3,391 million of SEK 4,000 million senior notes maturing 16 September 2013 in connection to issuing two senior unsecured floating rate notes of SEK 2,000 million maturing on 28 May 2015 and 29 May 2018, respectively. The remaining SEK 609 million of the SEK 4,000 million senior unsecured floating rate notes matured on 16 September 2013.

On 2 April, 2013 If P&C Insurance Company Ltd., the Finnish subsidiary of If P&C Insurance Holding Ltd (publ), used its call option on the EUR 65 million capital loan issued on 29 November 2002 in accordance with the conditions of the loan.

On 20 June 2013 If P&C Insurance Company Ltd., issued a capital loan of EUR 90 million. The first call date for the floating rate perpetual capital loan is 26 November 2018.

## Outstanding Debt Instruments
Sampo plc, 31 December 2013

| Issued Debt Instruments | Coupon | Swap | Effective Rate | Maturity Date |
|---|---|---|---|---|
| Senior Bond 300 EURm | 3.2500% | - | 3.0377% | 3 Oct 2014 |
| Senior Bond 2,000 SEKm | Stibor3M + 0,75% | - | 1.8450% | 28 May 2015 |
| Senior Bond 300 EURm | 4.2500% | Euribor3M + 1.4727% | 1.6917% | 22 Feb 2016 |
| Senior Bond 500 EURm | 4.2500% | Euribor3M + 2.7910% | 3.0180% | 27 Feb 2017 |
| Senior Bond 2,000 SEKm | Stibor3M + 1,45% | - | 2.5450% | 29 May 2018 |
| CP's issued 308 EURm | Euribor + Margin | | 0.8300% | 3M |
| **Public debt 1,855 EURm** | | | **2.2446%** | |
| Private Placements 172 EURm | | | 2.3685% | |
| **Total 2,027 EURm** | | | **2.2551%** | |

To balance the risks on the Group level Sampo plc's debt is tied to short-term interest rates and issued in euro or Swedish krona. Interest rate swaps are used to obtain the desired characteristics for the debt portfolio. These derivatives are valued at fair value in the profit and loss account although economically they are related to the underlying bonds. As a result Sampo plc maintains the flexibility to adjust derivative position if needed but this comes at the cost of increased volatility in the Holding segment's net finance costs.

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

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

# Outlook

## Outlook for 2014

Sampo Group's business areas are expected to report good operating results for 2014. However, the mark-to-market results are, particularly in life insurance, highly dependent on capital market developments. The continuing low interest rate level also creates a challenging environment for reinvestment in fixed income instruments.

The P&C insurance operations are expected to reach their long-term combined ratio target of below 95 per cent in 2014 by a margin. Nordea's contribution to the Group's profit is expected to be significant.

## The Major Risks and Uncertainties to the Group in the Near-term

In its day-to-day business activities Sampo Group is exposed to various risks and uncertainties which it identifies and assesses regularly.

Major risks affecting the Group's profitability and its variation are market, credit and insurance risks that can be quantified by financial measurement techniques. Currently their quantified contributions to the Group's Economic Capital - used as an internal basis for capital needs – represent normal levels of 34 per cent, 45 per cent and 11 per cent, respectively.

Uncertainties in the form of major unforeseen events or structural changes in the business environment may have an immediate impact on the Group's profitability or long-term impact on how business shall be conducted. Identification of uncertainties is easier than estimation of their probabilities, timing and potential outcomes.

# Dividend Proposal

According to Sampo plc's dividend policy, total annual dividends paid shall be at least 50 per cent of Group's net profit for the year (excluding extraordinary items). In addition, share buy-backs can be used to complement the cash dividend.

The parent company's distributable capital and reserves totaled EUR 6,775,182,609.93, of which profit for the financial year was EUR 829,380,952.52.

The Board proposes to the Annual General Meeting a dividend of EUR 1.65 per share to company's 560,000,000 shares. The dividends to be paid are EUR 924,000,000.00 in total. Rest of funds are left in the equity capital.

The dividend will be paid to shareholders registered in the Register of Shareholders held by Euroclear Finland Ltd as at the record date of 29 April 2014. The Board proposes that the dividend be paid on 7 May 2014.

No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity position is good and in the view of the Board, the proposed distribution does not jeopardize the company's ability to fulfill its obligations.

**SAMPO PLC**

Board of Directors

# Key Figures

| Group key figures | | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| Profit before taxes | EURm | **1,668** | 1,622 | 1,228 | 1,320 | 825 |
| Return on equity (at fair values) | % | **13.8** | 19.9 | 7.7 | 21.8 | 55.7 |
| Return on assets (at fair values) | % | **7.0** | 9.3 | 3.7 | 10.0 | 18.6 |
| Equity/assets ratio | % | **32.7** | 31.3 | 29.7 | 29.8 | 28.6 |
| Group solvency ¹) | EURm | **3,934** | 3,379 | 1,892 | 3,038 | 2,315 |
| Group solvency ratio ¹) | % | **184.4** | 170.9 | 138.6 | 167.1 | 158.3 |
| Average number of staff | | **6,832** | 6,823 | 6,874 | 6,914 | 7,311 |

| P&C insurance | | | | | | |
|---|---|---|---|---|---|---|
| Premiums written before reinsurers' share | EURm | **4,768** | 4,698 | 4,414 | 4,189 | 3,888 |
| Premiums earned | EURm | **4,505** | 4,363 | 4,094 | 3,894 | 3,643 |
| Profit before taxes | EURm | **929** | 864 | 636 | 707 | 644 |
| Return on equity (at fair values) | % | **24.4** | 36.9 | 12.4 | 39.8 | 53.2 |
| Risk ratio ²) | % | **65.4** | 65.9 | 68.4 | 69.1 | 68.0 |
| Cost ratio ²) | % | **22.8** | 23.0 | 23.5 | 23.7 | 24.1 |
| Loss ratio excl. unwinding of discount ²) | % | **71.4** | 72.0 | 74.7 | 75.6 | 74.6 |
| Expense ratio ²) | % | **16.8** | 16.9 | 17.3 | 17.2 | 17.6 |
| Combined ratio excl. unwinding of discount | % | **88.1** | 88.9 | 92.0 | 92.8 | 92.1 |
| Solvency capital **) | EURm | **3,601** | 3,359 | 3,080 | 3,373 | 2,943 |
| | % | **37.9** | 34.1 | 34.2 | 38.2 | 36.3 |
| Solvency ratio *) | % | **80.8** | 74.6 | 72.4 | 79.5 | 77.3 |
| Average number of staff | | **6,238** | 6,225 | 6,299 | 6,392 | 6,807 |

**) Based on the financial statements of If Group.*

| Life insurance | | | | | | |
|---|---|---|---|---|---|---|
| Premiums written before reinsurers' share | EURm | **1,068** | 983 | 854 | 1,117 | 809 |
| Profit before taxes | EURm | **153** | 136 | 137 | 142 | 121 |
| Return on equity (at fair values) | % | **18.3** | 28.5 | -11.7 | 36.2 | 97.6 |
| Expense ratio | % | **106.6** | 113.9 | 109.1 | 112.1 | 111.0 |
| Solvency capital (IFRS) | EURm | **1,401** | 1,389 | 1,046 | 1,335 | 927 |
| | % | **27.6** | 27.6 | 20.9 | 25.7 | 18.5 |
| Average number of staff | | **541** | 545 | 521 | 470 | 450 |

| Holding | | | | | | |
|---|---|---|---|---|---|---|
| Profit before taxes | EURm | **589** | 623 | 456 | 474 | 36 |
| Average number of staff | | **53** | 53 | 54 | 52 | 54 |

**Per share key figures**

| | | | | | | |
|---|---|---|---|---|---|---|
| Earnings per share | EUR | **2.59** | 2.51 | 1.85 | 1.97 | 1.14 |
| Earnings per share, incl. Items in other comprehensive income | EUR | **2.54** | 3.37 | 1.22 | 3.22 | 5.88 |
| Capital and reserves per share | EUR | **19.01** | 17.89 | 15.93 | 15.83 | 13.56 |
| Net asset value per share | EUR | **22.15** | 17.38 | 14.05 | 17.79 | 14.63 |
| Dividend per share ³) | EUR | **1.65** | 1.35 | 1.20 | 1.15 | 1.00 |
| Dividend per earnings | % | **63.7** | 53.8 | 64.9 | 58.4 | 87.7 |
| Effective dividend yield | % | **4.6** | 5.5 | 6.3 | 5.7 | 5.9 |
| Price/earnings ratio | | **13.8** | 9.7 | 10.4 | 10.2 | 14.9 |
| Adjusted number of shares at 31 Dec. | 1 | **560,000** | 560,000 | 560,000 | 561,282 | 561,282 |
| Average adjusted number of shares | 1 | **560,000** | 560,000 | 560,863 | 561,321 | 561,370 |
| Weighted average number of shares, incl. dilutive potential shares | 1 | **560,000** | 560,000 | 560,863 | 561,321 | 561,370 |
| Market capitalisation | EURm | **20,003** | 13,630 | 10,735 | 11,254 | 9,553 |

**A shares**

| | | | | | | |
|---|---|---|---|---|---|---|
| Adjusted number of shares at 31 Dec. | 1 | **558,800** | 558,800 | 558,800 | 560,082 | 560,082 |
| Average adjusted number of shares | 1 | **558,800** | 558,800 | 559,663 | 560,121 | 560,170 |
| Weighted average number of shares, incl. dilutive potential shares | 1 | **558,800** | 558,800 | 559,663 | 560,121 | 560,170 |
| Weighted average share price | EUR | **31.05** | 21.43 | 20.63 | 18.46 | 13.84 |
| Adjusted share price, high | EUR | **35.92** | 25.04 | 23.90 | 20.71 | 17.72 |
| Adjusted share price, low | EUR | **25.04** | 17.91 | 16.85 | 16.13 | 8.63 |
| Adjusted closing price | EUR | **35.72** | 24.34 | 19.17 | 20.05 | 17.02 |
| Share trading volume during the financial year | 1 | **188,402** | 252,821 | 399,759 | 381,863 | 452,367 |
| Relative share trading volume | % | **33.7** | 45.2 | 71.4 | 68.2 | 80.8 |

**B shares**

| | | | | | | |
|---|---|---|---|---|---|---|
| Adjusted number of shares at 31 Dec. | 1 | **1,200** | 1,200 | 1,200 | 1,200 | 1,200 |
| Average adjusted number of shares | 1 | **1,200** | 1,200 | 1,200 | 1,200 | 1,200 |

*¹) On 31 Dec. 2009 Nordea was consolidated as an associate to Sampo and Sampo became a financial and insurance conglomerate, in accordance with the Act on Supervision on Financial and Insurance Conglomerates (2004/699). The group solvency is calculated according to Chapter 3. The adjusted solvency was determined on the basis of the Group financial statements as permitted by the Financial Supervisory Authority.*

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

*³) The Board of Director's proposal to the Annual General Meeting for the accounting period 2013.*

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

# Calculation of the Key Figures

The key figures have been calculated in accordance with the decree issued by the Ministry of Finance and the specifying regulations and instructions of the Financial Supervisory Authority. The Group solvency has been calculated according to the consolidation method defined in Chapter 3 of the Act on the Supervision of Financial and Insurance Conglomerates.

## Group Key Figures

### Profit before taxes

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

**Property & Casualty and Life Insurance**

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

**Holding**

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

### Return on equity (at fair values), %

| | | |
|---|---|---|
| + | total comprehensive income | |
| ± | change in valuation differences on investments less deferred tax | |
| | ———————————— | x 100% |
| + | total equity | |
| ± | valuation differences on investments less deferred tax (average of values on 1 Jan. and 31 Dec.) | |

## Return on assets (at fair values), %

$$\frac{\begin{array}{ll} + & \text{operating profit} \\ \pm & \text{other comprehensive income before taxes} \\ + & \text{interest and other financial expense} \\ + & \text{calculated interest on technical provisions} \\ + & \text{change in valuation differences on investments} \end{array}}{\begin{array}{ll} + & \text{total balance sheet} \\ - & \text{technical provisions relating to unit-linked insurance} \\ \pm & \text{valuation differences on investments} \\ & \text{(average of values on 1 Jan. and 31 Dec.)} \end{array}} \times 100\%$$

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

$$\frac{\begin{array}{ll} + & \text{total equity} \\ \pm & \text{valuation differences on investments less deferred tax} \end{array}}{\begin{array}{ll} + & \text{balance sheet total} \\ \pm & \text{valuation differences on investments} \end{array}} \times 100\%$$

## Group solvency

+ total equity
+ sectoral items
- intangible assets and sectoral deductibles

own funds, total

- minimum requirements for own funds, total

group solvency

## Group solvency ratio, %

$$\frac{\text{own funds}}{\text{minimum requirements for own funds}} \times 100\%$$

## Average number of staff

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

# P&C Insurance Key Figures

## Profit before taxes

Formula shown above in connection with the Group key figures.

## Return on equity (at fair values), %

Formula shown above in connection with the Group key figures.

## Risk ratio, %

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

## Cost ratio, %

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

## Loss ratio, %

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

## Loss ratio excl. unwinding of discount, %

$$\frac{\text{claims incurred before unwinding of discount}}{\text{premiums earned}} \times 100\%$$

## Expense ratio, %

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

## Combined ratio, %

Loss ratio + expense ratio

## Combined ratio excl. unwinding of discount, %

Loss ratio before unwinding of discount + expense ratio

## Solvency capital (IFRS)

+ equity after proposed profit distribution
± valuation differences on investment
- intangible assets
+ subordinated loans
- deferred tax liability probably realised in near future
± other required items (Ministry of Finance decree)

## Solvency capital, % of technical provision (IFRS)

$$\frac{+\ \text{solvency capital}}{+\ \text{liabilities for insurance and investment contracts} \ -\ \text{reinsurers' share of insurance liabilities}} \times 100\%$$

## Solvency ratio (IFRS), %

$$\frac{\text{solvency capital}}{\text{premiums earned from 12 months}} \times 100\%$$

# Life Insurance Key Figures

## Profit before taxes

Formula shown above in connection with the Group key figures.

## Return on equity (at fair values), %

Formula shown above in connection with the Group key figures.

## Expense ratio

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

## Solvency capital (IFRS)

+ equity after proposed profit distribution
± valuation differences on investment
- intangible assets
+ subordinated loans
- deferred tax liability probably realised in near future (incl. deferred tax from fair value reserve and profit)
± other required items (Ministry of Finance decree)

## Solvency ratio, % of technical provision, IFRS

$$\frac{+\ \text{solvency capital}}{+\ \text{liabilities for insurance and investment contracts} \ -\ \text{reinsurers' share of insurance liabilities} \ -\ 75\ \%\ \text{x technical provisions relating to unit-linked insurance}} \times 100\ \%$$

# Per Share Key Figures

## Earnings per share

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

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

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

## Equity per share

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

## Net asset value per share

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

## Dividend per share, %

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

## Dividend per earnings, %

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

## Effective dividend yield, %

$$\frac{\text{dividend per share}}{\text{adjusted closing share price at 31 Dec.}} \times 100\%$$

## Price/earnings ratio

$$\frac{\text{adjusted closing share price at 31 Dec.}}{\text{earnings per share}}$$

## Market capitalisation

number of shares at 31 Dec. x closing share price at 31 Dec.

## Relative share trading volume, %

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

# Risk Management

# Sampo Group's Operations, Risks and Earnings Logic

Sampo Group is engaged in three business areas. Non-life insurance and life insurance are conducted by subsidiaries If P&C Insurance Holding Ltd and Mandatum Life Insurance Company Ltd that are wholly owned by parent company Sampo plc. In addition to the insurance subsidiaries, Group's parent company Sampo plc held, as at 31 December 2013, an equity stake of 21.25 percent in Nordea Bank AB (publ) through which Sampo Group is engaged in banking business and exposed to respective risks. Nordea is Sampo plc's associated company and thus has a material effect on the Group's profits and risks. However, Nordea operates independently and the company's risk management is therefore not covered in Sampo Group's Annual Report.

As a Nordic insurance group If P&C underwrites policies that cover various risks of individuals and corporations on a geographically diverse area. If P&C mainly underwrites risks in the Nordic and Baltic countries but it underwrites also policies for Nordic clients' activities outside the Nordic countries. In addition to geographical diversification, the business is well-diversified over lines of business. Mandatum Life operates in Finland and Baltic countries and offers savings and pension policies with life risk features as well as policies covering mortality, morbidity and disability risks.

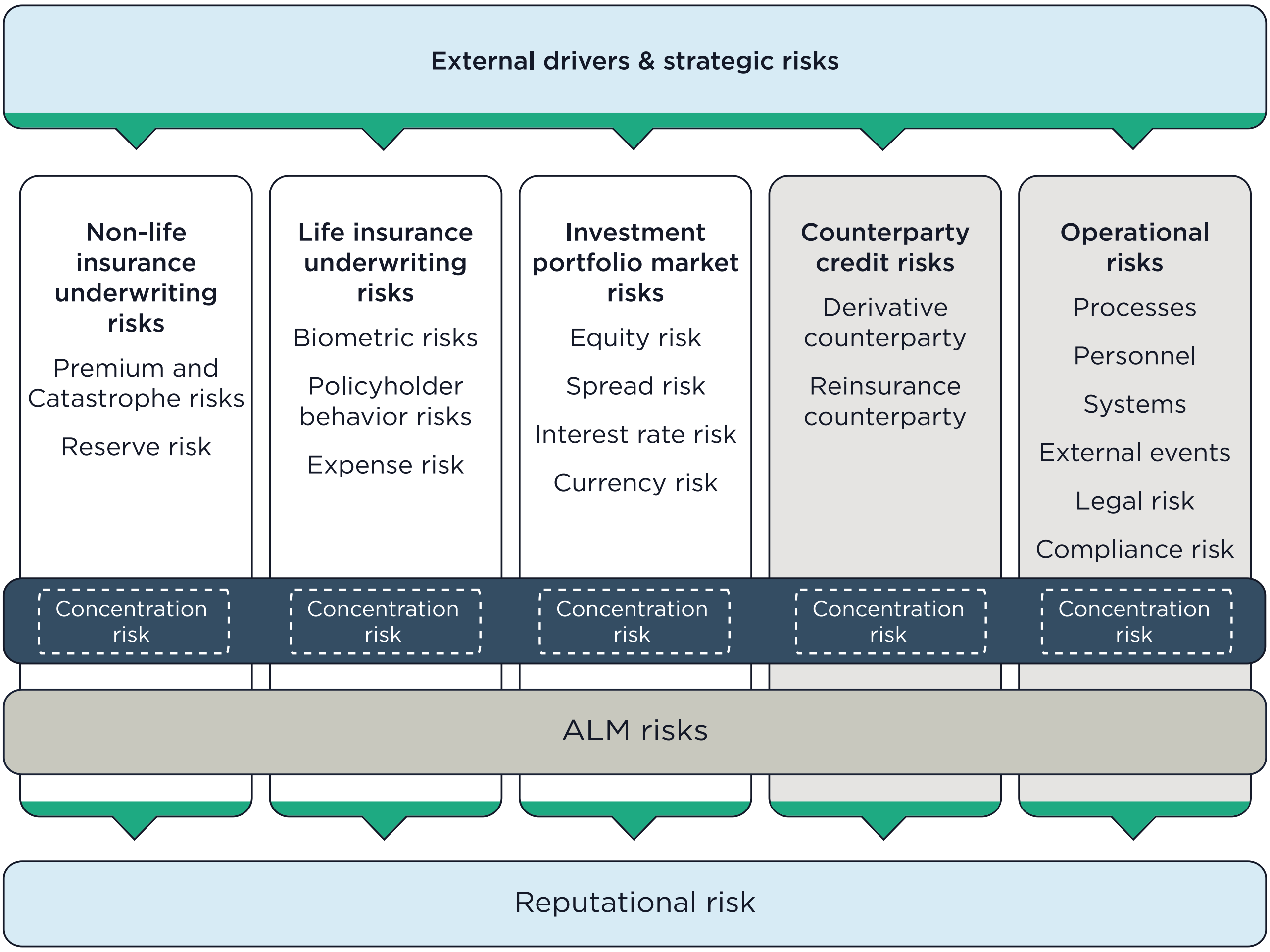
There are virtually no overlaps between the subsidiaries' insurance businesses' risks and therefore the subsidiaries' underwriting activities can be managed and developed as separate units supported by only limited group wide coordination. Investment activities, on the other hand, are centralized to manage risks at group level as well. The persons responsible for managing the subsidiaries' investments report directly to Sampo Group's Chief Investment Officer. Also the IT system architecture used in investment activities is the same throughout the Group facilitating consistent analysis and reporting of investment risks and assessment of risks at group level. Furthermore, 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 held significantly lower than the risk level of Mandatum Life's investment portfolio due to different features of their insurance liabilities and general risk appetites.

Sampo plc is a holding company and it has no business operations of its own, with the exception of the management of its own capital structure and liquidity position. The parent company's liquidity position varies significantly throughout the calendar year as the dividend distributions of the subsidiaries and the parent company often take place at different points in time. In addition, the issues and repayments of the parent company's debt securities create fluctuations in cash flows.

# Risks

In Sampo Group the risks associated with business activities fall by definition into two main categories: strategic risks associated with external drivers affecting the business environment and risks inherent in business operations.

Classification of Risks in Sampo Group




## 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 general business environment can cause larger than expected fluctuations in financial results and in the long run they can endanger the existence of Sampo Group's business models. External drivers behind such changes are various, including 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 behavior can change.

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

## 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 selected carefully and managed actively. Underwriting risks are priced reflecting their inherent risk levels and the expected return of investments is compared to the related risks. Furthermore, risk exposures are adjusted continuously and their impact on the capital need is assessed regularly.

Successful management of underwriting and investment 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.

### Earnings Risks

Underwriting risk can be defined in general as a change in value caused by ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. Hence, underwriting risk realizes as a loss or adverse change in the value of insurance liabilities due to pricing and provisioning assumptions on claims payments being different than the actual ones.

**Non-life Insurance Underwriting Risks**

In non-life insurance underwriting risk is often divided in premium and reserve risk in order to distinguish between the risks related to unexpired and expired contracts.

*Premium Risk* relates to future claims and originates from claim sizes being greater than expected, differences in timing of claims payments from expected, and differences in claims frequency 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 insurance liabilities.

*Catastrophe risk* can be seen as an extreme case of premium risk. It is the risk of low frequency, high severity events, such as natural catastrophes. These events lead to significant deviations in actual claims from the total expected claims.

*Reserve risk* only relates to incurred claims, i.e. existing claims, and originates from claim sizes being greater than expected, differences in timing of claims payments from expected, and differences in claims frequency from those 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.

**Life Insurance Underwriting 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 time (longevity risk) than expected when pricing the policies. When a low frequency, high severity event leads to a significant deviation in actual benefits and payments from the total expected payments, catastrophe risk has realized.

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

*Expense risk* arises from the fact that the timing and/or the amount of expenses incurred differs from those expected at the timing of pricing. As a result expense charges originally assumed may not be enough to cover the realized expenses.

**Investment Portfolio Market Risks**

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

Risks and returns in different markets are considered when Sampo Group companies enter into investments or sell investments from investment portfolios. The fundamental distinction between market risks and underwriting risks is that relating to market risks Sampo Group is in most cases a price taker and not a price giver.

Some risks, such as counterparty credit risks and operational risks are indirect consequences of Sampo's business activities. They are one-sided risks, with no earnings potential related to them. Accordingly, the risk management objective is to mitigate these risks efficiently. Management 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.

## Consequential Risks

**Counterparty Credit Risks**

Counterparty risk is part of credit risk. In general credit risk refers to losses arising from occurred defaults of debtors (*issuer risk*) or other counterparties (*counterparty risk*) or from increases in assumed probability of defaults.

In the case of issuer risk the final loss depends on the investor's holding of the security at the time of default, mitigated by the recovery rate. In most cases issuer risk has already been fully priced as a lower market value before the event of default has occurred. In essence credit spread is the market price of credit risk. Similarly as other earnings risks, spread risk can be actively managed. Therefore, it is categorized in Sampo Group under investment portfolio market risks.

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. Counterparty credit risk is mitigated by careful selection of counterparties, by diversification of counterparties to prevent risk concentrations and by using collateral techniques, e.g. ISDA Master Agreements backed by Credit Support Annexes.

**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 legal 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; and
- defects in the operating process.

Materialized operational risks can cause immediate negative impact on financial results due to additional costs or loss of earnings. In longer term materialized operational risks can lead to loss of reputation and, eventually, 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.

Some risks such as interest rate, currency and liquidity risks are by their nature linked to various activities simultaneously. In order to manage these risks efficiently Sampo Group companies have to have a detailed understanding of expected cash flows and their variance within companies' all activities. In addition, a thorough understanding of how expected cash flows and 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. The ALM risks are one of the focus areas of the senior management because of their complexity and relevance to risks and earnings in the long run.

## 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 different size than the respective change in the economic value of insurance liabilities, the company is exposed to *ALM risk.* It is crucial to remember that the cash flows of insurance liabilities are modelled estimates and therefore uncertain in relation to both their timing and amount. This uncertainty is a central component of ALM risk as well.

On balance sheet level, ALM risks contribute considerably to economic values, risks and capital need. Sampo Group companies analyse ALM risks and monitor ALM exposures actively and the risks are taken into account when managing investments and developing insurance products.

In addition to the risks relating to fluctuations in market values and economic values, ALM risks include liquidity risk. *Liquidity risk* is the risk that group companies are, due to lack of available liquid funds and/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 risk includes potential illiquidity of investments and unexpected non-renewal of insurance policies. Moreover, the availability and cost of refinancing and prices of financial derivatives affect the Group companies' ability to carry out normal business activities.

The sources of liquidity risk are either internal or external. If the company's rating declines or if the company's solvency otherwise appears jeopardised, its ability to raise funding, sign reinsurance contracts or enter into financial derivatives at a reasonable price is endangered. Moreover, policyholders may also not be willing to renew their policies. These effects may realize in a general market turmoil situation simultaneously with difficulties to sell investment assets.

Sampo Group manages the liquidity risk by maintaining both parent company's and the subsidiaries' creditworthiness and reputation on appropriate level. Also, diversification within business operations exposed to liquidity risks is sought. In particular the maturity diversification of expected cash flows generated from different business activities is under constant scrutiny. Since there is no unambiguous technique to quantify the capital need for liquidity risk, it is not directly taken into account in capital need estimates. Thus only the interest rate risk part of ALM risks is accounted for in the economic capital framework.

Concentration risks arise when the company's risk exposures are not diversified enough and as a result of this for instance an individual claim or financial market event could threaten the solvency or the financial position of the company. Risk concentrations may evolve within one risk class or across the risk classes defined above, with the exception of operational risks. Concentration can be at the single-name level or at the level of homogenous group like a geographical area or an industry sector. Within operational risks concentration risks are of different nature and realize due to for example reliance on a single IT system or a single vendor. Another risk that can be realized over any activity is the reputational risk.

## Concentration Risks at Different Levels

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

*Concentration risk* may materialize also when profitability and capital position react similarly to general economic development or to structural changes in institutional environment in different areas of business. In that case concentration risk can be seen as part of strategic risk.

## 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 realizes often as a deterioration of reputation amongst customers and other stakeholders.

In Sampo Group corporate culture, which is based on core values ethicality, loyalty, openness and entrepreneurship, is seen as a major tool in preventing reputational risk. These core values are reflected in Sampo Group's Corporate Governance system and how Sampo deals with core stakeholders (i.e. customers, personnel, investors, other co-operation partners, tax authorities and supervising authorities) and other parties, who may have interest in Sampo's business.

# Earnings Logic

Sampo Group companies operate in business areas where profit generation based on risk taking and active management of risks are key components of earnings logic. Core competencies in managing the balance between risks, capitalization, liquidity and profitability in Sampo's business areas can be summarized as follows:

**Appropriate selection and pricing of underwriting risks**

- Underwriting risks are selected carefully and priced reflecting their inherent risk levels.
- Insurance products are developed proactively.

**Effective management of insurance exposures**

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

**Careful selection and execution of investment transactions**

- Risk return ratios of separate investments are analyzed carefully.
- Transactions are executed effectively at right time.

**Effective Mitigation of Consequential Risks**

- Counterparty credit risks are mitigated by selecting counterparties carefully, using risk mitigation techniques and increasing diversification.
- High quality and cost efficient business processes are maintained, continuity of operations is planned and recovery is ensured.

**Effective management of investment portfolios and balance sheet**

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

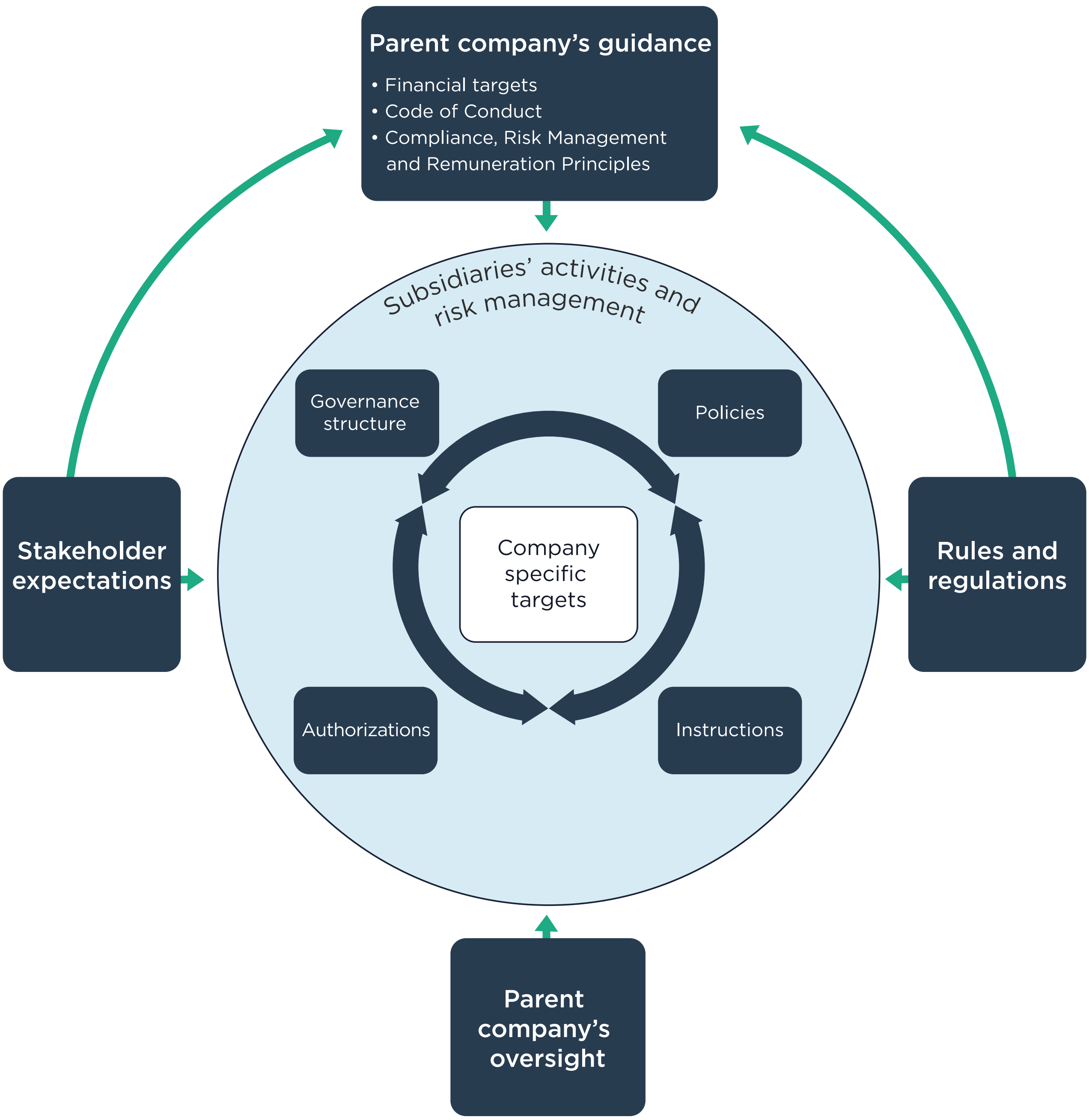
Employees' knowledge and skills are continuously developed to maintain the core competencies. In Sampo Group's businesses data, analytical tools converting the data into information to be used in different business areas and risk management processes are particularly important as well. When the above-mentioned core competencies are in place, a balance between earnings, risks and capitalization can be achieved on a company level.

At group level the focus is on group wide capitalization and liquidity. In addition to the company level core competencies, at group level it is essential to identify potential risk concentrations and to have a thorough understanding of how reported profits of companies would behave under different scenarios in general. These concentrations and correlations have an effect on group level capitalization and liquidity and they may have an effect on group level management actions.

# Sampo Group Steering Model and Risk Management Process

Sampo Group's steering model as well as the legal structure of the Group is straightforward and simple.

**Sampo Group's Steering Model**



1. The Group's parent company Sampo plc steers the subsidiaries by setting capital and return on equity (RoE) targets for the subsidiaries and by defining preconditions for the subsidiaries' operations in the form of the group wide principles. In addition to the opinions of the Sampo plc Board of Directors, the stakeholders' expectations and external regulations affect the principles set by Sampo plc.
2. Subsidiaries organize their activities independently taking into account the specific characteristics of their own operations and the group wide principles. The stakeholders' expectations and external regulations affect the subsidiaries' activities directly as well.
3. Sampo plc reviews the Group as a business portfolio and is active especially in matters related to the Group's capitalization and risks as well as related to the parent company's capital structure and liquidity.

Further information on Sampo Group's structure is available at www.sampo.com/group/group-structure.

# Parent Company's Guidance

The Board of Directors of the parent company 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 basis for capitalization is the internally estimated amount of economic capital which reflects the capital employed in the company's measurable risks. In addition, the perceived riskiness of the company's business environment is taken into account in assessing capitalization. Capitalization may also be affected by rating targets. Currently the only target is If P&C's A rating.

These three aspects, together with the regulatory capital requirement, are the main aspects when parent company is assessing the adequate level of capitalization for each subsidiary and 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 Sampo plc, which capitalizes the subsidiaries, if needed.

The Board of Directors of the parent company decides on the main guidelines governing the subsidiaries' business activities and risk management. Of these guidelines the most significant are Code of Conduct, Risk Management Principles, Remuneration Principles and Compliance Principles. In addition, for example Disclosure Policy is followed in order to prevent reputational and compliance risks.

In addition to these guidelines, the external regulatory environment and expectations of different stakeholders on Sampo Group's operations impact 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/corporate-governance/code-of-conduct.

# Subsidiaries' Activities and Risk Management

Sampo Group's subsidiaries independently decide on the governance structure of their own operations as well as on the policies, limits, authorizations and instructions relating to specific areas in accordance with the guidelines defined by the parent company.

The executive management of the subsidiaries have extensive experience in the insurance industry as well as in financial and risk management. The members of the subsidiaries' Boards of Directors, who are mainly in senior management positions in Sampo plc, have also complementary investment, financial, risk and capitalization as well as mergers and acquisitions expertise. 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.

Since only the main guidelines are prepared by the parent company, the subsidiaries' managements have the power and responsibility to incorporate the specific characteristics of their own operations to the company specific policies and instructions. The regulatory environment and stakeholders' expectations are naturally also directly reflected in the organization of the subsidiaries' operations.

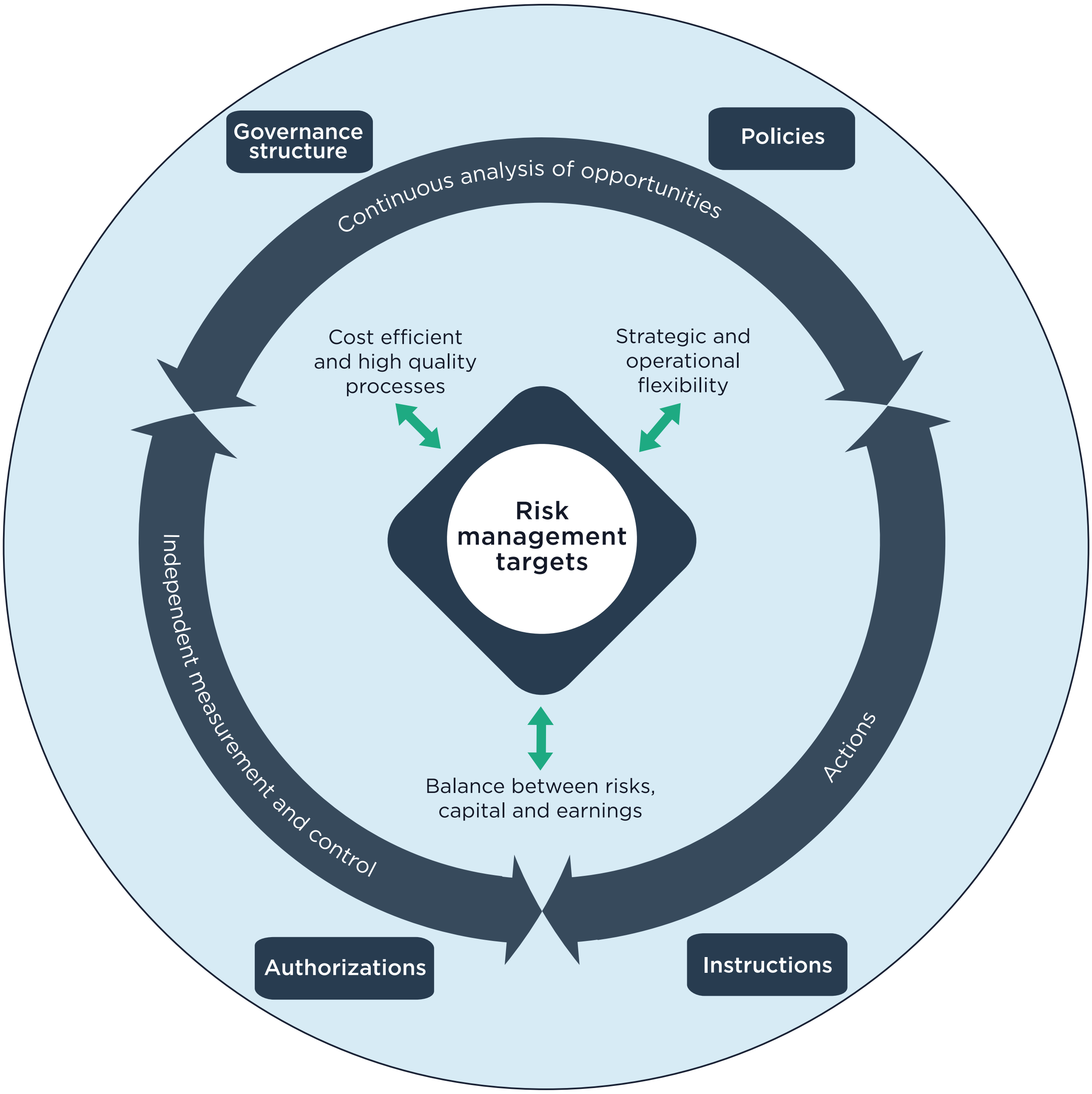
At operative level, the subsidiaries are focusing on effective execution of insurance operations and financial and risk management activities. Investments are managed according to the Investment Policies which are approved by the Board of Directors of the respective subsidiaries. Parent company led day-to-day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

The risk management process consists of continuous activities that are partly a responsibility of the personnel involved in business activities and partly a responsibility of independent risk management specialists. The responsibilities of business lines and independent risk management are clear. In addition in Sampo Group these functions are in a continuous dialogue.

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 risk appetite in general.

The figure Company Level Risk Management System illustrates the (i) prerequisites, (ii) tasks and (iii) targets of company level risk management.

## Company Level Risk Management System




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

- Risk management governance structure and authorizations (see Risk Governance section)
- 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:

Financial and risk management functions are explicitly responsible for **independent measurement and control**, including monitoring of operations in general as well as profitability, risk and capitalization calculations.

In addition to the statutory financial statements and solvency figures, Sampo Group companies also use internal performance, risk and capital measures based generally on fair values of assets and liabilities. Capital adequacy is assessed internally by comparing the available capital (adjusted solvency capital "ASC") to the amount of capital needed. ASC includes, in addition to the capital components included in the Solvency I framework, other loss absorbing items (equalization provision, discounting effects) which will be part of capital base in Solvency II framework.

The assessment of capital need includes the following phases:

- The Economic capital model is used to define the capital needed for measurable risks of current activities (Economic Capital "EC");
- An additional risk buffer is added over the measured EC. General uncertainty of business environment, less quantifiable risks (e.g. strategic risks, low probability and high impact events, liquidity risks) and potential model risks affect the size of the additional buffer;
- Because earnings are the first buffer against potential losses, expected profitability is also taken into account when considering the buffer needed over the EC.

## Independent Measurement and Control - Output Examples:

- Detailed reporting on risks to subsidiaries' and Sampo plc's Risk Committees and the Boards of Directors.
- EC and ASC is reported internally at least on a quarterly basis.
- Regulatory and rating agency capital charges and capital positions are reported internally on a quarterly basis.
- Internal and regulatory capitalization figures are disclosed quarterly as well.

Business lines and financial and risk management functions are both 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 since a significant part of the time in insurance and investment business units is consumed on a daily basis on assessing different business opportunities and especially their risk return ratios. In financial and risk management functions, on the other hand, considerable amount of time is spent on risk assessment and capital planning.

## Continuous Analysis of Opportunities - Output Examples:

- Business opportunities and respective earnings potential and capital consumption are identified.
- Product and service development, investment opportunities and respective earnings potential and capital need.
- Plans for intra-group and external dividends.
- Initiatives on hybrid and senior debt issuance.

**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 profitability, risk and capital management actions are seen as the most important phase in the risk and capital management process. Hence, risk policies, limits and decision making authorizations are set up in a way that they, together with profitability targets, facilitate business and investment units to take carefully considered risks.

## Actions - Output Examples:

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

High quality execution of the tasks above 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 reflecting their inherent risk levels, expected returns of 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 case of discontinuity events 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, to react to changes in business environment;
- Corporate structure, knowledge and processes in companies facilitate effective implementation of changes.

When the above targets are met, risk management is contributing positively on return on equity and mitigating 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

Parent company Sampo plc reviews the performance of Sampo Group both on company level and on 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 particularly on the balance between risks, capitalization and profitability. The parent company Sampo plc is responsible for reporting on its own activities.

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

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

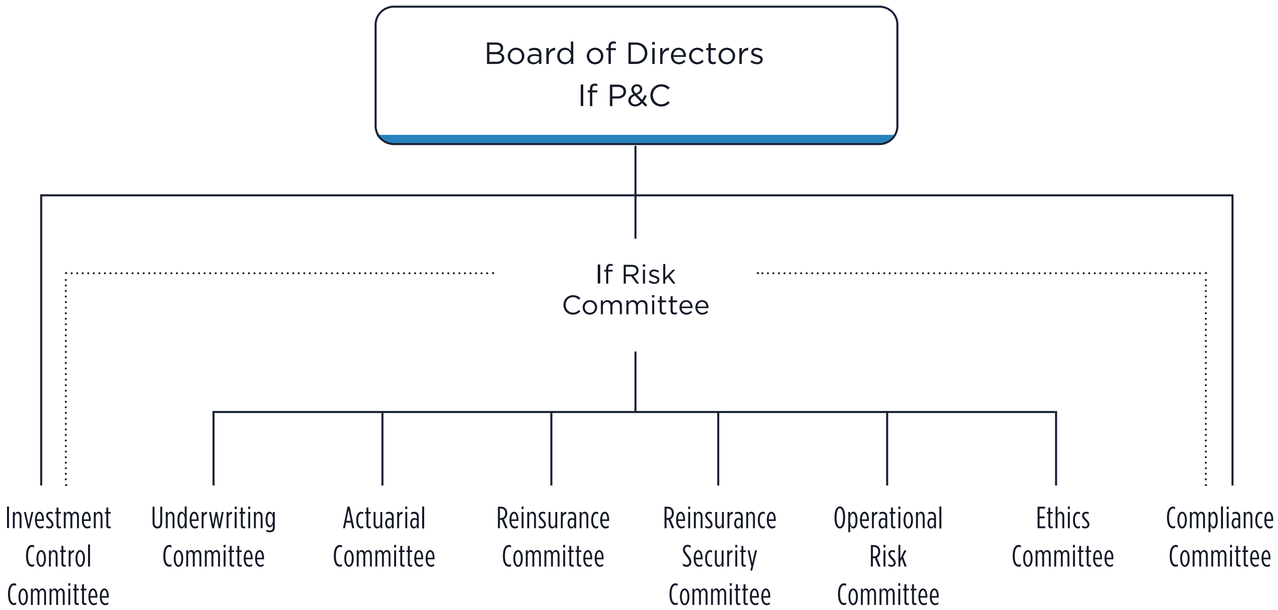
# Risk Governance

This section describes Sampo Group's and its subsidiaries' governance framework 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 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, ensure that the management and follow-up of risks are satisfactory, monitor risk reports and approve risk management plans. 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 If Risk Committee (IRC) assists the Chief Executive Officers (CEOs) and the Boards of Directors of If P&C in fulfilling their responsibilities pertaining to the risk management process. The IRC reviews, discusses and gives input on risk issues raised from the relevant risk committees, experts and line organization. Furthermore, the IRC also monitors that If P&C's short-term and long-term aggregate risk profile is aligned with its risk strategy and capital adequacy requirements. The Risk Control unit within the Risk Management department is, on behalf of the Chief Risk Officer (CRO), responsible for coordinating and analyzing the information reported to the IRC.

The responsibility to identify, evaluate, control and mitigate risks lies within the line organization. There are separate committees in place for key risk areas. These committees have the responsibility to monitor that risks are managed and controlled as decided by the Boards of Directors. The chairmen of the committees are responsible for the reporting to the IRC. The risk committees in If P&C do not have a decision mandate.

Policies are in place for each risk area specifying restrictions and limits chosen to reflect and secure that the risk level at all times complies with the overall risk appetite and capital adequacy constraints of If

P&C. The committees shall also monitor the effectiveness of policies and give input to changes and updates if needed.

The responsibilities of the respective risk committees are:

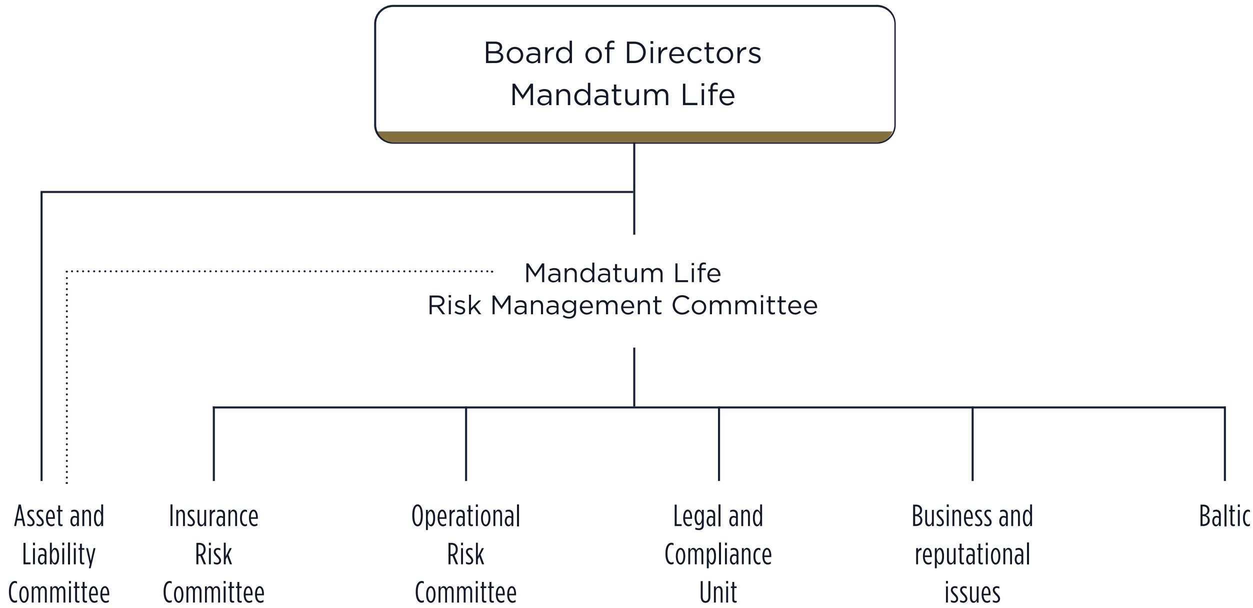
- The Investment Control Committee (ICC) is responsible for monitoring the implementation of and compliance with the Investment and Asset Coverage Policies. The committee shall consider and propose changes to the policies. The Chairman is responsible for the reporting of policy deviations and other issues dealt with by the committee.
- The Underwriting Committee (UWC) shall give its opinion on and propose actions in respect of various issues related to underwriting risk. The committee shall also consider and propose changes to the Underwriting Policy. The Chairman is responsible for the reporting of policy deviations and other issues dealt with by the committee.
- The Actuarial Committee (AC) is a preparatory and advisory body for If P&C's Chief Actuary. The committee shall secure a comprehensive view over reserve risk, discuss and give recommendations on policies and guidelines for technical provisions, as well as consider and propose changes to the Risk Data Policy.
- 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 credit 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.
- The Operational Risk Committee (ORC) is responsible for preparing a comprehensive overview of the operational risk status in If P&C. The committee shall consider and propose changes to policies and instructions regarding operational risks. The Chairman is responsible for the reporting of issues dealt with by the committee.
- The Ethics Committee (EC) discusses and coordinates ethics 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 on ethics risk and other issues dealt with by the committee.
- The Compliance Committee (CC) 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.

## Risk Governance in Mandatum Life

In Mandatum Life the Board of Directors is responsible for risk management and adequacy of internal control. The Board 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 the risk management according to Board of Directors' instructions. The reporting lines of different governing bodies in Mandatum Life are described in the figure Risk Governance in Mandatum Life.

### Risk Governance in Mandatum Life




- The Risk Management Committee (RMC) coordinates and monitors all risks in Mandatum Life. The Committee is chaired by the Managing Director. Risks are divided into main groups which are insurance, market, operational, legal and compliance risks as well as business and reputation risks. Risks related to the Baltic subsidiary are also included. Each risk area has a responsible person in the Committee.
- Mandatum Life's Asset and Liability Committee (ALCO) controls that the investment activities are conducted within the limits defined in the Investment Policy approved by the Board and monitors the adequacy of liquidity, profitability and solvency capital in relation to the risks in the balance sheet. ALCO prepares a proposal of Investment Policy to the Board of Directors. ALCO reports to the Board and meets at a minimum on a monthly basis.
- 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. The Board approves the insurance policy pricing and the central principles for the calculation of technical provisions. In addition, the Board defines the maximum amount of risk to be retained on the company's own account and approves the reinsurance policy annually.
- 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. ORC is also responsible for maintaining and updating the continuity and preparedness plans as well as the Internal Control Policy.
- The Legal and Compliance Unit is taking care of compliance matters and Head of the Unit is a member of the Risk Management Committee.
- Managing director is responsible for business and reputational risk issues and he is also the Chairman 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.

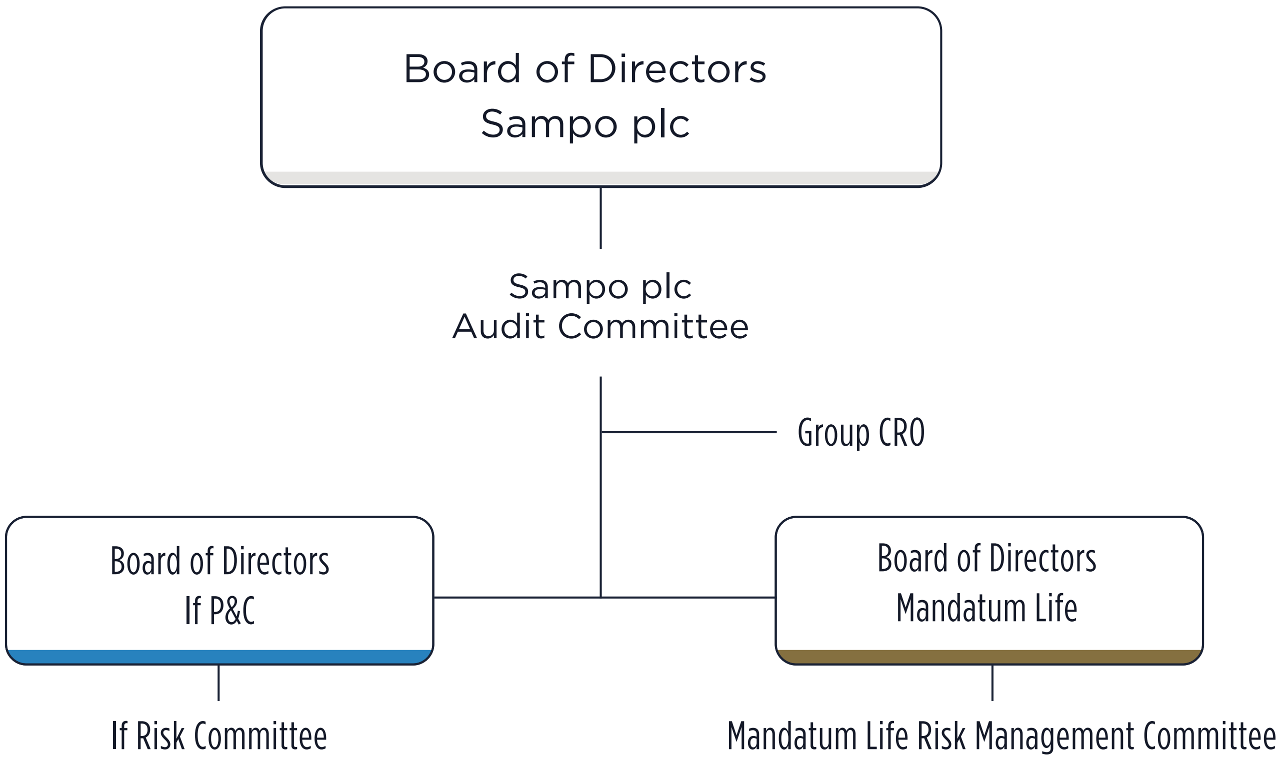
In addition to the above mentioned committees and units, the Internal Audit with its audit recommendations has a role to ensure that adequate internal controls are in place and provides Internal Audit's annual review to the Board of Directors.

## Risk Governance at Group Level

The Board of Directors of Sampo plc is responsible for ensuring that the Group's risks are properly managed and controlled. The Board of Directors of the parent company defines financial and capitalization targets for the subsidiaries and approves group level principles steering the subsidiaries' activities as described in section Sampo Group Steering Model and Risk Management Process. 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 Sampo 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, 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 those 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.

The Group Chief Risk Officer (CRO) is responsible for the appropriateness of risk management on Sampo 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 Risk Committee and the Mandatum Life Risk Management Committee and are responsible for identifying needs to change the policies, principles and instructions related to risk management.

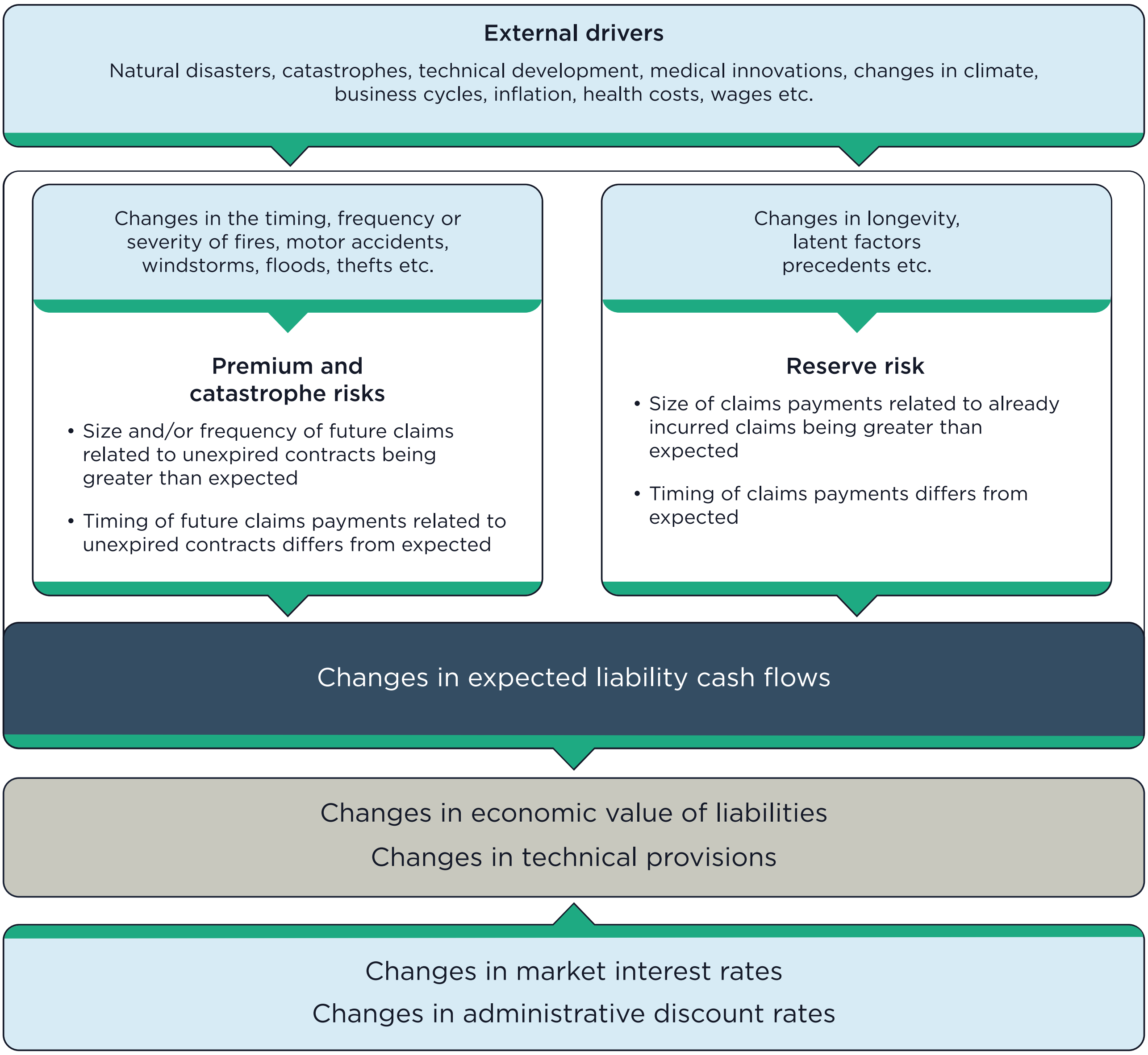
# Underwriting Risks

The book value (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 current date. In this section the focus is mainly on the first component and hence on the underwriting risk. Discount rate risk and its effect on technical provisions are also described in this section. The interest rate risk affecting the economic value of liabilities is covered later in ALM risk section.

# Non-life Insurance Underwriting Risks

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

### Non-life Insurance Underwriting Risks



## Premium Risk and Catastrophe Risk

Premium risk is the risk of loss or of adverse changes in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events which have not occurred by the balance sheet date.

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

## Premium Risk and Catastrophe Risk Management and Control

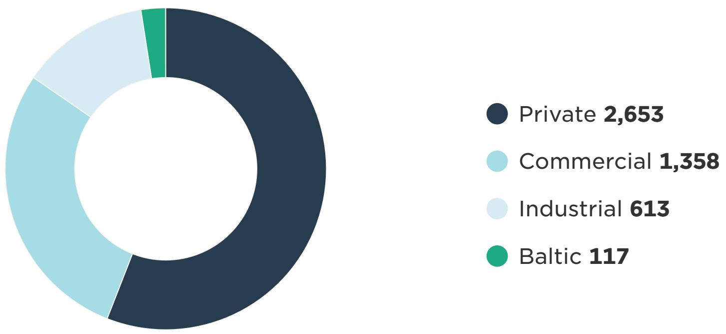
The Underwriting Policy (UW Policy) is the principal document for underwriting, and sets general principles, restrictions and directions for the underwriting activities. The Board of Directors of If P&C approves the UW Policy at least once a year.

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 is responsible for monitoring compliance with the established underwriting principles.

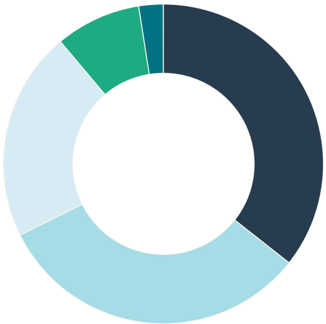
The business areas manage the underwriting risk on a day-to-day basis. A crucial factor affecting the profitability and risk of non-life insurance operations is the ability to accurately estimate future claims and expenses and thereby correctly price insurance contracts. The premiums within the Private 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 Commercial 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 businesses. The degree of diversification is shown in the figure Breakdown of Gross Written Premiums by Business Area, Country and Line of Business, If P&C, 2013.

**Breakdown of Gross Written Premiums by Business Area**
If P&C, 2013, total 4,768 EURm



**Breakdown of Gross Written Premiums by Country**
If P&C, 2013, total 4,768 EURm




**Breakdown of Gross Written Premiums by Line of Business**
If P&C, 2013, total 4,768 EURm


The item Other (including group eliminations) is not shown in the breakdowns above but it is included in total gross written premiums.

Despite the diversified portfolio, risk concentrations and thereby 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 analyzed based on statistical models for single large claims, while If P&C cooperates with external advisors for the evaluation of the exposure to natural catastrophes and the probability of occurrence of catastrophe losses. The analysis relies on If P&C's Internal Model, including catastrophe models in which catastrophes are simulated based on historical meteorological data, supplemented by statistical models as well as internal and external expert opinions. Different reinsurance structures are evaluated by looking at the expected costs versus the benefits of reinsurance, their impact on result volatility and decreased capital requirement.

A group wide reinsurance program has been in place in If P&C since 2003. In 2013, retention levels were between SEK 100 million (approximately EUR 11.3 million) and SEK 250 million (approximately EUR 28.2 million) per risk and SEK 200 million (approximately EUR 22.6 million) per event.

Sensitivity of 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 2013 and 31 December 2012.

**Sensitivity Test of Underwriting Result**
If P&C, 31 December 2013 and 31 December 2012

| | | | Effect on pretax profit, EURm | |
|---|---|---|---|---|
| **Key figure** | **Current level (2013)** | **Change in current level** | **2013** | **2012** |
| Combined ratio, business area Private | 87.8% | +/- 1 percentage point | +/- 26 | +/- 25 |
| Combined ratio, business area Commercial | 88.6% | +/- 1 percentage point | +/- 13 | +/- 13 |
| Combined ratio, business area Industrial | 91.5% | +/- 1 percentage point | +/- 5 | +/- 4 |
| Combined ratio, business area Baltics | 88.4% | +/- 1 percentage point | +/- 1 | +/- 1 |
| Net premiums earned | 4,505 | +/- 1 per cent | +/- 45 | +/- 44 |
| Net claims incurred | 3,215 | +/- 1 per cent | +/- 32 | +/- 31 |
| Ceded written premiums | 208 | +/- 10 per cent | +/- 21 | +/- 26 |

## Reserve Risk

Reserve risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing and amount of claim settlements for events which have occurred at or prior to the balance sheet date.

As part of the claims provisions are annuities, If P&C is exposed to 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. Revision risk is part of reserve risk.

The technical provisions for unearned premiums is intended to cover anticipated claims costs and operating expenses during the remaining term of insurance contracts in force. Since claims are paid after they have occurred, it is necessary to set provisions for claims outstanding. The technical provisions are the sum of provisions for unearned premiums and provisions for claims outstanding.

Technical provisions always include a degree of uncertainty as the provisions are based on estimates of the size and the frequency of future claim payments. The uncertainty of technical provisions is normally greater for new portfolios for which complete run-off statistics are not yet available, and for portfolios including claims that take a long time to settle. Workers' Compensation (WC), Motor Third Party Liability (MTPL), Personal Accident and Liability insurance, are products with the latter characteristics.

## Reserve Risk Management and Control

The Board of Directors of If P&C decides 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, CEO, CFO and IRC of If P&C.

The Actuarial Committee is a preparatory and advisory board for If P&C's Chief Actuary. The committee makes recommendations concerning guidelines for technical calculations. The committee also monitors technical provisions and provides advice to If P&C's Chief Actuary regarding the adequacy of these provisions.

If P&C's actuaries analyze the uncertainty of technical provisions. The actuaries continuously monitor the level of provisions to ensure that they comply with established guidelines. The actuaries also develop methods and systems to support these processes.

The actuarial estimates are based on historical claims data 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 cost 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 that are related to MTPL and WC is 68 per cent.

Technical provisions and the economic durations broken down by 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 2013.

## Technical Provisions by Line of Business and Major Geographical Area
If P&C, 31 December 2013

| | Sweden | | Norway | | Finland | | Denmark | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | **EURm** | **Duration** | **EURm** | **Duration** | **EURm** | **Duration** | **EURm** | **Duration** | **EURm** | **Duration** |
| Motor other and MTPL | 2,606 | 6.9 | 738 | 2.1 | 916 | 10.5 | 141 | 1.6 | 4,402 | 6.6 |
| Workers' compensation | 0 | 0.0 | 360 | 5.1 | 1,085 | 10.8 | 251 | 6.7 | 1,696 | 9.1 |
| Liability | 294 | 3.7 | 162 | 2.7 | 127 | 2.5 | 76 | 2.0 | 659 | 3.1 |
| Accident | 255 | 4.4 | 350 | 2.4 | 149 | 2.6 | 76 | 1.3 | 830 | 2.9 |
| Property | 406 | 1.0 | 498 | 0.9 | 212 | 1.2 | 126 | 0.7 | 1,242 | 1.0 |
| Marine, aviation, transport | 27 | 1.2 | 41 | 0.7 | 6 | 1.1 | 15 | 0.8 | 89 | 0.9 |
| **Total** | **3,588** | **5.6** | **2,150** | **2.3** | **2,496** | **8.7** | **684** | **3.4** | **8,918** | **5.6** |

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, 2013.

## Sensitivities of Technical Provisions
If P&C, 2013

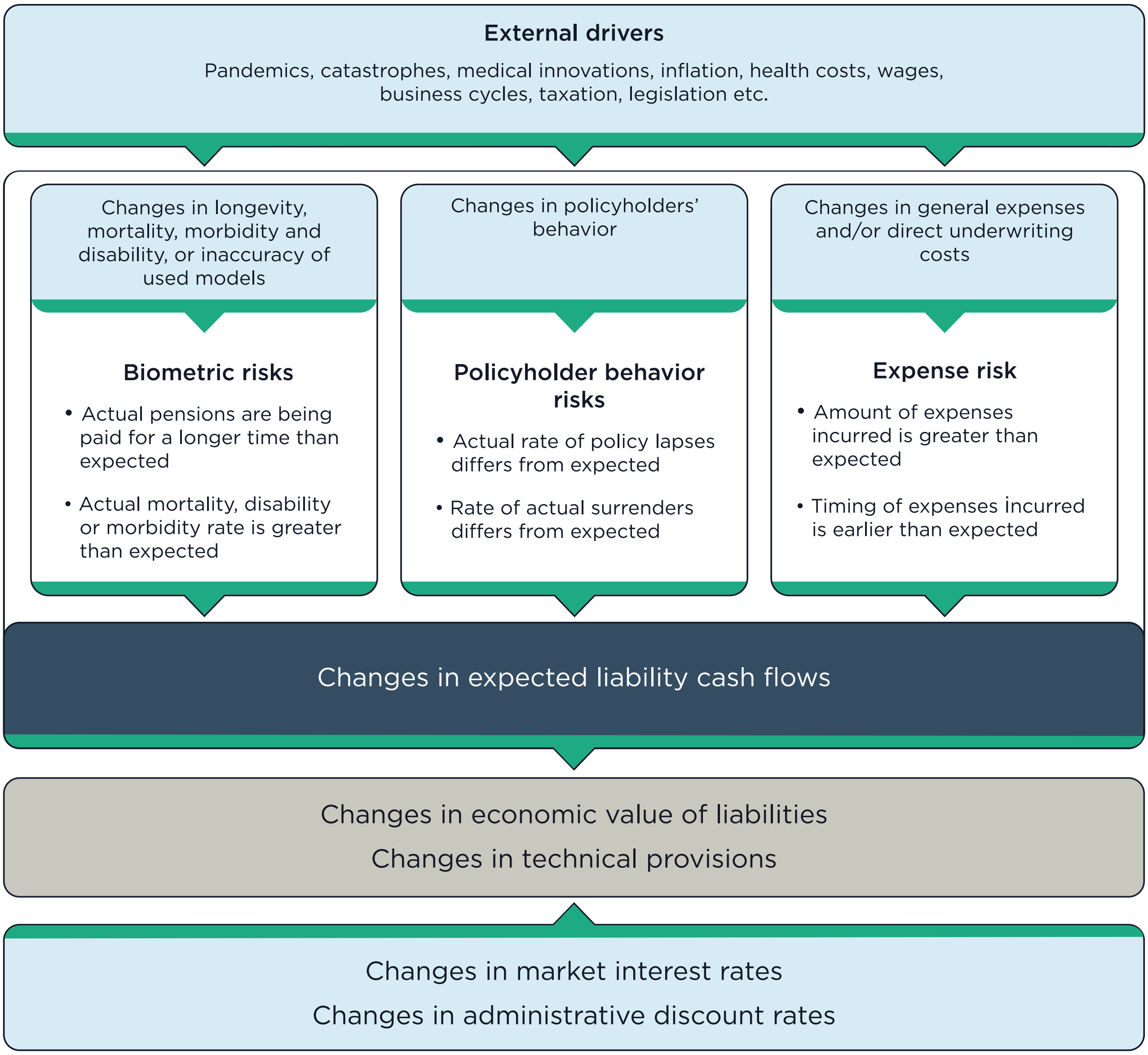
| Technical provision item | Risk factor | Change in risk parameter | Country | Effect EURm |
|---|---|---|---|---|
| Nominal reserves | Inflation increase | Increase by 1%-point | Sweden | 185.7 |
| | | | Denmark | 11.0 |
| | | | Norway | 56.5 |
| | | | Finland | 27.7 |
| Annuities | Decrease in mortality | Life expectancy increase by 1 year | Sweden | 12.0 |
| | | | Denmark | 0.5 |
| | | | Finland | 31.7 |
| Discounted reserves (annuities and part of Finnish IBNR) | Decrease in discount rate | Decrease by 1%-point | Sweden | 64.0 |
| | | | Denmark | 9.1 |
| | | | Finland | 175.6 |

If P&C's technical provisions are further analyzed by claims years. The outputs of 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

Life insurance risks encompass underwriting risk and discount rate risk in technical provisions. Underwriting risk includes biometric, policyholder behavior and expense risks.

**Life Insurance Underwriting Risks**



## Biometric Risks

Biometric risks in life insurance refer mainly 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 policyholders for a longer time (longevity risk) than expected when pricing the policies. The specific case in which a single event or series of single events of major magnitude lead to a significant deviation in actual benefits and payments from the total expected payments is called catastrophe risk.

Long duration of policies and restriction of Mandatum Life's right to increase tariffs increases biometric risks. If the premiums turn out to be inaccurate and pricing cannot be changed afterwards, technical provisions have to be supplemented with an amount corresponding to the expected losses.

The table Claim Ratios After Reinsurance, Mandatum Life, 2013 and 2012 shows the insurance risk result in Mandatum Life's Finnish life insurance policies. The ratio of the actual claims costs to the assumed was 79 per cent in 2013 (82 per cent in 2012). 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 16 million to EUR 32 million.

### Claim Ratios After Reinsurance
Mandatum Life, 2013 and 2012

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| **EURm** | **Risk income** | **Claim expense** | **Claim ratio** | **Risk income** | **Claim expense** | **Claim ratio** |
| **Life insurance** | **47.4** | **27.1** | **57%** | **42.4** | **25.2** | **59%** |
| Mortality | 29.8 | 16.1 | 54% | 25.9 | 14.9 | 57% |
| Morbidity and disability | 17.6 | 11.0 | 62% | 16.5 | 10.3 | 62% |
| **Pension** | **57.5** | **55.5** | **97%** | **57.7** | **57.3** | **99%** |
| Individual pension | 9.1 | 9.8 | 108% | 9.5 | 10.1 | 106% |
| Group pension | 48.4 | 45.7 | 94% | 48.2 | 47.2 | 98% |
| Mortality (longevity) | 43.9 | 43.3 | 99% | 43.5 | 44.2 | 102% |
| Disability | 4.5 | 2.4 | 52% | 4.7 | 3.0 | 64% |
| **Mandatum Life** | **104.8** | **82.6** | **79%** | **100.1** | **82.5** | **82%** |

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. 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. The assumed life expectancy related to the technical provisions for group pensions was revised in 2002 and additional changes were made in 2007. The cumulative longevity risk result has been positive since these revisions. The longevity risk result of group pension for the year 2013 was EUR 0.6 million (EUR -0.7 million in 2012).

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 in total, although the different risk results differ considerably. In a 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.

New gender neutral pricing is fully in-force for all new retail policies with biometric risks. This creates more uncertainty for the future, although changes are not expected to have a significant impact on risk result.

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

## Policyholder Behavior and Expense Risks

Uncertainty related to the behavior of the policyholders is a major risk as well. The policyholders have the right to cease paying premiums (*lapse risk*) and the possibility to interrupt their policies (*surrender risk*). Ability to keep lapse and surrender rates in a low level is a crucial success factor especially for the expense result of unit-linked business.

From ALM point of view surrender and lapse risks are less significant because in Mandatum Life, over 90 per cent of with profit policies are 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 6 per cent (EUR 237 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.

The company is also exposed to *expense risk*, which is a risk that the future operating expenses exceed the level that was anticipated when pricing the insurances. 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 an efficient level. In year 2013, expense result was EUR 14.2 million (EUR 5.8 million in 2012). Mandatum Life does not defer insurance acquisition costs.

## 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.

In most 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 75 million in 2013 (EUR 71 million in 2012). In addition, EUR 44 million has been reserved to lower the interest rate of with profit liabilities to 2.25 per cent in 2014 and EUR 26 million for the year 2015 to lower the interest rate of with profit liabilities to 2.75 per cent, i.e. Mandatum Life has set up an extra reserve of EUR 146 million as part of 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, 2013. The table also shows the change in each category during 2013.

## Analysis of the Change in Provisions before Reinsurance
Mandatum Life, 2013

| EURm | Liability 2012 | Premiums | Claims paid | Expense charges | Guaranteed interest | Bonuses | Other | Liability 2013 | Share % |
|---|---|---|---|---|---|---|---|---|---|
| **Mandatum Life parent company** | | | | | | | | | |
| **Unit-linked total** | **3,699** | **880** | **-323** | **-52** | **0** | **0** | **271** | **4,475** | **52** |
| Individual pension insurance | 894 | 81 | -8 | -13 | 0 | 0 | 60 | 1,014 | 12 |
| Individual life | 1,301 | 311 | -144 | -14 | 0 | 0 | 75 | 1,530 | 18 |
| Capital redemption operations | 1,140 | 430 | -166 | -18 | 0 | 0 | 103 | 1,489 | 17 |
| Group pension | 364 | 57 | -5 | -6 | 0 | 0 | 33 | 442 | 5 |
| **With-profit and others total** | **4,052** | **156** | **-394** | **-36** | **139** | **3** | **-11** | **3,910** | **46** |
| **Group pension** | **2,411** | **64** | **-188** | **-7** | **80** | **3** | **-28** | **2,335** | **27** |
| Guaranteed rate 3.5% | 2,321 | 53 | -181 | -6 | 77 | 2 | -53 | 2,213 | 26 |
| Guaranteed rate 2.5% or 0.0% | 90 | 11 | -6 | -1 | 3 | 0 | 25 | 122 | 1 |
| **Individual pension insurance** | **1,216** | **21** | **-156** | **-6** | **51** | **0** | **16** | **1,141** | **13** |
| Guaranteed rate 4.5% | 1,015 | 14 | -125 | -5 | 44 | 0 | 2 | 945 | 11 |
| Guaranteed rate 3.5% | 157 | 4 | -22 | -1 | 5 | 0 | 9 | 153 | 2 |
| Guaranteed rate 2.5% or 0.0% | 44 | 2 | -9 | -0 | 1 | 0 | 6 | 43 | 1 |
| **Individual life insurance** | **253** | **32** | **-36** | **-10** | **8** | **0** | **-14** | **233** | **3** |
| Guaranteed rate 4.5% | 72 | 5 | -8 | -2 | 3 | 0 | -2 | 68 | 1 |
| Guaranteed rate 3.5% | 121 | 11 | -15 | -4 | 4 | 0 | -7 | 109 | 1 |
| Guaranteed rate 2.5% or 0.0% | 61 | 17 | -13 | -6 | 1 | 0 | -4 | 56 | 1 |
| **Capital redemption operations** | **6** | **0** | **-1** | **0** | **0** | **0** | **-1** | **4** | **0** |
| Guaranteed rate 3.5% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Guaranteed rate 2.5% or 0.0% | 6 | 0 | -1 | 0 | 0 | 0 | -1 | 4 | 0 |
| **Future bonus reserves** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Reserve for decreased discount rate** | **118** | **0** | **0** | **0** | **0** | **0** | **28** | **146** | **2** |
| **Assumed reinsurance** | **2** | **4** | **-1** | **0** | **0** | **0** | **0** | **6** | **0** |
| **Other liabilities** | **47** | **34** | **-12** | **-12** | **1** | **0** | **-12** | **45** | **1** |
| **Mandatum Life parent company total** | **7,751** | **1,036** | **-716** | **-88** | **139** | **3** | **260** | **8,385** | **98** |
| **Subsidiary Mandatum Life Insurance Baltic SE** | **153** | **32** | **-25** | **-3** | **1** | **0** | **2** | **159** | **2** |
| Unit-linked | 134 | 29 | -22 | -2 | 0 | 0 | 3 | 142 | 2 |
| Others | 19 | 3 | -3 | -1 | 1 | 0 | -1 | 18 | 0 |
| **Mandatum Life group total** | **7,904** | **1,068** | **-741** | **-91** | **139** | **3** | **262** | **8,544** | **100** |

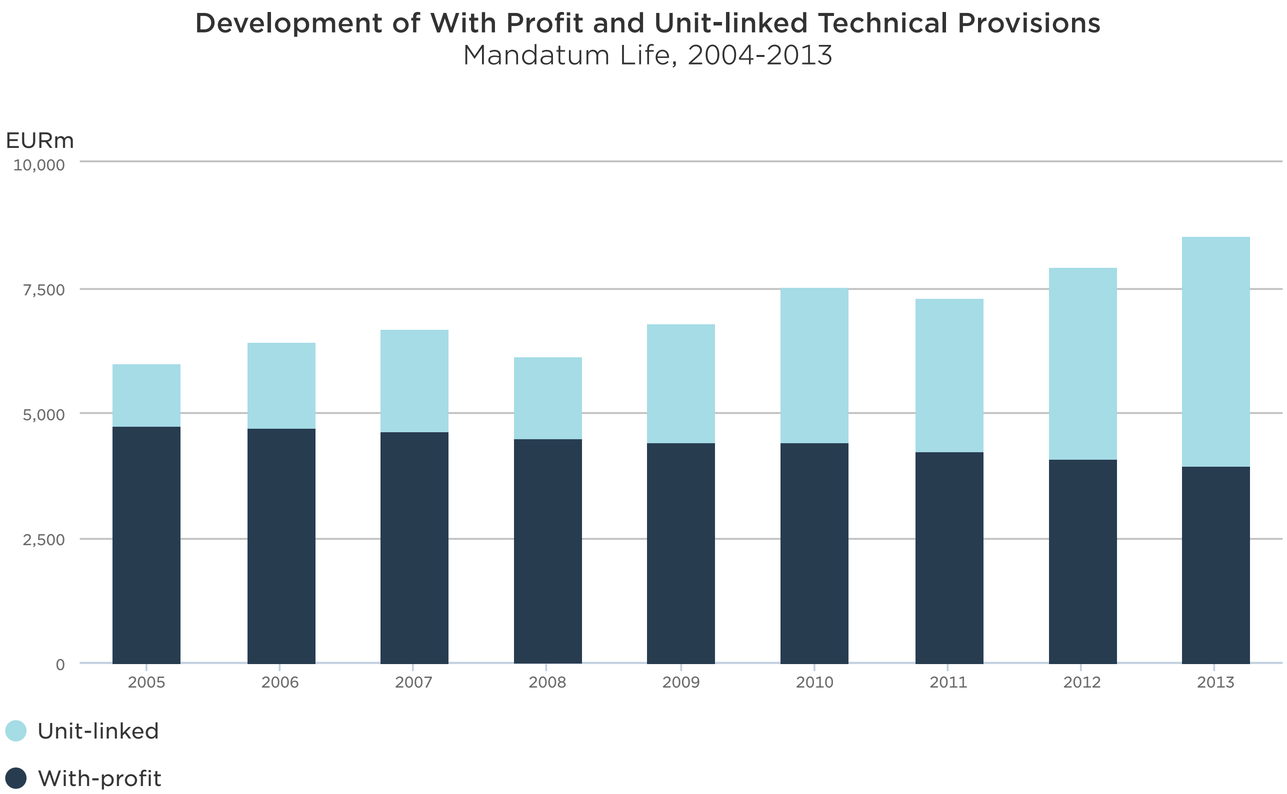
Unit linked business has been Mandatum Life's main focus area since year 2001. Since that the trend of unit linked technical provisions have been upward and annual average change in technical provisions has been + 26 per cent per annum. Due to the nature of unit linked business, volatility between years is relatively high.

In contrast, the trend of with profit technical provisions is downward, especially portfolios with highest 4.5 per cent and 3.5 per cent guarantees.

Technical provisions with highest guarantees fell by EUR 197 million. In total, with profit technical provisions decreased by EUR 143 million including a strengthening of the discount rate reserves by EUR 28 million.

Unit-linked technical provisions exceeded with profit technical provisions during year 2013.

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, 2004–2013.




The table Expected Maturity of Insurance and Investment Contracts before Reinsurance, Mandatum Life, 31 December 2013 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 2013

| EURm | Duration | 2014-2015 | 2016-2017 | 2018-2022 | 2023-2027 | 2028-2032 | 2033-2037 | 2038 - |
|---|---|---|---|---|---|---|---|---|
| **Mandatum Life parent company** | | | | | | | | |
| **Unit-linked total** | 8.6 | 759 | 688 | 1,254 | 884 | 785 | 357 | 429 |
| Individual pension insurance | 11.4 | 66 | 112 | 257 | 234 | 196 | 143 | 172 |
| Individual life | 7.6 | 327 | 279 | 432 | 286 | 235 | 111 | 106 |
| Capital redemption operations *) | 7.2 | 336 | 255 | 448 | 264 | 280 | 49 | 74 |
| Group pension | 11.3 | 29 | 42 | 117 | 100 | 74 | 54 | 77 |
| **With-profit and others total** | **8.6** | **870** | **699** | **1,280** | **867** | **589** | **395** | **604** |
| **Group pension** | 10.0 | 383 | 353 | 752 | 576 | 423 | 305 | 477 |
| Guaranteed rate 3.5% | 10.0 | 362 | 338 | 724 | 554 | 406 | 292 | 453 |
| Guaranteed rate 2.5% or 0.0% | 9.9 | 21 | 15 | 28 | 21 | 17 | 13 | 24 |
| **Individual pension insurance** | 6.4 | 302 | 278 | 430 | 230 | 122 | 55 | 57 |
| Guaranteed rate 4.5% | 6.4 | 251 | 230 | 368 | 198 | 101 | 44 | 48 |
| Guaranteed rate 3.5% | 6.4 | 39 | 38 | 50 | 26 | 18 | 9 | 7 |
| Guaranteed rate 2.5% or 0.0% | 5.8 | 12 | 10 | 12 | 6 | 3 | 2 | 2 |
| **Individual life insurance** | 9.9 | 49 | 52 | 73 | 50 | 38 | 32 | 67 |
| Guaranteed rate 4.5% | 10.8 | 16 | 14 | 22 | 16 | 12 | 12 | 28 |
| Guaranteed rate 3.5% | 10.2 | 20 | 22 | 35 | 24 | 19 | 15 | 30 |
| Guaranteed rate 2.5% or 0.0% | 7.8 | 12 | 16 | 17 | 9 | 7 | 5 | 9 |
| **Capital redemption operations *)** | 6.9 | 1 | 0 | 1 | 1 | 1 | 0 | 0 |
| Guaranteed rate 3.5% | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Guaranteed rate 2.5% or 0.0% | 6.9 | 1 | 0 | 1 | 1 | 1 | 0 | 0 |
| **Future bonus reserves** | 1.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Reserve for decreased discount rate** | 3.3 | 89 | 13 | 21 | 11 | 5 | 3 | 3 |
| **Assumed reinsurance** | 0.5 | 6 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Other liabilities** | 1.0 | 41 | 3 | 2 | 0 | 0 | 0 | 0 |
| **Mandatum Life parent company total** | **8.6** | **1,629** | **1,386** | **2,534** | **1,751** | **1,374** | **752** | **1,033** |
| **Subsidiary Mandatum Life Insurance Baltic SE** | | 15 | 17 | 38 | 16 | 27 | 9 | 37 |
| Unit-linked | | 12 | 13 | 32 | 14 | 26 | 9 | 37 |
| Others | | 4 | 3 | 7 | 2 | 1 | 0 | 0 |
| **Mandatum Life group total** | | **1,644** | **1,403** | **2,572** | **1,767** | **1,401** | **761** | **1,070** |

**) Investment contracts*

## Life Insurance Risk Management

Biometric risks are managed by careful risk selection, by pricing to reflect the risks and costs, by setting upper limits for the protection granted and by use of reinsurance.

Reinsurance is used to limit the amount of individual mortality and disability risks. The Board of Directors annually determines the maximum amount of risk to be retained on the company's own account, which for Mandatum Life is EUR 1.5 million per insured. To mitigate the effects of possible catastrophes, Mandatum Life participates in the catastrophe reinsurance bought jointly by Finnish life insurance companies.

Risk selection is part of the day-to-day business routines in Mandatum Life. Mandatum Life's Underwriting Policy sets principles for risk selection and limits for sums insured. Compliance with the principles and limits set in the Underwriting Policy are monitored continuously.

The risk result is followed actively and analyzed thoroughly annually. Mandatum Life measures the efficiency of risk selection and 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 supplement needs are assessed regularly. Assumptions related to technical provisions are reviewed annually. Adequacy of 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 general, market risks refer to fluctuations in the financial results and capital position caused by changes in market values of financial assets and liabilities as well as economic value of insurance liabilities.

The risks caused by changes in interest rates, foreign exchange rates and inflation together with general trend of credit spreads and equity prices are defined as general market risks. When the risk is related to debt and equity instruments issued by a specific issuer, it can be defined as issuer specific market risk.

In Sampo Group, market risks related to investment portfolios are mostly straightforward to analyze. The realization of risks is transparently reflected in the financial statements, because Sampo Group is applying mark-to-market procedures to most of its investments and only seldom there are instruments that require mark-to-model procedures.

In addition to investment portfolio market risks, also the companies' balance sheets are 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 balance sheet level are taken carefully into account when investment portfolio structures are designed and related limits and restrictions are defined.

## 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 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 in the Sampo Group Financial Statements.

Sampo Group's Chief Investment Officer is responsible for managing investments within the limitations of the Investment Policies prepared by the Group companies and approved by the 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 considers that it has a thorough understanding of the Nordic markets and issuers and consequently Sampo Group's direct investments are mainly made in Nordic securities. 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.

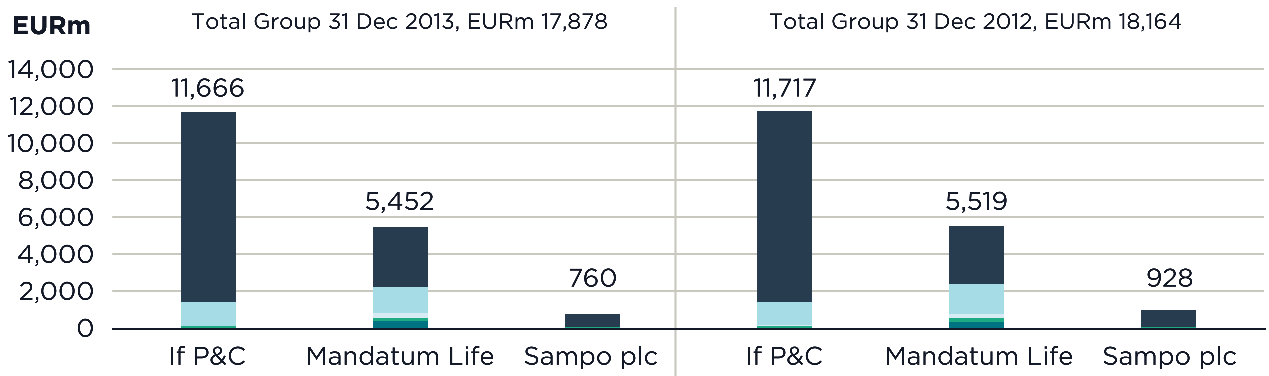
Market risk control is separated from portfolio management activities in two ways. Firstly, the persons independent from Investment Unit prepare Investment Policies for the Board approval. Secondly, Middle Office units that are independent from Investment Unit as well, measure risks and performance and control limits set in Investment Policies on a daily basis. Market risks and limits are also controlled by the ICC in If P&C and ALCO 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 aggregated market risks and concentrations at Sampo Group level are controlled by the Group's Audit Committee quarterly at a minimum.

# Asset Allocations and Investment Returns

The total amount of Sampo Group's investment assets as at 31 December 2013 was EUR 17,878 million (EUR 18,164 million in 2012).The compositions of the investment portfolios by asset classes in If P&C, Mandatum Life and Sampo plc at year end 2013 and at year end 2012 are shown in the figure Development of Investment Portfolios, If P&C, Mandatum Life and Sampo plc, 31 December 2013 and 31 December 2012.

**Development of Investment Portfolios**
If P&C, Mandatum Life and Sampo plc, 31 December 2013 and 31 December 2012

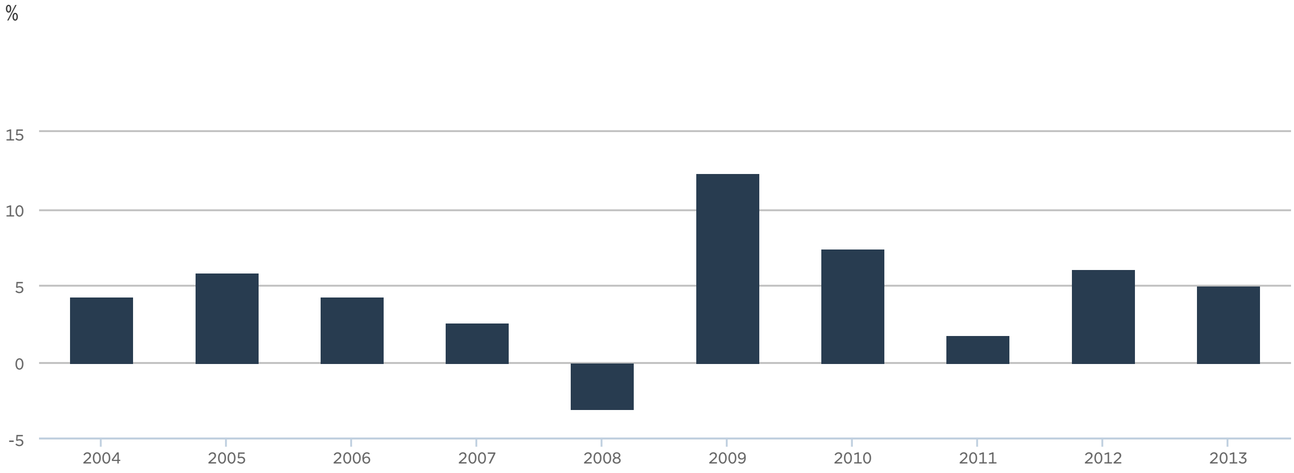



| | If P&C 2013 | Mandatum Life 2013 | Sampo plc 2013 | If P&C 2012 | Mandatum Life 2012 | Sampo plc 2012 |
|---|---|---|---|---|---|---|
| Fixed income | 88% | 59% | 96% | 88% | 58% | 97% |
| Equities | 11% | 27% | 2% | 11% | 29% | 2% |
| Private equity | 0% | 4% | 1% | 0% | 5% | 1% |
| Real estate | 1% | 4% | 0% | 1% | 3% | 1% |
| Alternative investments | 0% | 6% | 0% | 0% | 6% | 0% |

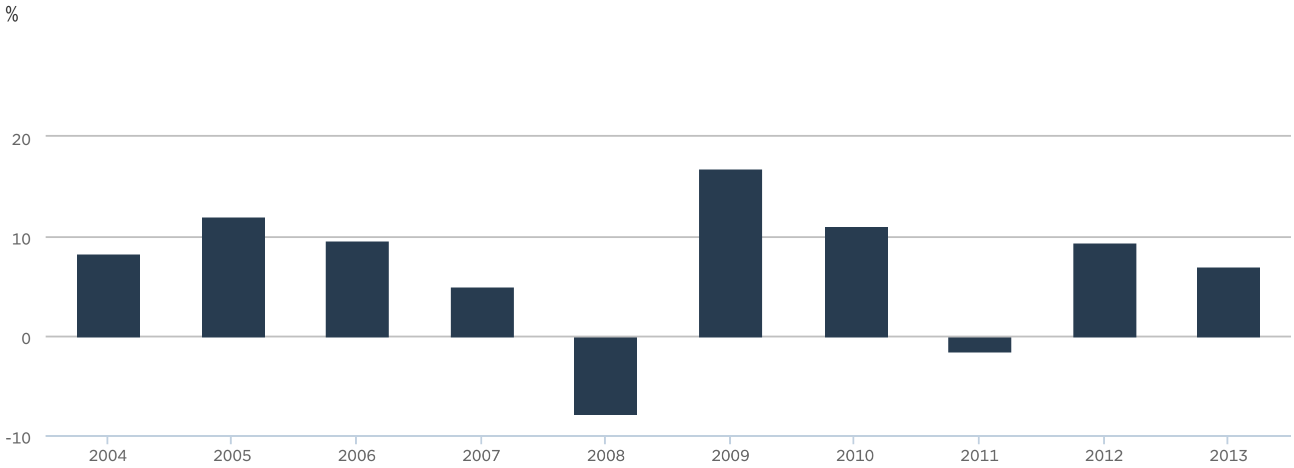
Sampo plc has a liquidity portfolio consisting mainly of money market instruments and a long-term portfolio including subordinated debt instruments issued by the insurance subsidiaries and the associated companies. The investments of Mandatum Life's Baltic subsidiary are included in Mandatum Life's investment 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 investment portfolios of the two companies often are different. This is reflected also in the companies' investment returns. Mandatum Life has had on average higher returns and higher volatility. The figure Annual Investment Returns at Fair Values, If P&C and Mandatum Life, 2004–2013 presents the historical development of investment returns.

## Annual Investment Returns at Fair Values
If P&C, 2004-2013




## Annual Investment Returns at Fair Values
Mandatum Life, 2004-2013




The weighted average investment return of the Group's investment portfolios (including Sampo plc) in 2013 was 7.8 per cent (7.3 per cent in 2012).

More detailed investment allocations and average maturities of fixed income investments of If P&C, Mandatum Life, Sampo plc and Sampo Group as of year-end 2013 are presented in the table Investment Allocation, If P&C, Mandatum Life, Sampo plc and Sampo Group, 31 December 2013.

## Investment Allocation

If P&C, Mandatum Life, Sampo plc and Sampo Group, 31 December 2013

| | 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** | **10,272** | **88%** | **2.2** | **3,228** | **59%** | **2.2** | **677** | **89%** | **0.4** | **14,177** | **79%** | **2.1** |
| Money market securities and cash | 873 | 7% | 0.2 | 551 | 10% | 0.4 | 637 | 84% | 0.2 | 2,060 | 12% | 0.3 |
| Government bonds | 1,855 | 16% | 2.9 | 727 | 13% | 2.2 | 0 | 0% | 0.0 | 2,582 | 14% | 2.7 |
| Credit bonds, funds and loans | 7,544 | 65% | 2.2 | 1,933 | 35% | 2.7 | 39 | 5% | 0.0 | 9,516 | 53% | 2.3 |
| *Covered bonds* | 3,237 | 28% | 1.9 | 125 | 2% | 2.2 | 0 | 0% | 0.0 | 3,362 | 19% | 1.9 |
| *Investment grade bonds and loans* | 2,399 | 21% | 2.0 | 650 | 12% | 1.5 | 0 | 0% | 0.0 | 3,050 | 17% | 1.9 |
| *High-yield bonds and loans* | 1,643 | 14% | 3.2 | 949 | 17% | 3.1 | 11 | 1% | 2.7 | 2,603 | 15% | 3.2 |
| *Subordinated / Tier 2* | 188 | 2% | 2.2 | 54 | 1% | 3.0 | 29 | 4% | 3.7 | 271 | 2% | 2.5 |
| *Subordinated / Tier 1* | 77 | 1% | 1.0 | 155 | 3% | 5.0 | 0 | 0% | 0.0 | 233 | 1% | 3.6 |
| *Hedging swaps* | -1 | 0% | - | -1 | 0% | - | 0 | 0% | - | -2 | 0% | - |
| Policy loans | 0 | 0% | 0.0 | 18 | 0% | 1.3 | 0 | 0% | 0.0 | 18 | 0% | 1.3 |
| **EQUITY TOTAL** | **1,283** | **11%** | **-** | **1,448** | **27%** | **-** | **18** | **2%** | **-** | **2,749** | **15%** | **-** |
| Finland | 1 | 0% | - | 647 | 12% | - | 18 | 2% | - | 665 | 4% | - |
| Scandinavia | 948 | 8% | - | 0 | 0% | - | 0 | 0% | - | 948 | 5% | - |
| Global | 335 | 3% | - | 801 | 15% | - | 0 | 0% | - | 1,136 | 6% | - |
| **OTHER ASSET CLASSES TOTAL** | **113** | **1%** | **-** | **761** | **14%** | **-** | **13** | **2%** | **-** | **887** | **5%** | **-** |
| Real estate | 92 | 1% | - | 194 | 4% | - | 2 | 0% | - | 288 | 2% | - |
| Private equity | 21 | 0% | - | 221 | 4% | - | 11 | 1% | - | 253 | 1% | - |
| Commodities | 0 | 0% | - | 0 | 0% | - | 0 | 0% | - | 0 | 0% | - |
| Alternative | 0 | 0% | - | 345 | 6% | - | 0 | 0% | - | 345 | 2% | - |
| **TRADING DERIVATIVES** | **-3** | **0%** | **-** | **16** | **0%** | **-** | **53** | **7%** | **0.0** | **66** | **0%** | **-** |
| **ASSET CLASSES TOTAL** | **11,666** | **100%** | **-** | **5,452** | **100%** | **-** | **760** | **100%** | **-** | **17,878** | **100%** | **-** |
| **FX Exposure, gross position** | **80** | **-** | **-** | **539** | **-** | **-** | **148** | **-** | **-** | **767** | **-** | **-** |

Parent company Sampo plc's asset portfolio is a liquidity reserve including mainly short-term money market instruments and hence its market risks are limited. Interest rate risk arising from gross debt and the liquidity reserve 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 interest rate swaps used. This mitigates group level interest rate risk because, while lower interest rates would reduce 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 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 2.2 years in If P&C and 2.2 years in Mandatum Life. In both companies the average maturity is longer than duration (Interest Rate and Currency Risks section) because the fixed income investments include floating rate notes.

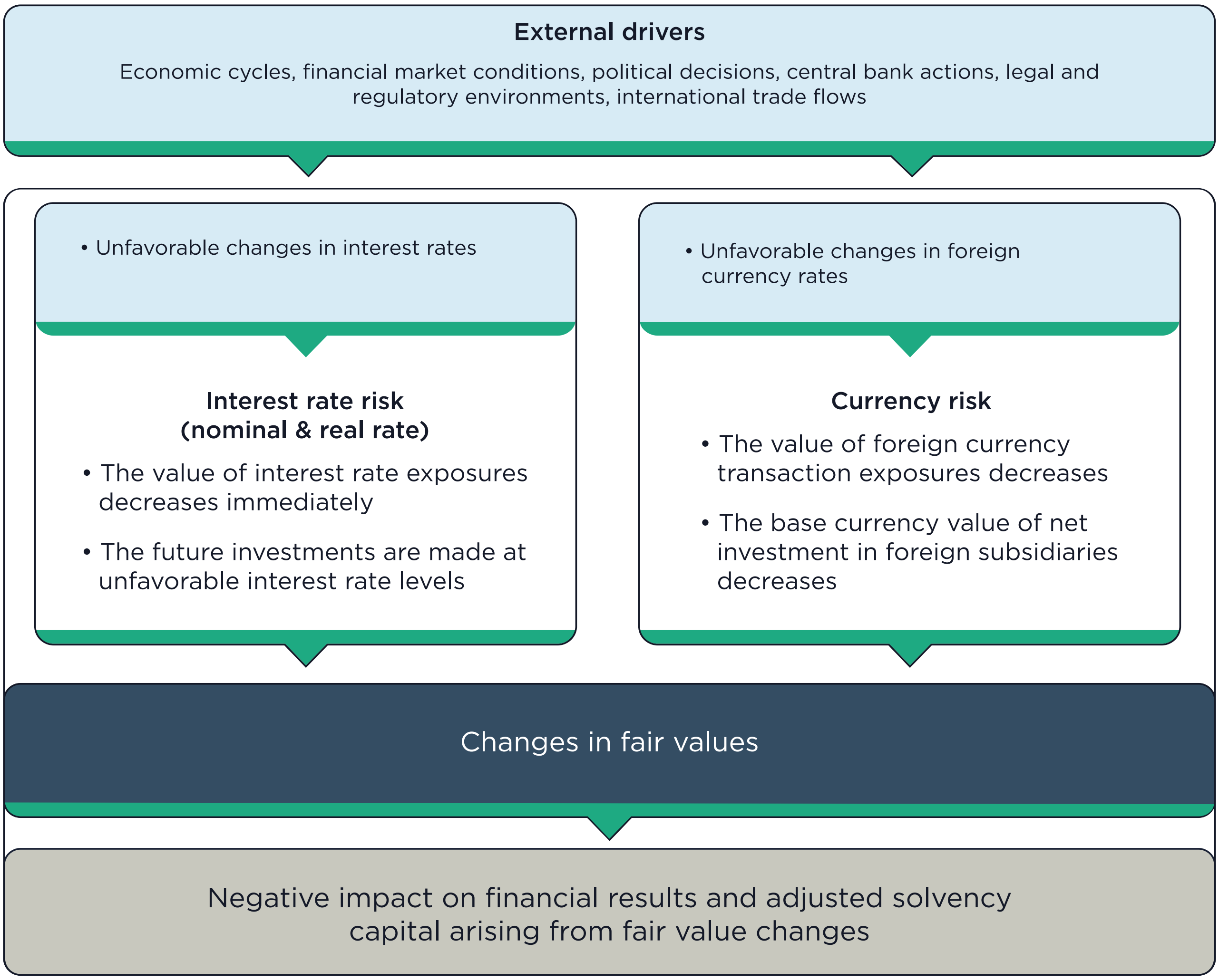
Both If P&C and Mandatum Life are exposed mainly to interest rate and currency risks (general market risks) as well as to equity and spread risks.

Additionally, If P&C and Mandatum Life have real estate investments, unlisted equity instruments (mainly private equity funds) and alternative investments. The Investment Policies set limits for maximum allocations into these asset classes and products. On 31 December 2013, the combined share of the above mentioned investments was 5.0 per cent of the total investment portfolio of Sampo Group. In If P&C the proportion was 1.0 per cent and in Mandatum Life it was 13.9 per cent.These asset classes are managed in most cases by external asset managers with the exception of the Group's real estate portfolio that 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 in real estate companies.

# Interest Rate and Currency Risks

The factors behind interest rate and currency movements are diverse. Market participants are continuously reacting to reported macro-economic data and information regarding financial market and commercial cash flows. Hence, risk factors affecting interest rates and foreign exchange rates are many.

Interest Rate and Currency Risks




## Interest Rate Risk

Interest rate sensitivity in terms of the average duration of fixed income investments was in If P&C 1.1 years and in Mandatum Life 1.8 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 balance sheet level. In both cases derivatives are booked as trading derivatives at fair value through profit or loss in financial accounting.

## Currency Risk

Currency risk can be divided into transaction and translation risk. Transaction risk refers to currency risk arising from contractual cash flows in foreign currencies related to insurance activities, investment operations and foreign exchange transactions. Hence, transaction risk includes various balance sheet items and it can be seen as balance sheet risk. In Sampo Group 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 other currencies 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 2013. 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 2013

| | Base Currency | EUR | USD | JPY | GBP | SEK | NOK | CHF | DKK | LTL | LVL | Other | Total, net |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **If P&C** | **SEKm** | | | | | | | | | | | | |
| Insurance operations | | -363 | -124 | -0 | -17 | 41 | -2,473 | -1 | -744 | -1 | -0 | -5 | -3,689 |
| Investments | | 2 | 565 | 0 | 0 | 60 | 2,354 | 0 | 12 | 0 | 0 | 1 | 2,994 |
| Derivatives | | 332 | -419 | 0 | 17 | -99 | 124 | -1 | 728 | 0 | 0 | 13 | 694 |
| **Total transaction risk, net position, If P&C** | | **-29** | **21** | **-0** | **0** | **3** | **4** | **-2** | **-5** | **-1** | **-0** | **8** | **-0** |
| Sensitivity: SEK -10% | | -3 | 2 | -0 | 0 | 0 | 0 | -0 | -0 | -0 | -0 | 1 | -0 |
| **Mandatum Life** | **EURm** | | | | | | | | | | | | |
| Technical provisions | | 0 | 0 | 0 | 0 | -4 | 0 | 0 | 0 | 0 | 0 | 0 | -4 |
| Investments | | 0 | 1,056 | 7 | 237 | 39 | 3 | 96 | 17 | 2 | 0 | 185 | 1,641 |
| Derivatives | | 0 | -885 | -6 | -219 | 70 | 108 | -94 | 0 | 0 | 0 | -73 | -1,099 |
| **Total transaction risk, net position, Mandatum Life** | | **0** | **171** | **1** | **18** | **105** | **111** | **2** | **17** | **2** | **0** | **112** | **538** |
| Sensitivity: EUR -10% | | 0 | 17 | 0 | 2 | 10 | 11 | 0 | 2 | 0 | 0 | 11 | 54 |

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 to SEK denominated dividends paid by If P&C and to debt instruments issued in other currencies than euro.

In addition to transaction risk, Sampo Group and its insurance subsidiaries are also exposed to translation risk. Translation risk refers to currency risk that arises when consolidating the financial statements of subsidiaries that have a different base currency than the parent company into the Group financial statements. Sampo Group's consolidated financial statements are denominated in euro. Changes in foreign exchange rates result in translation differences which are recognized in the consolidated other comprehensive income. Translation risks arise also within If P&C from its subsidiaries whose base currencies are different from that of the parent company.

# 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 factors, market conditions, legal and regulatory environment, technical development etc.

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

**Equity risk**

- 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

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

**Spread risk**

- 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
- Borrower is not able to meet its financial obligations when they fall due
- Value of collateral differs from expected

Changes in fair values or default intensity

Negative impact on financial results arising from fair value changes and credit losses

When the financial strength or future prospects of an issuer deteriorate or value of collaterals decreases, equity and spread risks materialize as decreases in the value of investment assets.

The values of investment assets decrease when credit spreads of tradable debt instruments are changing unfavourably or equity prices are decreasing. Most 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 value of collaterals decreases. Ultimately the issuer may fail to meet its financial obligations and the risk realizes as credit losses.

## 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 analyzed investments with adequate risk return ratios, although the portfolio might not be necessarily as diversified as the finance or portfolio theory suggests.

### Decision making, limit system and monitoring

1. Potential investments are analyzed 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 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 a short notice when an opportunity appears. This puts pressure on authorisations and credit limit structures and procedures that must be at the same time (i) flexible 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.

## Credit Exposures to Fixed Income and Equity Instruments

Exposures in debt and equity instruments are shown in the table Exposures by Sectors, Asset Classes and Rating, If P&C, Mandatum Life and Sampo Group, 31 December 2013. The table includes also counterparty risk exposures relating to reinsurance and derivative transactions. Counterparty risks are described in more detail in section Counterparty Credit 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.

## Credit Exposures by Sectors, Asset Classes and Rating
If P&C, 31 December 2013

| EURm | AAA | AA+ - AA- | A+ - A- | BBB+ - BBB- | BB+ - C | D | Non-rated | Fixed income total | Equities | Other | Counter-party risk | Total | Change 31 Dec 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Basic Industry | 0 | 0 | 0 | 107 | 84 | 0 | 42 | 233 | 34 | 0 | 0 | 267 | -115 |
| Capital Goods | 0 | 0 | 0 | 26 | 0 | 0 | 41 | 67 | 368 | 0 | 0 | 435 | -9 |
| Consumer Products | 0 | 0 | 13 | 216 | 11 | 0 | 82 | 322 | 341 | 0 | 0 | 663 | -32 |
| Energy | 0 | 6 | 0 | 4 | 91 | 0 | 363 | 464 | 38 | 0 | 0 | 502 | -92 |
| Financial Institutions | 25 | 959 | 1,101 | 406 | 192 | 0 | 16 | 2,699 | 24 | 0 | 1 | 2,724 | -662 |
| Governments | 366 | 594 | 0 | 4 | 0 | 0 | 0 | 963 | 0 | 0 | 0 | 963 | 927 |
| Government Guaranteed | 215 | 0 | 0 | 0 | 0 | 0 | 0 | 215 | 0 | 0 | 0 | 215 | -14 |
| Health Care | 0 | 0 | 0 | 0 | 0 | 0 | 62 | 62 | 3 | 0 | 0 | 65 | 65 |
| Insurance | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 295 | 296 | -162 |
| Media | 0 | 0 | 0 | 0 | 0 | 0 | 19 | 19 | 0 | 0 | 0 | 19 | -19 |
| Public Sector, Other | 617 | 64 | 0 | 0 | 0 | 0 | 0 | 681 | 0 | 0 | 0 | 681 | 231 |
| Real Estate | 0 | 9 | 0 | 0 | 0 | 0 | 355 | 364 | 0 | 92 | 0 | 456 | 270 |
| Services | 0 | 0 | 0 | 5 | 0 | 0 | 11 | 15 | 3 | 0 | 0 | 19 | -6 |
| Technology and Electronics | 0 | 0 | 0 | 0 | 12 | 0 | 18 | 30 | 4 | 0 | 0 | 34 | 31 |
| Telecommunications | 0 | 0 | 137 | 32 | 0 | 0 | 20 | 189 | 87 | 0 | 0 | 276 | -33 |
| Transportation | 0 | 25 | 0 | 56 | 13 | 0 | 226 | 320 | 9 | 0 | 0 | 329 | 29 |
| Utilities | 0 | 0 | 176 | 99 | 0 | 0 | 82 | 356 | 0 | 0 | 0 | 356 | -2 |
| Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37 | 0 | 0 | 37 | 14 |
| Asset-backed Securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Covered Bonds | 3,077 | 160 | 0 | 0 | 0 | 0 | 0 | 3,237 | 0 | 0 | 0 | 3,237 | -563 |
| Funds | 0 | 0 | 0 | 0 | 0 | 0 | 35 | 35 | 335 | 21 | 0 | 391 | -108 |
| **Total** | **4,300** | **1,817** | **1,427** | **955** | **402** | **0** | **1,372** | **10,273** | **1,283** | **113** | **296** | **11,966** | **-253** |
| **Change 31 Dec 2012** | **-25** | **688** | **-664** | **-91** | **-49** | **0** | **38** | **-103** | **36** | **-15** | **-171** | **-253** | |

## Credit Exposures by Sectors, Asset Classes and Rating
Mandatum Life, 31 December 2013

| EURm | AAA | AA+ - AA- | A+ - A- | BBB+ - BBB- | BB+ - C | D | Non-rated | Fixed income total | Equities | Other | Counter-party risk | Total | Change 31 Dec 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Basic Industry | 0 | 0 | 0 | 8 | 211 | 0 | 67 | 286 | 183 | 0 | 0 | 468 | -77 |
| Capital Goods | 0 | 0 | 8 | 29 | 12 | 0 | 37 | 86 | 131 | 0 | 0 | 218 | -114 |
| Consumer Products | 0 | 0 | 3 | 29 | 57 | 0 | 71 | 160 | 105 | 0 | 0 | 265 | -14 |
| Energy | 0 | 0 | 14 | 15 | 0 | 0 | 49 | 77 | 3 | 0 | 0 | 80 | -10 |
| Financial Institutions | 0 | 352 | 455 | 63 | 220 | 0 | 0 | 1,090 | 23 | 21 | 5 | 1,139 | -336 |
| Governments | 151 | 576 | 0 | 0 | 0 | 0 | 0 | 727 | 0 | 0 | 0 | 727 | 715 |
| Government Guaranteed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Health Care | 0 | 0 | 0 | 0 | 27 | 0 | 19 | 45 | 10 | 0 | 0 | 55 | 55 |
| Insurance | 0 | 0 | 0 | 21 | 0 | 0 | 18 | 39 | 17 | 0 | 0 | 56 | -31 |
| Media | 0 | 0 | 0 | 0 | 12 | 0 | 26 | 38 | 1 | 0 | 0 | 40 | 11 |
| Public Sector, Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Real Estate | 0 | 0 | 0 | 0 | 0 | 0 | 31 | 31 | 0 | 170 | 0 | 201 | 16 |
| Services | 0 | 0 | 0 | 0 | 51 | 0 | 18 | 70 | 42 | 12 | 0 | 124 | 1 |
| Technology and Electronics | 0 | 0 | 0 | 0 | 28 | 0 | 0 | 28 | 72 | 0 | 0 | 100 | 27 |
| Telecommunications | 0 | 0 | 6 | 96 | 30 | 0 | 13 | 145 | 0 | 0 | 0 | 145 | -19 |
| Transportation | 0 | 0 | 7 | 31 | 0 | 0 | 5 | 43 | 1 | 0 | 0 | 44 | -1 |
| Utilities | 0 | 0 | 61 | 52 | 0 | 0 | 0 | 114 | 82 | 2 | 0 | 198 | -74 |
| Others | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 13 | 3 | 8 | 0 | 25 | 6 |
| Asset-backed Securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Covered Bonds | 61 | 53 | 11 | 0 | 0 | 0 | 0 | 125 | 0 | 0 | 0 | 125 | -13 |
| Funds | 0 | 0 | 0 | 0 | 0 | 0 | 112 | 112 | 775 | 548 | 0 | 1,435 | -203 |
| **Total** | **211** | **981** | **565** | **343** | **649** | **0** | **480** | **3,229** | **1,448** | **761** | **5** | **5,443** | **-60** |
| **Change 31 Dec 2012** | **137** | **436** | **-349** | **-46** | **-13** | **0** | **-99** | **66** | **-130** | **2** | **3** | **-60** | |

## Credit Exposures by Sectors, Asset Classes and Rating
Sampo Group, 31 December 2013

| EURm | AAA | AA+ - AA- | A+ - A- | BBB+ - BBB- | BB+ - C | D | Non-rated | Fixed income total | Equities | Other | Counter-party risk | Total | Change 31 Dec 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Basic Industry | 0 | 0 | 0 | 115 | 295 | 0 | 129 | 539 | 217 | 0 | 0 | 756 | -194 |
| Capital Goods | 0 | 0 | 8 | 54 | 12 | 0 | 89 | 163 | 499 | 0 | 0 | 663 | -113 |
| Consumer Products | 0 | 0 | 16 | 245 | 68 | 0 | 153 | 481 | 446 | 0 | 0 | 927 | -46 |
| Energy | 0 | 6 | 14 | 19 | 91 | 0 | 411 | 542 | 41 | 0 | 0 | 582 | -102 |
| Financial Institutions | 25 | 1,660 | 1,843 | 469 | 413 | 0 | 16 | 4,426 | 47 | 21 | 14 | 4,508 | -1,192 |
| Governments | 517 | 1,170 | 0 | 4 | 0 | 0 | 0 | 1,690 | 0 | 0 | 0 | 1,690 | 1,642 |
| Government Guaranteed | 215 | 0 | 0 | 0 | 0 | 0 | 0 | 215 | 0 | 0 | 0 | 215 | -14 |
| Health Care | 0 | 0 | 0 | 0 | 27 | 0 | 80 | 107 | 13 | 0 | 0 | 166 | 166 |
| Insurance | 0 | 0 | 0 | 21 | 0 | 0 | 48 | 69 | 34 | 0 | 295 | 352 | -210 |
| Media | 0 | 0 | 0 | 0 | 12 | 0 | 45 | 58 | 1 | 0 | 0 | 59 | -8 |
| Public Sector, Other | 617 | 64 | 0 | 0 | 0 | 0 | 0 | 681 | 0 | 0 | 0 | 681 | 231 |
| Real Estate | 0 | 9 | 0 | 0 | 0 | 0 | 386 | 395 | 0 | 264 | 0 | 659 | 281 |
| Services | 0 | 0 | 0 | 5 | 51 | 0 | 29 | 85 | 46 | 12 | 0 | 142 | -5 |
| Technology and Electronics | 0 | 0 | 0 | 0 | 40 | 0 | 18 | 58 | 76 | 0 | 0 | 134 | 58 |
| Telecommunications | 0 | 0 | 143 | 128 | 30 | 0 | 33 | 334 | 87 | 0 | 0 | 421 | -52 |
| Transportation | 0 | 25 | 7 | 87 | 13 | 0 | 231 | 363 | 10 | 0 | 0 | 373 | 28 |
| Utilities | 0 | 0 | 237 | 151 | 0 | 0 | 82 | 470 | 82 | 2 | 0 | 554 | -76 |
| Others | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 13 | 41 | 8 | 0 | 63 | 20 |
| Asset-backed Securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Covered Bonds | 3,138 | 213 | 11 | 0 | 0 | 0 | 0 | 3,362 | 0 | 0 | 0 | 3,362 | -576 |
| Funds | 0 | 0 | 0 | 0 | 0 | 0 | 147 | 147 | 1,110 | 580 | 0 | 1,837 | -307 |
| **Total** | **4,511** | **3,148** | **2,279** | **1,298** | **1,051** | **0** | **1,912** | **14,199** | **2,749** | **887** | **309** | **18,144** | **-469** |
| **Change 31 Dec 2012** | **112** | **1,123** | **-1,203** | **-137** | **-63** | **0** | **-22** | **-189** | **-95** | **-13** | **-172** | **-469** | |

The largest holdings are in financial institutions and covered bonds. Most of these investments are in Nordic countries as can be seen in the table Fixed Income Investments in Financial Sector, Sampo Group, 31 December 2013. These exposures decreased by EUR 1.4 billion during 2013.

## Fixed Income Investments in Financial Sector
Sampo Group, 31 December 2013

| | Covered bonds | Money market securities | Long-term senior debt | Long-term sub-ordinated debt | Total, EURm | % |
|---|---|---|---|---|---|---|
| Sweden | 2,431 | 593 | 951 | 120 | **4,095** | 52.6% |
| Finland | 241 | 1,320 | 97 | 18 | **1,677** | 21.5% |
| Norway | 506 | 0 | 559 | 107 | **1,172** | 15.1% |
| Denmark | 80 | 11 | 123 | 114 | **328** | 4.2% |
| United States | | 101 | 56 | 10 | **167** | 2.1% |
| France | 60 | 0 | 25 | 19 | **104** | 1.3% |
| Netherlands | | 0 | 92 | | **92** | 1.2% |
| Switzerland | | | 31 | 11 | **42** | 0.5% |
| Austria | 33 | | 1 | | **34** | 0.4% |
| Estonia | | 27 | | | **27** | 0.3% |
| Iceland | | | 15 | | **15** | 0.2% |
| Luxembourg | 11 | | | | **11** | 0.1% |
| Belgium | | | 5 | 5 | **10** | 0.1% |
| Russia | | 6 | | | **6** | 0.1% |
| Jersey | | | | 5 | **5** | 0.1% |
| Italy | | 1 | | | **1** | 0.0% |
| Latvia | | 0 | | | **0** | 0.0% |
| Germany | | 0 | | | **0** | 0.0% |
| **Total** | **3,362** | **2,060** | **1,954** | **411** | **7,788** | **100.0%** |

The public sector (governments, government guaranteed, public sector, other) has had relatively minor role in Sampo Group's portfolios and these exposures have been mainly in the Nordic countries. However, public sector investments increased by EUR 1.9 billion during 2013. The exposure increased especially in the Netherlands and in France.

## Fixed Income Investments in Public Sector
Sampo Group, 31 December 2013

| | Governments | Government guaranteed | Public sector, other | Total market value, EURm |
|---|---|---|---|---|
| Netherlands | 845 | | | **845** |
| Sweden | 57 | | 502 | **559** |
| Germany | 448 | 73 | | **522** |
| France | 325 | | | **325** |
| Norway | | | 159 | **159** |
| Finland | 11 | 106 | 20 | **137** |
| Other | 4 | 36 | | **39** |
| **Total** | **1,690** | **215** | **681** | **2,586** |

The exposures in non-rated and high-yield fixed income instruments are significant, because 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 2013.

## Ten Largest Direct High Yield and Non-rated Fixed Income Investments
Sampo Group, 31 December 2013

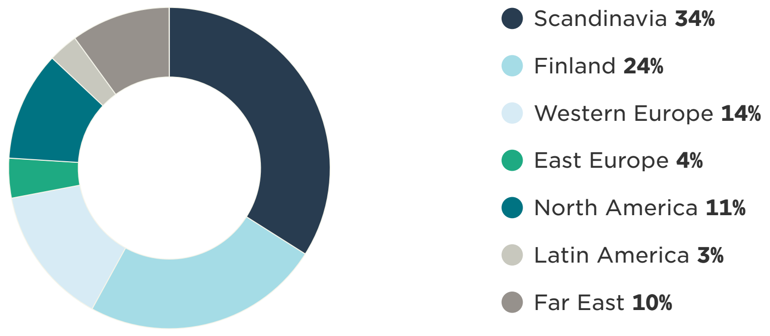
| Largest direct high yield and non-rated fixed income investments | Rating | Total fair value, EURm | % of total direct fixed income investments |
|---|---|---|---|
| ICA Fastigheter | NR | 169 | 1.2% |
| Eksportfinans ASA | BB- | 159 | 1.1% |
| Stora Enso | BB | 159 | 1.1% |
| UPM-Kymmene | BB | 106 | 0.7% |
| PBA Karlskrona | NR | 85 | 0.6% |
| Neste Oil Oyj | NR | 76 | 0.5% |
| Sponda Oyj | NR | 68 | 0.5% |
| Seadrill LTD | NR | 51 | 0.4% |
| Wilh Wilhemsen ASA | NR | 51 | 0.4% |
| Aker Solutions ASA | BB | 45 | 0.3% |
| **Total top 10 exposures** | | **969** | **6.9%** |
| Other direct fixed income investments | | 13,140 | 93.1% |
| Total direct fixed income investments | | 14,108 | 100.0% |

The equity investments of Sampo Group totaled EUR 2,749 million at the end of year 2013 (EUR 2,844 million in 2012). During 2013, the decrease in the weight of equity investments in the investment portfolio was mainly due to the net selling of equities.

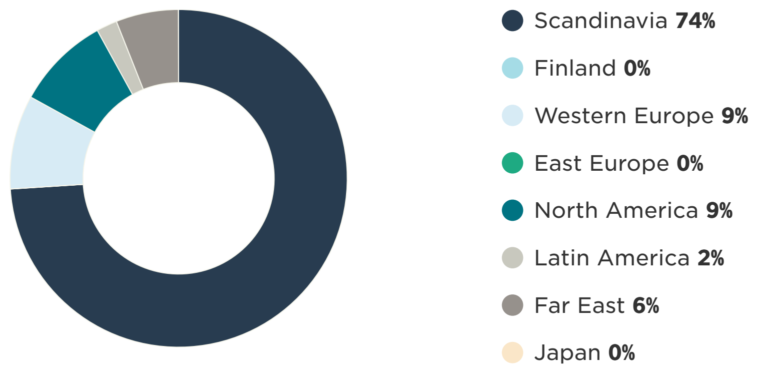
At the end of year 2013, the equity exposure of If P&C was EUR 1,283 million (EUR 1,248 million in 2012). The proportion of equities in If P&C's investment portfolio was 11.0 per cent. In Mandatum Life, the equity exposure was EUR 1,448 million at the end of year 2013 (EUR 1,578 million in 2012) and the proportion of equities was 26.6 per cent of the investment portfolio. The equity portfolio consists of Nordic companies' shares as well as mutual fund and ETF investments outside the Nordic countries.

Breakdown of the equity exposures of Sampo Group by geographical regions is shown in the figure Breakdown of Equity Investments by Geographical Regions, Sampo Group, If P&C and Mandatum Life, 31 December 2013.

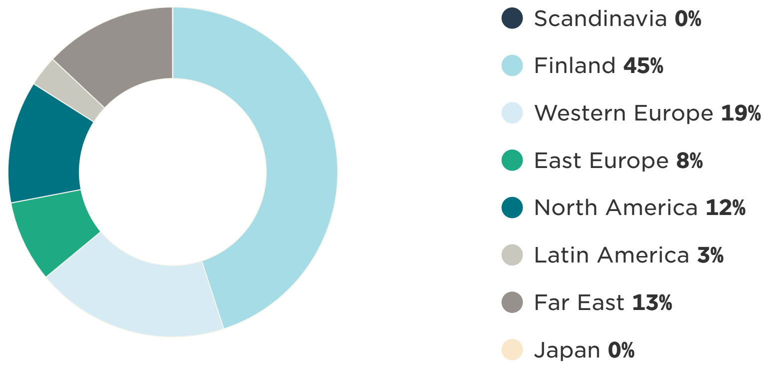
**Breakdown of Equity Investments by Geographical Regions**
Sampo Group, 31 December 2013, total 2,749 EURm




**Breakdown of Equity Investments by Geographical Regions**
If P&C, 31 December 2013, total 1,283 EURm




**Breakdown of Equity Investments by Geographical Regions**
Mandatum Life, 31 December 2013, total 1,448 EURm



The geographical emphasis of Sampo Group's equity investments is in Nordic companies. The proportion of Nordic companies' equities corresponds to 58 per cent of the total equity portfolio. This is in line with Sampo Group's investment strategy to focus on Nordic companies. Moreover, the Group's insurance liabilities are mostly denominated in the 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 equity investments in Sampo Group is presented in table Credit exposures by sectors, asset classes and rating, If P&C, Mandatum Life and Sampo Group, 31 December 2013. The largest allocations are to capital goods, consumer products and basic industry sectors. Equity investments made through mutual funds and ETF investments accounted for 40 per cent of the entire equity portfolio.

Furthermore, the largest direct equity exposures are presented in the table Ten Largest Direct Equity Investments, Sampo Group, 31 December 2013.

## Ten Largest Direct Equity Investments
Sampo Group, 31 December 2013

| Top 10 equity investments | Total fair value, EURm | % of total direct equity investments |
|---|---|---|
| Nobia | 130 | 7.9% |
| UPM-Kymmene | 117 | 7.1% |
| TeliaSonera | 87 | 5.3% |
| Fortum | 82 | 5.0% |
| Hennes & Mauritz | 73 | 4.4% |
| Veidekke | 72 | 4.4% |
| ABB | 61 | 3.7% |
| Amer Sports | 60 | 3.7% |
| Volvo | 54 | 3.3% |
| YIT | 44 | 2.7% |
| **Total top 10 exposures** | **781** | **47.3%** |
| Other direct equity investments | 870 | 52.7% |
| Total direct equity investments | 1,651 | 100.0% |

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

The largest exposures by individual issuers and counterparties are presented in the table Largest Individual Exposures by Issuer and by Asset Class, Sampo Group, 31 December 2013.

## Largest Individual Exposures by Issuer and by Asset Class
Sampo Group, 31 December 2013

| EURm Counterparty | Total fair value EURm | % 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 | Uncolla-teralized derivatives |
|---|---|---|---|---|---|---|---|---|---|---|
| Svenska Handelsbanken | 1,100 | 6% | 460 | 640 | 0 | 567 | 70 | 3 | 0 | 0 |
| Nordea Bank | 1,044 | 6% | 305 | 737 | 0 | 499 | 226 | 13 | 0 | 1 |
| Swedbank | 900 | 5% | 88 | 812 | 0 | 639 | 173 | 0 | 0 | 0 |
| Skandinaviska Enskilda Banken | 869 | 5% | 345 | 522 | 0 | 243 | 179 | 101 | 0 | 2 |
| Netherlands | 845 | 5% | 0 | 845 | 0 | 0 | 845 | 0 | 0 | 0 |
| Danske Bank | 647 | 4% | 300 | 347 | 0 | 104 | 123 | 120 | 0 | 0 |
| DnB | 541 | 3% | 0 | 541 | 0 | 186 | 312 | 43 | 0 | 0 |
| OP Pohjola | 493 | 3% | 446 | 47 | 0 | 0 | 47 | 0 | 0 | 0 |
| Germany | 448 | 3% | 0 | 448 | 0 | 0 | 448 | 0 | 0 | 0 |
| France | 325 | 2% | 0 | 325 | 0 | 0 | 325 | 0 | 0 | 0 |
| **Total top 10 exposures** | **7,212** | **40%** | **1,944** | **5,265** | **0** | **2,238** | **2,747** | **279** | **0** | **3** |
| Other | 10,637 | 60% | | | | | | | | |
| **Total investment assets** | **17,849** | **100%** | | | | | | | | |

# Counterparty Credit Risks

Sampo Group is exposed to counterparty credit risk through financial derivatives or reinsurance transactions. The risk realizes when counterparties fail to meet their financial obligations towards Sampo Group companies.

### Counterparty Credit Risk

**External drivers**

Economic cycle, financial market conditions, legal and regulatory environment, natural disasters, other catastrophic events etc.

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

**Credit risk of derivative counterparty**

- Rapid increase in value of net exposure
- Derivative counterparty is not able to pay settlement amounts when they fall due
- Value of collateral differs from expected

- Changes in counterparty creditworthiness
- Terms of the agreement

**Credit risk of reinsurance counterparty**

- Increase in reinsurance recoverables
- Reinsurer is not able to pay reinsurance recoverables when they fall due

Credit losses

Negative impact on financial results arising from credit losses

Credit risk related to reinsurance counterparties arises from reinsurance receivables and the reinsurers' portion of the outstanding claims. This risk mainly concerns If P&C, as the use of reinsurance in Mandatum Life is relatively limited.

When financial derivatives are considered the situation is opposite. Mandatum Life and parent company Sampo plc are frequent users of long-term interest rate derivatives and are therefore inherently more exposed to credit risk of derivative counterparties than If P&C, which is mainly using short-term foreign exchange derivatives.

In addition, counterparty credit 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 cancellation of the insurance policies. Also the risk exposures arising from other receivables related to commercial transactions are minor in Sampo Group.

Distribution of reinsurance receivables and reinsurers' portion of outstanding claims in If P&C on 31 December 2013 per rating category is presented in the table Reinsurance Recoverables, If P&C, 31 December 2013 and 31 December 2012. In the table, EUR 140 million (EUR 157 million in 2012) are excluded, which mainly relates to captives and statutory pool solutions.

### Reinsurance Recoverables
If P&C, 31 December 2013 and 31 December 2012

| | 31 Dec 2013 | | 31 Dec 2012 | |
|---|---|---|---|---|
| **Rating** | **Total EURm** | **%** | **Total EURm** | **%** |
| AAA | 0 | 0% | 0 | 0% |
| AA+ - A- | 286 | 97% | 446 | 97% |
| BBB+ - BBB- | 5 | 2% | 5 | 1% |
| BB+ - C | 0 | 0% | 0 | 0% |
| D | 0 | 0% | 0 | 0% |
| Non-rated | 4 | 1% | 7 | 2% |
| **Total** | **295** | **100%** | **458** | **100%** |

The ten largest individual reinsurance recoverables amounted to EUR 281 million, representing 65 per cent of the total reinsurance recoverables. If P&C's largest individual reinsurer is Munich Re (AA-). They account for 22 per cent of the total reinsurance recoverables.

The amount of ceded treaty and facultative premiums was EUR 78.5 million. Of this amount, 100 per cent was related to reinsurance counterparties with a credit rating of A- or higher.

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

# Counterparty Credit Risk Management

In Sampo Group, credit risk of derivative counterparties is a by-product of managing market risks. The risk is mitigated currently by bilateral ISDA and CSA agreements. This is the case especially in Sampo plc and Mandatum Life which are frequent users of long-term derivatives.

At the inception of the reinsurance, the credit risk of the reinsurer is considered and the credit risks of reinsurance assets are monitored.

In order to limit and control credit 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 support the assessment of the creditworthiness of reinsurance companies similarly to the assessment of credit risk of investment assets.

# ALM Risks

When changes in different market risk variables (e.g. interest rates, inflation, foreign exchange rates) cause a change in the fair value of investment assets that is of different size than the respective change in the economic value of insurance liabilities, the company's balance sheet is exposed to market risk.

The market risk related to economic value of balance sheet is not reflected in financial results of insurance companies, as insurance liabilities are not carried at fair value in the financial statements. In order to have a comprehensive, economic view on risks and capitalization, Sampo Group companies calculate the economic value of insurance liabilities with market rates and adjust their capital bases in the internal Economic Capital framework accordingly.

Another risk class to be considered at the balance sheet level is liquidity risk. Additionally, single name concentration risks over assets, liabilities and other agreements are to be monitored at the balance sheet level. A balance sheet level concentration may arise for example when a company is insured by Sampo Group companies, Sampo Group has holdings in debt and equity instruments issued by the company and the company is a tenant in a property owned by Sampo Group.

## Principles of Asset and Liability Management

In Sampo Group, insurance liabilities are the starting point for investment management. Insurance liabilities are modeled and analyzed 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.

Solvency position and risk appetite are defining 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.

Investments are managed according to the Investment Policies which are approved by the Boards of Directors of respective companies. Asset class allocations, risk limits by risk types, the risk governance of investment activities and the decision making authorizations are set in the companies' Investment Policies in a way that maintains the balance between earnings potential, risks and capitalization also at the balance sheet level.

If P&C and Mandatum Life are following the above mentioned principles, but they apply it by taking also into account the specific characteristics of their own businesses.

# ALM in If P&C

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

In accounting the major part of the technical provisions is nominal, whereas a still significant part, being the annuity and so called annuity IBNR reserves, are 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, 2013 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 to a certain degree by investing in fixed income instruments and by using currency derivatives. The degree is dependent on the solvency position and market view.

# ALM in Mandatum Life

The Board of Directors of Mandatum Life approves annually the Investment Policy, which sets principles and limits for investment portfolio activities. The Investment Policy also includes control levels for maximum acceptable risk for the whole balance sheet and respective measures to manage the risk. These measures and control levels are based on both Solvency I and Solvency II type of approaches.

In the Solvency I type of approach, control levels are set above the Solvency I requirement that is insensitive to market risks, using a VaR-analysis of the investment assets. In the Solvency II type of approach, control levels are set also based on other confidence levels in addition to the 99.5 per cent level used in Sampo Group. The general objective of these control levels and respective guidelines is to maintain the required solvency and to ensure that investments are sufficient and eligible for covering technical provisions.

When above mentioned control levels are breached, ALCO reports to the Board which then takes the responsibility on 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 well predictable, because in most of the company's with profit products, surrenders and premiums are restricted. The company's claims costs do not contain 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 principle of fairness as well as the shareholder's return requirement with 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 in 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.

# Economic Value Risks

Sampo Group calculates the economic value of insurance liabilities for internal purposes by discounting expected liability cash flows with market rates. The difference between technical provisions and the economic value of insurance liabilities is a major component of the liability side adjustment and it is part of reported adjusted solvency capital. Hence, Sampo Group is reporting the market based capital base as adjusted solvency capital.

The sensitivity of capital base is shown in the table Sensitivity Analysis of Capitalization to Market Risks, If P&C, Mandatum Life and Sampo plc, 31 December 2013.

## Sensitivity Analysis of Capitalization to Market Risks
If P&C, Mandatum Life and Sampo plc, 31 December 2013

| | Interest Rate | | Equity | Other financial investments |
|---|---|---|---|---|
| **EURm** | **1% parallel shift down** | **1% parallel shift up** | **20% fall in prices** | **20% fall in prices** |
| If P&C | 148 | -143 | -257 | -23 |
| Mandatum Life | 52 | -66 | -290 | -148 |
| Sampo plc | 1 | -1 | -4 | -3 |
| **Total effect on equity** | **202** | **-210** | **-550** | **-173** |
| Change in liability side adjustment | -933 | 774 | 10 | 5 |
| **Effect on adjusted solvency capital** | **-731** | **564** | **-540** | **-168** |

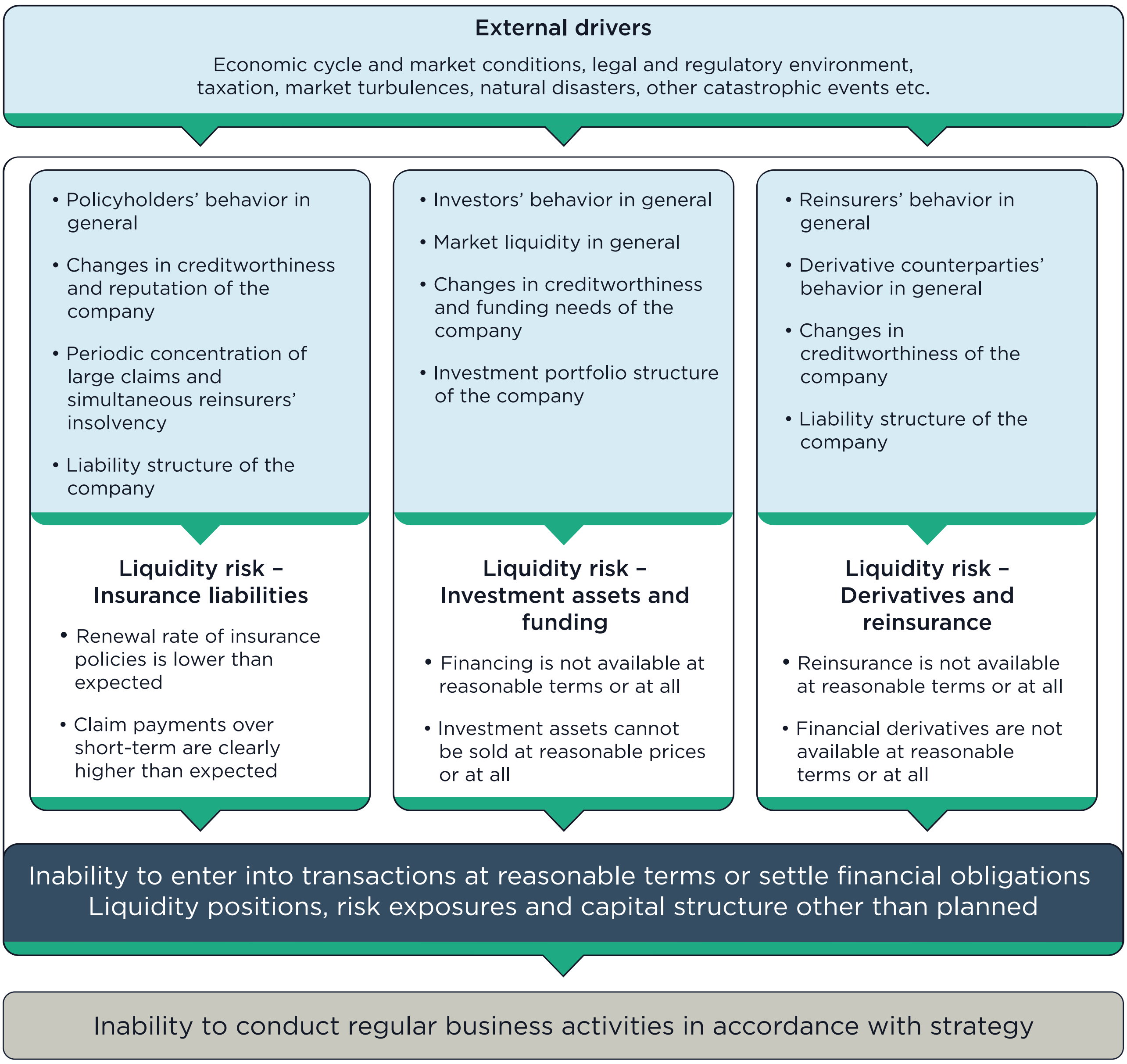
The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values as of 31 December, 2013. The sensitivity analysis includes the effects of derivative positions. All sensitivities are calculated before taxes. The debt issued by Sampo Group companies is not included.

Because the durations of liabilities in Sampo Group companies are much longer than the duration of assets, the effect of decreasing interest rates is negative for Sampo Group. In the opposite case, a rise in interest rates would reduce the values of financial instruments causing a decline in the amount of Sampo Group's equity. However, the effect on adjusted solvency capital would be positive due to the fact that the economic value of insurance liabilities would decrease as a result of applying higher market rates in discounting.

# Liquidity Risks

Liquidity risk is the risk that insurance undertakings are unable to conduct their business activities in accordance with the defined strategy, or in extreme cases, are unable to settle their financial obligations when they fall due. Sources of liquidity risk in Sampo Group include, for instance, non-renewal of insurance policies, large claims, market illiquidity risk of investments, and refinancing risk of debt. Also the availability and price of refinancing, financial derivatives and reinsurance can be identified as potential liquidity risks affecting the company's ability to conduct on-going business.

### Liquidity Risk



Liquidity risk is relatively immaterial in Sampo Group's businesses because substantial share of the investment assets are short-term money market instruments and liquid government bonds and, on the other hand, liabilities are fairly stable and predictable.

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 that 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 analyzed and reported to the IRC on a quarterly basis.

In Mandatum Life, a large change in surrender rates could influence the liquidity situation. However, only a relatively small part of 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.

In Sampo Group, liquidity risks are managed by the legal entities, which are responsible for liquidity planning. Liquidity risk is monitored based on the expected cash flows resulting from assets, liabilities and other business. At the end of 2013, the liquidity position in each legal entity was in accordance with internal requirements.

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 2013. 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 2013

| EURm | Carrying amount total | Carrying amount without contractual maturity | Carrying amount with contractual maturity | 2014 | 2015 | 2016 | 2017 | 2018 | 2019-2028 | 2029- |
|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount total | | | Cash flows | | | | | | |
| **If P&C** | | | | | | | | | | |
| Financial assets | 12,928 | 1,871 | 11,057 | 2,732 | 2,567 | 2,221 | 11,059 | 975 | 704 | 1 |
| of which interest rate swaps | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial liabilities | -950 | 0 | -950 | -44 | -168 | -11 | -11 | -101 | -129 | 0 |
| of which interest rate swaps | -5 | 0 | -5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net technical provisions | 9,080 | 0 | 9,080 | -3,306 | -912 | -644 | -514 | -419 | -2,352 | -1,960 |
| **Mandatum Life** | | | | | | | | | | |
| Financial assets | 5,352 | 2,296 | 3,056 | 1,055 | 437 | 816 | 333 | 263 | 199 | 66 |
| of which interest rate swaps | 25 | 0 | 25 | 0 | -0 | 0 | 0 | 0 | 0 | 46 |
| Financial liabilities | 137 | 0 | 137 | -7 | -9 | -10 | -12 | 2 | -68 | -243 |
| of which interest rate swaps | 7 | 0 | 7 | 1 | -2 | -6 | -7 | 8 | 0 | 0 |
| Net technical provisions | 3,782 | 0 | 3,782 | -403 | -377 | -353 | -332 | -296 | -1,954 | -1,442 |
| **Sampo plc** | | | | | | | | | | |
| Financial assets | 1,066 | 309 | 757 | 383 | 57 | 40 | 65 | 105 | 185 | 243 |
| of which interest rate swaps | 26 | 0 | 26 | 13 | 11 | 13 | 16 | 0 | 0 | 0 |
| Financial liabilities | 2,054 | 0 | 2,054 | -691 | -300 | -403 | -561 | -257 | 0 | 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 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 the Group's respective refinancing risk is relatively small. During 2013, Sampo plc issued two bonds and the maturities were selected carefully in order to have a well-diversified maturity profile.

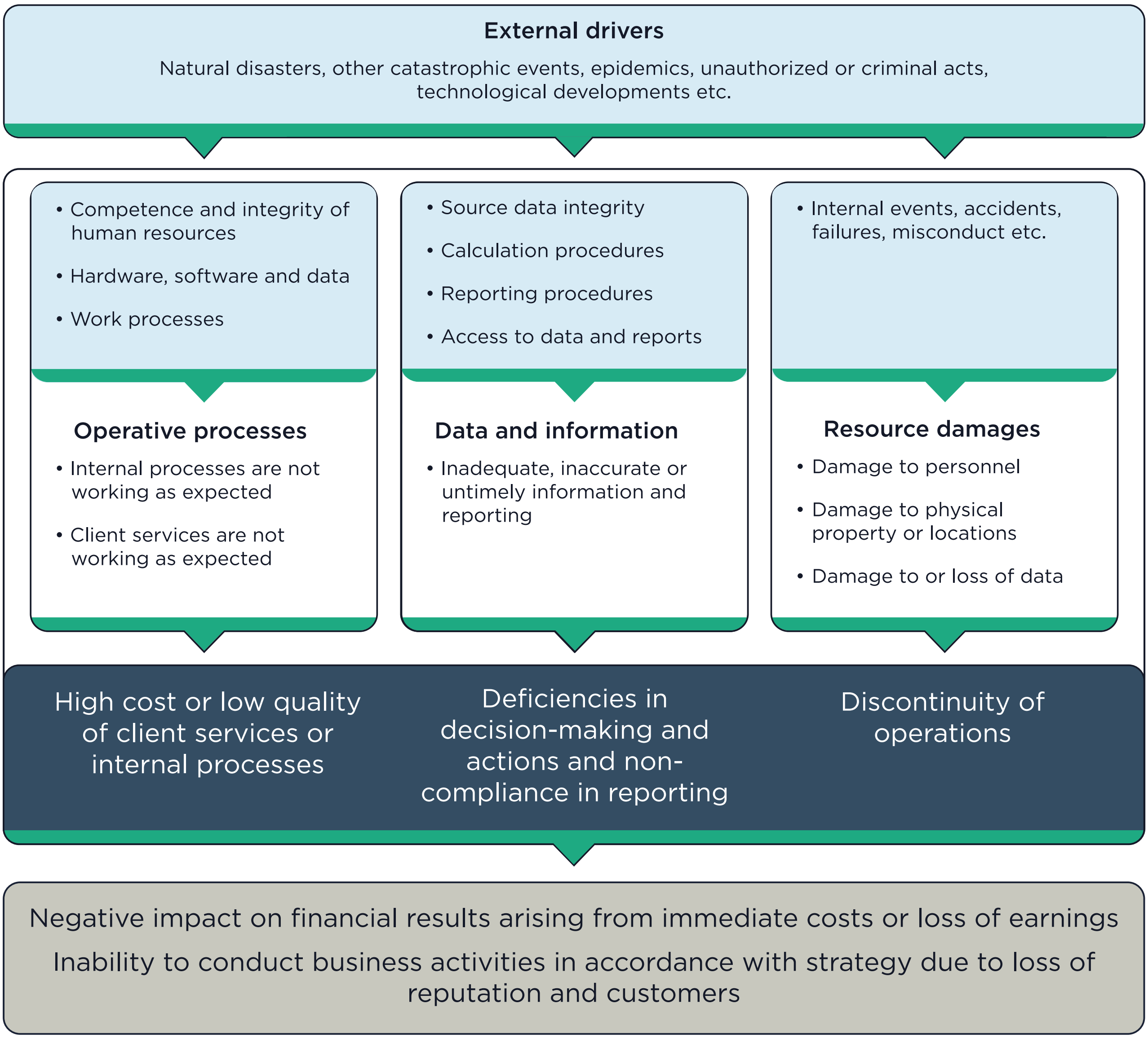
Sampo Group companies have business relationships with several creditworthy counterparties which mitigate the risk that Sampo Group is not able to enter into reinsurance or derivative transactions when needed.

# Operational Risks

In Sampo Group, operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel or from external events.

Operational risks can realize as an immediate negative impact on financial results arising from additional costs or loss of earnings. In a longer term, operational risks can materialize for instance as a loss of reputation and customers which endangers the company's ability to conduct business activities in accordance with the strategy. These immediate and longer term effects of operational risk have their general causes in external and internal drivers. The 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.

**Operational Risks**



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

- To ensure simultaneously the efficiency and the quality of operations;
- To ensure that operations are compliant with laws and regulations; and
- 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, taking also into account the specific features of its business activities.

# Operational Risk Management in 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 committee's task is to give opinions, advice and recommendations to the If Risk Committee (IRC) as well as to report the current operational risk status. The status assessment is based on the self-assessments performed by the organization, reported incidents and other additional risk information. A trend analysis is being performed annually, whereby the most important trends affecting the insurance industry are identified and the effects on If P&C assessed.

The business organization and corporate functions have the responsibility to identify, assess, monitor and manage their operational risks. Risk identification and assessments are performed quarterly. Identified risks are assessed from a probability and impact perspective. The control status for each risk is assessed using a traffic light system: green – good control of risk, yellow – attention required, red – attention required immediately. Severe risks with control status yellow or red are reported to the ORC.

Incident reporting and analysis are managed differently depending on type of incident. All employees are required to report incidents via intranet, and others are identified through controls and investigations.

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

# Operational Risk Management in Mandatum Life

The objective of operational risk management in Mandatum Life is to enhance the efficiency of internal processes and decrease negative impact on Mandatum Life. The aim is to minimize operational risks subject to cost-benefit considerations.

Business units are responsible for the identification, assessment and management of own operational risks, including organizing adequate internal control. 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 at minimum three times a year. Significant observations on operational risks are submitted to the Risk Management Committee and Board of Directors on a quarterly basis.

Operational risks are identified in Mandatum Life through several different sources and methods:

- **Self-assessment** process is used to map and evaluate the major operational risks and their probabilities and significance, including an

evaluation of internal controls and sufficiency of instructions. Self-assessment is conducted annually.
- **Analysis of incidents:** Realized operational risks and near misses reported by the business units are collected and analyzed by ORC. Each business unit is responsible for ensuring that the occurred incidents and near misses are reported to the ORC.
- **Follow-up of the external environment** is included in the annual strategy process, where the key trends of Mandatum Life's business environment are identified. External events are also monitored continuously and the company reacts to these as soon as possible (e.g. changes in taxation or laws).

The most significant operational risks for Mandatum Life identified in the operational risk self-assessment process include, among others, the following: changes in the external operating environment, IT, especially aging IT systems, manual phases in processes, loss of key personnel, miss-selling and false information to customers.

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 reported to Compliance Officer and ORC.

Internal control system in processes 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.

# Group Level Risks

As a general principle, the subsidiaries are managed independently from each other in Sampo Group. However, it has been deemed pertinent to assess certain risk and capitalization issues also at group level, i.e. concentration risks arising from liability and investment exposures, correlations of Group companies' profitability and their effects on Sampo Group's capitalization and liquidity management. Additionally, the possible risks related to the Group structure are a group level issue.

## Concentration Risks

With respect to the underwriting businesses carried out in the subsidiary companies, it has been established that If P&C and Mandatum Life are operating mostly in different lines of business and hence their underwriting risks are different. There are no material risk concentrations under normal course of business and, consequently, business lines as such are contributing diversification benefits rather than concentration of risks. The most material common risk factor is life expectancy in Finland that is affecting both companies' technical provisions. On the other hand, both subsidiaries have significant investment portfolios and, thus, are potentially threatened with investment related concentration risks (for example large combined exposures).

### Investment Management at Sampo Group Level

- Concentration risk is proactively managed through effective differentiation in asset selection. 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.
- 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 the Nordic countries. Consequently, the risk of unidentified or unwanted concentrations is relatively low.
- Furthermore, concentrations at group level are actively monitored and, if deemed necessary, further managed by deploying group level exposure restrictions, for instance by industries or by individual issuers.

On company level, investment risk concentrations are monitored and controlled by the ICC in If P&C and the ALCO in Mandatum Life, which have been established as independent parties from investment operations. Total group exposures are monitored and controlled at group level by Sampo Group's Chief Investment Officer, Sampo Group's Chief Risk Officer and Sampo Group's Audit Committee.

Concentrations by sectors, asset classes and rating are illustrated in table Credit exposures by sectors, asset classes and rating, If P&C, Mandatum Life and Sampo Group, 31 December 2013 in Equity and Spread Risks section. Financial sector is the largest concentration at Sampo Group level. Most of the investments in financial sector are in the Nordic countries and the exposure consists of mainly covered bonds and short-term money market investments. Conversely, the significance of public sector bonds is minor and Sampo Group does not have investments in government bonds of the distressed countries. The public sector exposure includes government bonds, government guaranteed bonds and other public sector investments.

Fixed income investments in financial and public sector are shown, respectively, in the tables Fixed income investments in financial sector, Sampo Group, 31 December 2013 and Fixed income investments in public sector, Sampo Group, 31 December 2013 in Equity and Spread Risks section.

# Correlations of Profitability and Capital Positions

Direct concentration risks may arise in Sampo Group due to large exposures in investment assets. A more general group level concentration risk arises when the Group companies' profitability or capital positions react similarly to general economic development, i.e. the correlation between general economic development and the profitability of different subsidiaries is more or less analogous. This type of concentration risk can be analyzed indirectly based on profits. From that perspective Sampo plc's associated company Nordea's result has created clear diversification benefits, in particular when analyzed vis á vis with If P&C and Mandatum Life. The historical correlation between If P&C's and Nordea's, as well as Mandatum Life's and Nordea's, quarterly profits since 2005 is very low. Sampo Group also forecasts profits based on similar scenarios for all the companies.

The historical correlations of quarterly profits between If P&C, Mandatum Life and Nordea are depicted in the figure Correlations of Quarterly Reported Profits, If P&C, Mandatum Life and Nordea, 1 January 2005 - 31 December 2013.

### Correlations of Quarterly Reported Profits
If P&C, Mandatum Life and Nordea, 1 January 2005 - 31 December 2013

| | If P&C | Mandatum Life | Nordea |
|---|---|---|---|
| If P&C | 1 | | |
| Mandatum Life | 0.86 | 1 | |
| Nordea | 0.25 | 0.14 | 1 |

Because of favorable profit correlations between the companies and relatively low volatilities of If P&C's and Nordea's profits, the profit development has been quite stable at group level which decreases pressure to maintain large additional capital buffers over group level economic capital. However, the Board of Directors of Sampo plc has set an internal target that the Group's adjusted solvency capital amount has to exceed the sum of the Group companies' economic capital, excluding the diversification effects between companies.

# Liquidity

Liquidity risk is managed at company level and the Group companies maintain liquidity buffers that are considered to be adequate in their businesses. In the subsidiaries, the adequacy of liquidity buffers is dependent on expected net outflows of insurance cash flows. In the parent company, the adequacy of liquidity buffers is dependent on potential strategic arrangements and a strong liquidity is preferred. In the normal course of business,the subsidiaries do not invest in Sampo plc's debt instruments. However, a general prohibition to intra-Group asset transactions has not been deemed necessary and, thus, subsidiaries are allowed to invest in the parent company's debt instruments and sell assets to each other at market prices, especially when this is justified by business opportunities. Thus, during possible market stresses these options are available to a certain extent as well. In Mandatum Life, there are investments in Sampo plc's debt instruments related to unit-linked policies.

# Corporate Structure Related Risks

Both legal and reporting structures of Sampo Group are simple, straightforward and transparent, which effectively mitigate any risks related to complex structures. Structural simplicity and transparency together with a limited amount of intercompany exposures within Sampo Group (i.e. direct or indirect claims between different companies excluding normal course of business transactions with Nordea) and diligently managed capitalization of subsidiaries also effectively protects Group companies from contagion risks.

# Capitalization

In Sampo Group, risks and the respective capital requirements are assessed internally as well as according to the methods defined by the regulators. Capitalization is a central subject of discussion also in Sampo Group's continuous dialogue with the rating agencies. Capitalization assessments are conducted both at company level and at group level to ensure the balance between risks and capital.

In the internal capitalization assessment, the economic capital ("EC") is the starting point for assessing the amount of adjusted solvency capital ("ASC").

### Economic Capital and Adjusted Solvency Capital in Sampo Group

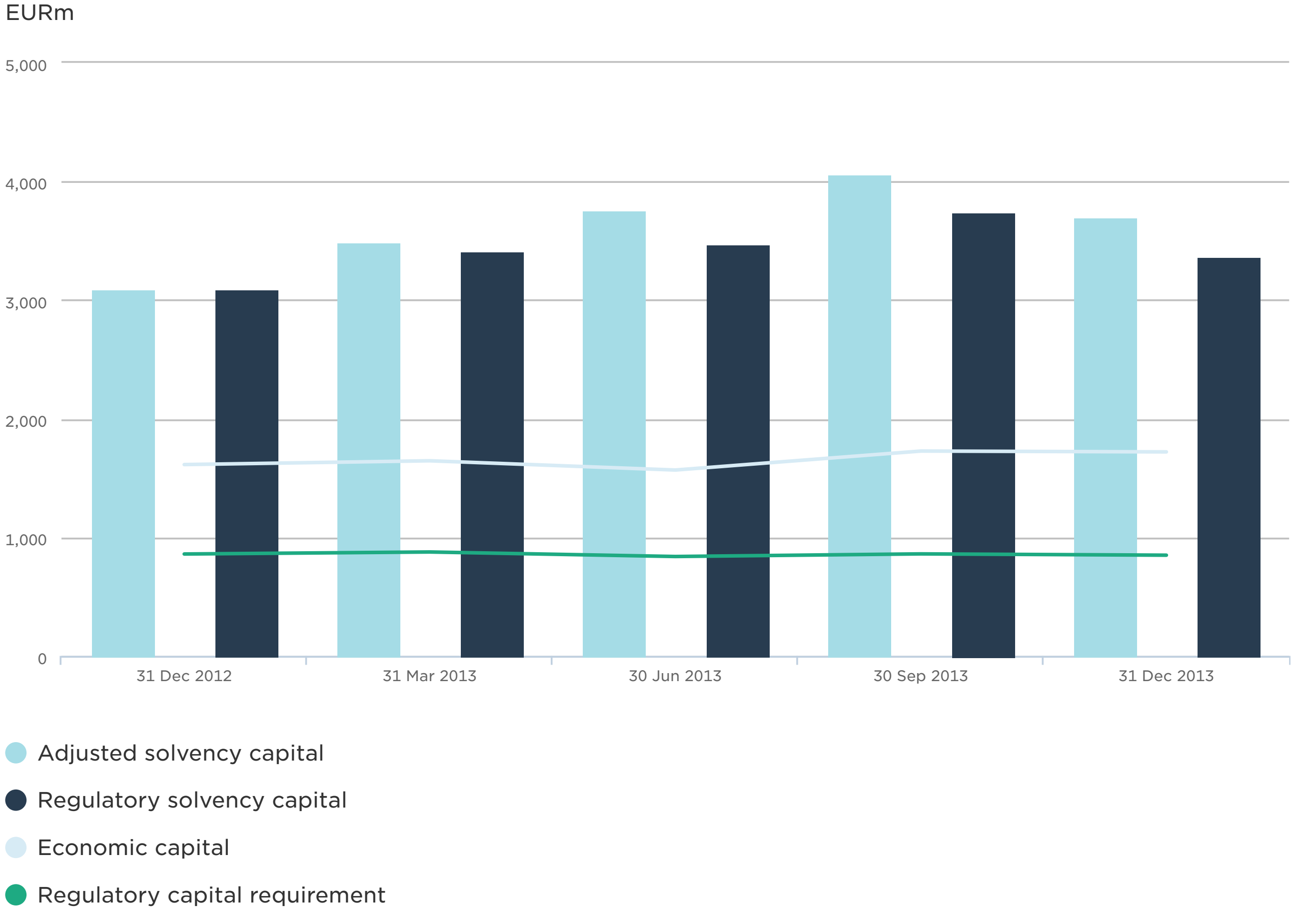
- EC is used as an internal measure of capital required for measurable risks the Group is exposed to. EC is defined as the amount of capital required to protect the solvency over a one year time horizon with a probability of 99.5 per cent that is the calculation basis in Solvency II as well.
- EC accounts for market, credit, insurance and operational risks, as well as the diversification effect between them. EC is calculated using a set of calculation methods seen suitable for the specific needs of each business area.
- When assessing the EC need arising from Nordea, Sampo plc uses the EC calculated and publicly reported by Nordea multiplied by the proportion of Sampo plc's share in Nordea (21.25 per cent at the end of 2013). This figure is converted from confidence level 99.97 per cent used by Nordea to 99.5 per cent.
- EC is considered to be a good estimate of the capital required to cover risks that can be measured in a reliable way and within a normal business environment. However, some of the risks are not measurable and there is uncertainty in business environment. Hence, when assessing the need of total capital, a buffer will be added over the EC reflecting the uncertainty in the business environment as well as the effects of low probability and less measurable risks.
- As an internal measure of available capital, Sampo Group uses ASC. The basis for ASC is capital items included in the regulatory solvency capital. On top of those, other risk absorbing items such as the difference between the book value and market value (including a risk margin) of technical provisions are added.

In the regulatory capitalization assessment, the regulatory solvency capital is compared to the regulatory capital requirement. In rating agency based capitalization assessment, the objective is to balance the available capital measured by respective rating agency criteria with the capital amount needed to achieve the internally set rating target.

## Capitalization at Group Level

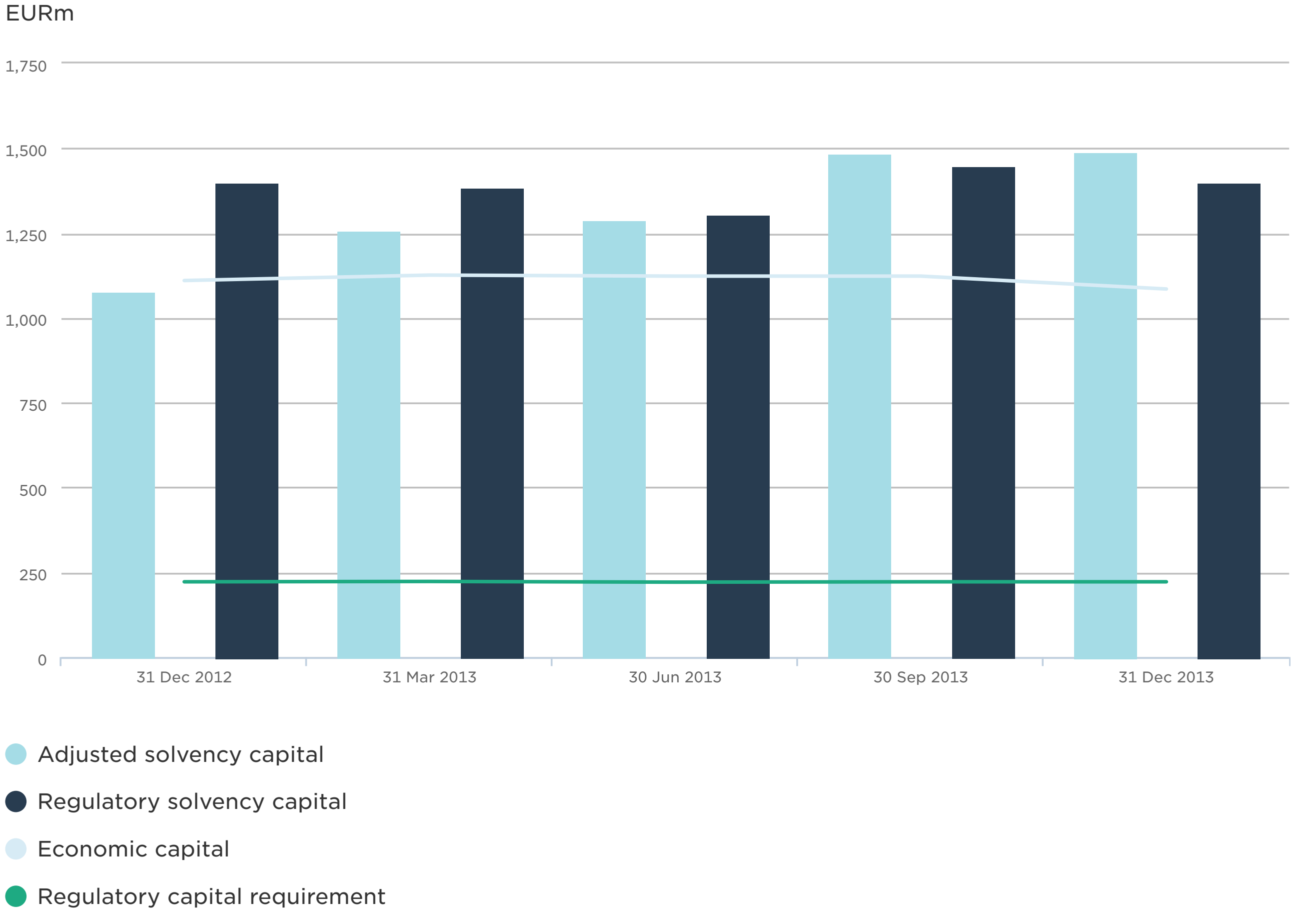
The adjusted solvency capital of Sampo Group's insurance subsidiaries increased during the year due to positive fair value results and increase in interest rates. This growth was partly offset by paid dividends. The changes in subsidiaries' risk exposures and hence in economic capital were modest. At Sampo Group level Nordea's and Sampo plc's figures are taken into account as well when adjusted solvency capital and economic capital figures are calculated. At group level the amount of adjusted solvency capital increased more than economic capital and hence capitalization can be considered stronger than year ago. The development of capitalization in Sampo Group from both internal and regulatory perspectives during the year 2013 is shown in the figure Development of Capitalization, If P&C, Mandatum Life and Sampo Group, 31 December 2012 – 31 December 2013.

## Development of Capitalization
If P&C, 31 December 2012 – 31 December 2013



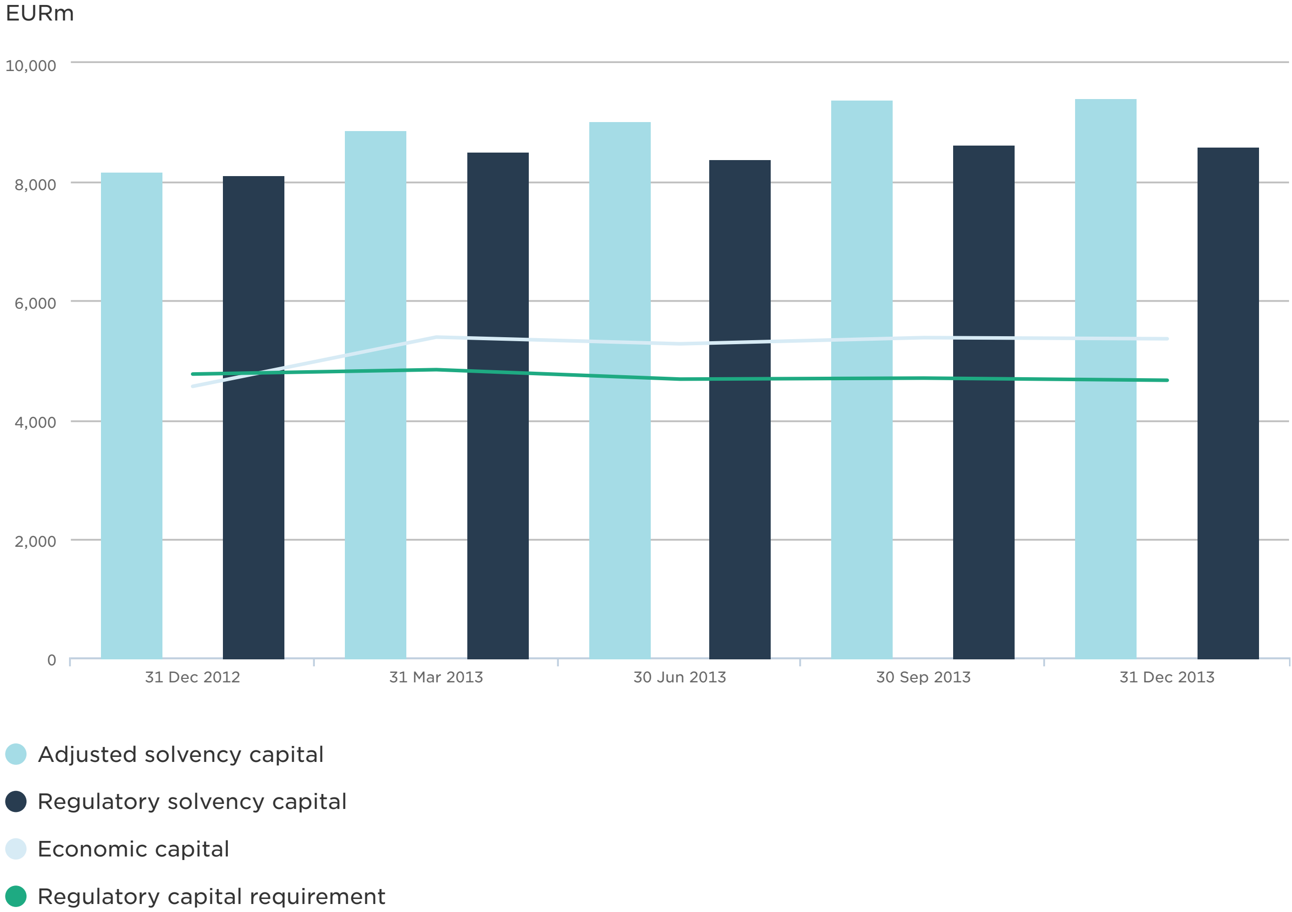

| | 31 Dec 2012 | 31 Mar 2013 | 30 Jun 2013 | 30 Sep 2013 | 31 Dec 2013 |
|---|---|---|---|---|---|
| Adjusted solvency capital | 3,090 | 3,495 | 3,760 | 4,059 | 3,706 |
| Economic capital | 1,613 | 1,645 | 1,567 | 1,727 | 1,720 |
| Regulatory solvency capital | 3,101 | 3,421 | 3,469 | 3,742 | 3,372 |
| Regulatory capital requirement | 859 | 876 | 838 | 860 | 849 |
| Adjusted solvency capital / Economic capital | 1.9 | 2.1 | 2.4 | 2.4 | 2.2 |
| Regulatory solvency capital / Regulatory capital requirement | 3.6 | 3.9 | 4.1 | 4.4 | 4.0 |

**Development of Capitalization**
Mandatum Life, 31 December 2012 – 31 December 2013




| | 31 Dec 2012 | 31 Mar 2013 | 30 Jun 2013 | 30 Sep 2013 | 31 Dec 2013 |
|---|---|---|---|---|---|
| Adjusted solvency capital | 1,076 | 1,256 | 1,292 | 1,485 | 1,492 |
| Economic capital | 1,110 | 1,126 | 1,123 | 1,123 | 1,085 |
| Regulatory solvency capital | 1,402 | 1,386 | 1,305 | 1,448 | 1,403 |
| Regulatory capital requirement | 222 | 223 | 221 | 222 | 222 |
| Adjusted solvency capital / Economic capital | 1.0 | 1.1 | 1.2 | 1.3 | 1.4 |
| Regulatory solvency capital / Regulatory capital requirement | 6.3 | 6.2 | 5.9 | 6.5 | 6.3 |

**Development of Capitalization**
Sampo Group, 31 December 2012 – 31 December 2013



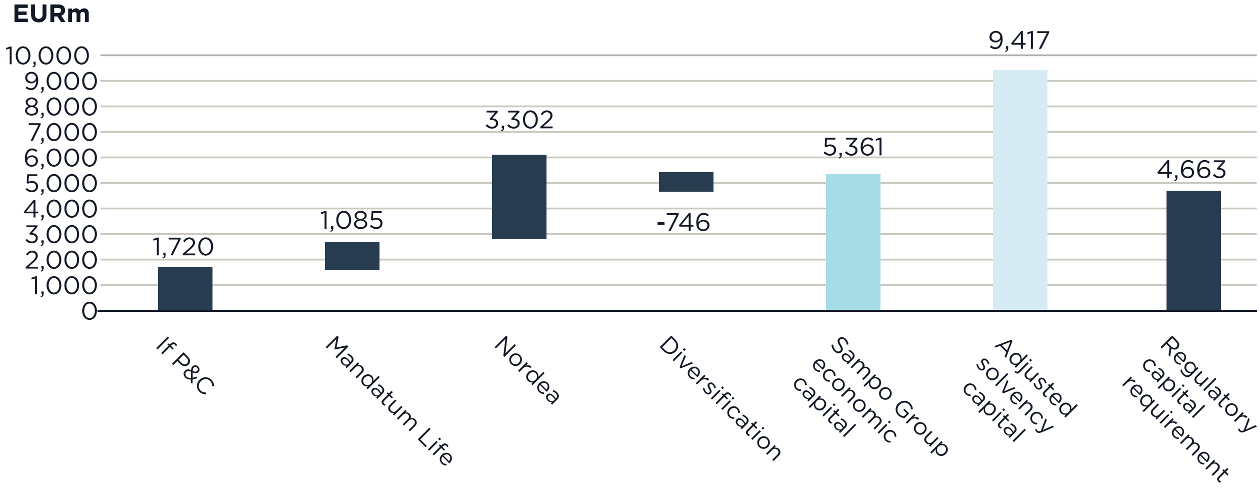

| | 31 Dec 2012 | 31 Mar 2013 | 30 Jun 2013 | 30 Sep 2013 | 31 Dec 2013 |
|---|---|---|---|---|---|
| Adjusted solvency capital | 8,197 | 8,872 | 9,039 | 9,391 | 9,417 |
| Economic capital | 4,560 | 5,389 | 5,276 | 5,380 | 5,361 |
| Regulatory solvency capital | 8,125 | 8,511 | 8,389 | 8,655 | 8,598 |
| Regulatory capital requirement | 4,767 | 4,841 | 4,682 | 4,699 | 4,663 |
| Adjusted solvency capital / Economic capital | 1.8 | 1.6 | 1.7 | 1.7 | 1.8 |
| Regulatory solvency capital / Regulatory capital requirement | 1.7 | 1.8 | 1.8 | 1.8 | 1.8 |

Updates and refinements are done frequently both to the models and the assumptions used for calculating the economic capital. Thus, the economic capital figures may not be fully comparable between years.

The figure Breakdown of Capitalization, Sampo Group, 31 December 2013 presents the contributions of the different business areas including Nordea to Sampo Group's total economic capital as well as the diversification effect included in the calculation of Group's economic capital. The figure also presents the amount of adjusted solvency capital at group level, which comprises Solvency I capital and other loss absorbing items. In internal assessments, adjusted solvency capital is compared to economic capital. When regulatory capitalization is under consideration, the Solvency I capital is compared to the regulatory capital requirement.

Sampo Group's economic capital increased during the year and amounted to EUR 5,361 million at the end of 2013 (EUR 4,560 million in 2012). The amount of adjusted solvency capital at group level increased during the year to EUR 9,417 million (EUR 8,197 million in 2012) due to strong fair value results and increase in interest rates. The adjusted solvency capital exceeded the economic capital by EUR 4,056 million (EUR 3,637 million in 2012) and capitalization by internal measures is strong.

**Breakdown of Capitalization**
Sampo Group, 31 December 2013




Regulatory solvency capital amounted to EUR 8,598 million in Sampo Group at the end of year 2013.

Nordea is included in the calculation of Sampo Group's economic capital by adding Sampo Group's share of the economic capital reported by Nordea, converted into the 99.5 per cent confidence level used in Sampo Group. At year end, the risks arising from Nordea constitute the largest single component in Sampo Group's economic capital. The correlations between risk types and business areas, and thereby indirectly the amount of diversification, are defined by Sampo plc at Sampo Group level.

## Regulatory Solvency Capital at Group Level

Sampo Group reports its Group solvency quarterly to the Finnish supervisory authorities monitoring the Group. The calculation of Group solvency according to the Act on the Supervision of Financial and Insurance Conglomerates (1193/2004) is broken down in the table Group Solvency, 31 December 2013 and 31 December 2012.

## Group Solvency
31 December 2013 and 31 December 2012

| EURm | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| **Group capital** | **10,643** | **10,020** |
| **Sectoral items** | **1,274** | **1,285** |
| Valuation differences and deferred taxes | 445 | 435 |
| Topdanmark | -130 | -165 |
| Subordinated loans | 143 | 212 |
| Share of Nordea's capital not included in Group capital | 816 | 803 |
| **Intangibles and other deductables** | **-3,319** | **-3,160** |
| Intangibles (insurance companies) | -752 | -771 |
| Intangibles (Nordea) | -1,314 | -1,314 |
| Equalisation provision (Finland) | -317 | -309 |
| Other | -13 | -11 |
| Planned dividends for the current period | -924 | -756 |
| **Solvency capital, total** | **8,598** | **8,145** |
| **Minimum requirements for solvency capital, total** | **4,663** | **4,767** |
| **Group solvency** | **3,935** | **3,379** |
| **Group solvency ratio** | **184%** | **170%** |
| (solvency capital % of minimum requirement) | | |

Due to the adoption of the revised accounting standard IAS 19 on Employee Benefits, the comparison figures for 2012 have been restated and differ from the earlier published figures.

At the end of 2013, Sampo Group's consolidated regulatory capital position was strong. The Group's solvency ratio was 184 per cent (170 per cent in 2012).

# Capitalization at Subsidiary Level

The breakdown of economic capital by risk type and a comparison to adjusted solvency capital both in If P&C and Mandatum Life is depicted in the figure Breakdown of Capitalization, If P&C and Mandatum Life, 31 December 2013. Regulatory capital requirement is presented in the same figure.

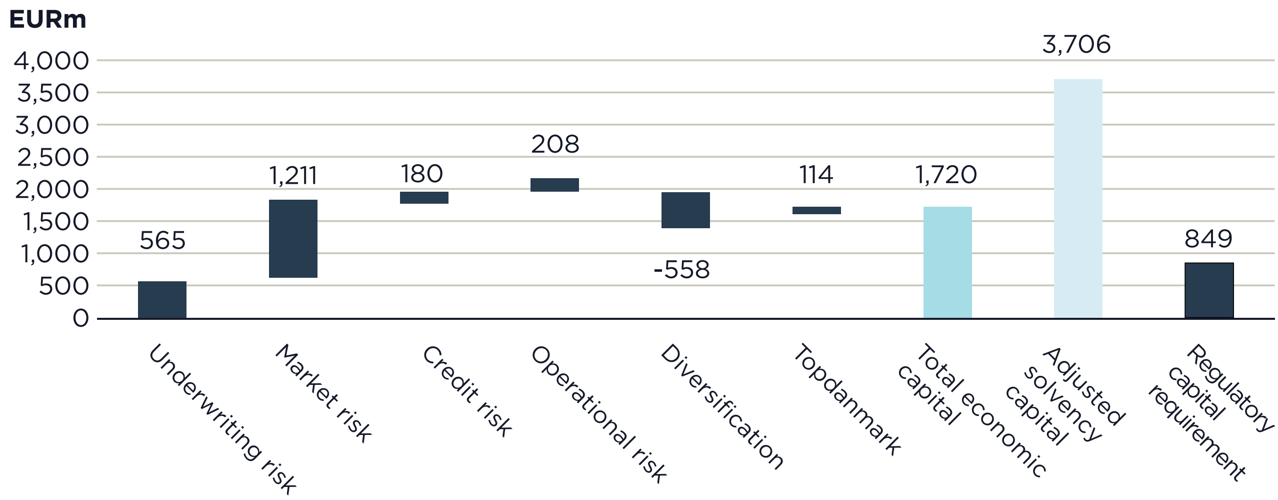
## Internal Assessment

In If P&C, economic capital increased to EUR 1,720 million (EUR 1,613 million at the end of 2012), while in Mandatum Life, economic capital decreased to EUR 1,085 million (EUR 1,110 million at the end of 2012).

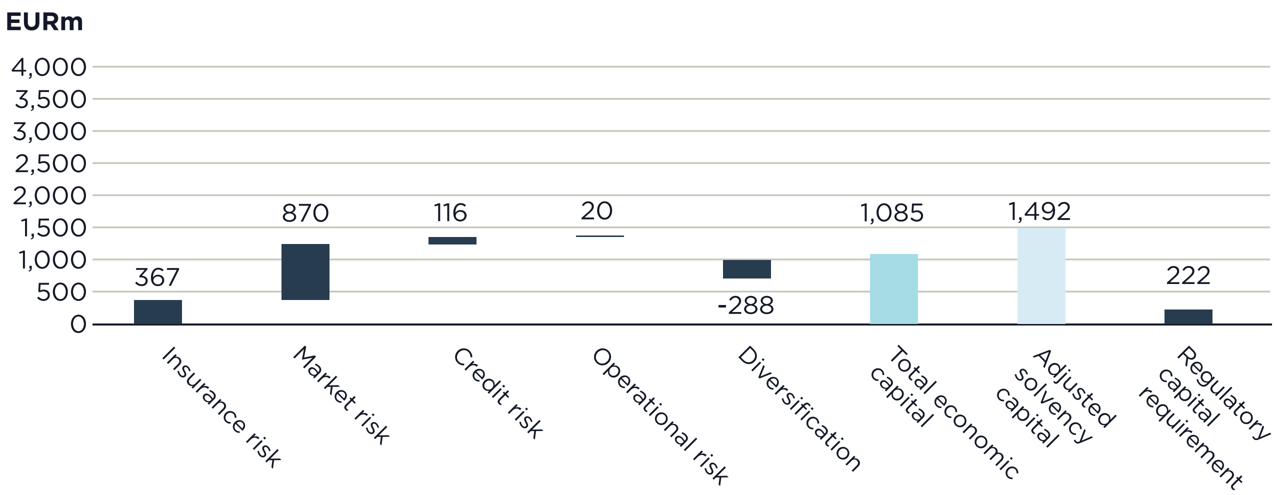
Market risk is still the most significant risk for both If P&C and Mandatum Life. Underwriting risk decreased in If P&C during the year to EUR 565 million (EUR 620 million at the end of 2012) and insurance risk increased in Mandatum Life to EUR 367 million (EUR 362 million at the end of 2012).

If P&C's share of Topdanmark's regulatory solvency requirement of EUR 114 million as at the end of year 2013 is included in the economic capital. For If P&C the figure for credit risk includes also non-credit risk related risk calculated in accordance with the Solvency II standard formula.

**Breakdown of Capitalization**
If P&C, 31 December 2013




**Breakdown of Capitalization**
Mandatum Life, 31 December 2013




Topdanmark's contribution to the total economic capital of If P&C is based on the latest regulatory solvency capital figures reported by Topdanmark. In both companies adjusted solvency capital includes regulatory solvency capital. It amounted to EUR 3,372 million in If P&C and to EUR 1,403 in Mandatum Life at the end of year 2013.

The amount of adjusted solvency capital exceeded the economic capital both in If P&C and in Mandatum Life. During the year, the amount of adjusted solvency capital in If P&C increased to EUR 3,706 million (EUR 3,090 million at the end of 2012), and in Mandatum Life, adjusted solvency capital increased to EUR 1,492 million (EUR 1,076 million at the end of 2012). In both companies good fair value results and increase in interest rates strengthened the capitalization which was partly offset by paid dividends to the parent company.

## Regulatory Solvency Assessment

Subsidiaries' solvency is reported to the local supervisory authorities. In If P&C, regulatory solvency capital was 4.0 times regulatory capital requirement and the respective figure for Mandatum Life was 6.3 at the end of year 2013. Regulatory solvency capital, which is used to assess the solvency of an insurance company, is not calculated for the parent company Sampo plc.

Regulatory solvency capital of If P&C increased to EUR 3,372 million (EUR 3,101 million in 2012) while the regulatory capital requirement was EUR 849 million (EUR 859 million in 2012). Regulatory solvency capital of Mandatum Life Group remained almost intact at EUR 1,403 million (EUR 1,402 million in 2012) while the regulatory capital requirement was EUR 222 million (EUR 222 million in 2012).

## Rating Agency Criteria

Parent company Sampo plc is rated by Moody's and If P&C is rated by both Moody's and Standard & Poor's (S&P). The main rating objective is to retain at least a single A rating for If P&C. The data for S&P rating model is updated regularly by If P&C. Sampo Group is in a continuous dialogue with the rating agencies and therefore has a good understanding of the opinions of agencies.

As a result of the continuous work with risk management issues, If P&C's ERM (Enterprise Risk Management) has been graded 'strong' by S&P.

# Risk Management Process Outlook

Sampo Group companies continuously develop their risk management processes. This work is based on internal needs and regulatory requirements, of which Solvency II has been the most important driver during the latest years.

A separate program was introduced within If P&C in 2007 to ensure that If P&C is well prepared when the Solvency II regulation enters into force. The program has encompassed a thorough review of If P&C's corporate governance and internal control structure, the risk management system, data capturing as well as development of the internal capital model. The program was finalized in 2012 and responsibilities were transferred to the line organization. Also Mandatum Life has developed its processes similarly over the years.

If P&C aims to have a partial internal model approved when Solvency II regulation enters into force. Mandatum Life will use most likely the regulatory standard model for external Solvency calculations although it has an internal approach for assessment of risks and capital as well.

While awaiting the postponed implementation of the Solvency II regulation in the EU, common guidelines have been issued to the local supervisory authorities. The guidelines concern supervision of how the insurance companies prepare for Solvency II regarding the governance system, the forward looking risk assessment, supervisory reporting and pre-application of internal models. Although If P&C and Mandatum Life are well prepared in these areas, companies are refining their processes to be fully compliant when Solvency II comes into force.

# Financial Statements

# Group's IFRS Financial Statements

## Consolidated comprehensive income statement, IFRS

| EURm | Note | 1-12/2013 | 1-12/2012 |
|---|---|---|---|
| Insurance premiums written | 1, 8 | 5,618 | 5,413 |
| Net income from investments | 2, 10, 18 | 942 | 967 |
| Other operating income | | 31 | 35 |
| Claims incurred | 3, 8 | -3,677 | -3,540 |
| Change in liabilities for insurance and investment contracts | 4 | -697 | -719 |
| Staff costs | 5 | -634 | -582 |
| Other operating expenses | 6, 8 | -543 | -576 |
| Finance costs | 10 | -58 | -75 |
| Share of associates' profit/loss | 14 | 686 | 700 |
| **Profit before taxes** | | **1,668** | **1,622** |
| Taxes | 21, 22, 23 | -216 | -214 |
| **Profit for the period** | | **1,452** | **1,408** |
| **Other comprehensive income for the period** | | | |
| **Items reclassifiable to profit or loss** | 23, 24 | | |
| Exchange differences | | -153 | 46 |
| Available-for-sale financial assets | | 233 | 509 |
| Cash flow hedges | | -0 | -1 |
| Share of associate's other comprehensive income | | -70 | 9 |
| Taxes | | -22 | -114 |
| **Total items reclassifiable to profit or loss, net of tax** | | **-13** | **449** |
| **Items not reclassifiable to profit or loss** | | | |
| Actuarial gains and losses from defined pension plans | | -21 | 44 |
| Taxes | | 7 | -13 |
| **Total items not reclassifiable to profit or loss, net of tax** | | **-14** | **31** |
| **TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR** | | **1,425** | **1,887** |
| **Profit attributable to** | | | |
| Owners of the parent | | 1,452 | 1,408 |
| Non-controlling interests | | - | - |
| **Total comprehensive income attributable to** | | | |
| Owners of the parent | | 1,425 | 1,887 |
| Non-controlling interests | | - | - |
| **Earnings per share (EUR)** | 9 | **2.59** | **2.51** |

# Consolidated balance sheet, IFRS

| EURm | Note | 12/2013 | 12/2012 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 11 | 25 | 26 |
| Investment property | 12 | 125 | 122 |
| Intangible assets | 13 | 752 | 771 |
| Investments in associates | 14 | 7,282 | 7,049 |
| Financial assets | 10, 15, 16, 17, 18, 19 | 16,824 | 16,857 |
| Investments related to unit-linked insurance contracts | 10, 20 | 4,616 | 3,833 |
| Tax assets | 21 | 68 | 78 |
| Reinsurers' share of insurance liabilities | 28 | 422 | 580 |
| Other assets | 25 | 1,676 | 1,729 |
| Cash and cash equivalents | 10, 26 | 785 | 1,034 |
| **Total assets** | | **32,576** | **32,079** |
| **Liabilities** | | | |
| Liabilities for insurance and investment contracts | 28 | 13,427 | 13,925 |
| Liabilities for unit-linked insurance and investment contracts | 29 | 4,610 | 3,832 |
| Financial liabilities | 10, 16, 17, 29 | 2,193 | 2,378 |
| Tax liabilities | 21 | 508 | 542 |
| Provisions | 30 | 58 | 56 |
| Employee benefits | 31 | 195 | 203 |
| Other liabilities | 32 | 941 | 1,123 |
| **Total liabilities** | | **21,933** | **22,059** |
| **Equity** | 34 | | |
| Share capital | | 98 | 98 |
| Reserves | | 1,531 | 1,531 |
| Retained earnings | | 8,175 | 7,496 |
| Other components of equity | | 840 | 896 |
| **Equity attributable to owners of the parent** | | **10,643** | **10,020** |
| Non-controlling interests | | - | 0 |
| **Total equity** | | **10,643** | **10,020** |
| **Total equity and liabilities** | | **32,576** | **32,079** |

# Statement of changes in equity, IFRS

| EURm | Share capital | Share premium account | Legal reserve | Invested unrestricted equity | Retained earnings | Translation of foreign operations 1) | Available-for-sale financial assets 2) | Cash flow hedges 3) | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Equity at 1 Jan. 2012** | **98** | **0** | **4** | **1,527** | **6,844** | **91** | **354** | **1** | **8,920** |
| Change in IAS 19 Pension benefits 4) | | | | | -126 | | | | -126 |
| **Restated equity at 1 Jan. 2012** | **98** | **0** | **4** | **1,527** | **6,718** | **91** | **354** | **1** | **8,794** |
| **Changes in equity** | | | | | | | | | |
| Recognition of undrawn dividends | | | | | 6 | | | | 6 |
| Dividends | | | | | -672 | | | | -672 |
| Share of associate's other changes in equity | | | | | -4 | | | | -4 |
| Other changes in equity 5) | | | | | 9 | | | | 9 |
| Profit for the period | | | | | 1,408 | | | | 1,408 |
| Other comprehensive income for the period | | | | | 31 | 74 | 406 | -30 | 480 |
| **Equity at 31 Dec. 2012** | **98** | **0** | **4** | **1,527** | **7,496** | **165** | **760** | **-29** | **10,020** |
| **Equity at 1 Jan. 2013** | **98** | **0** | **4** | **1,527** | **7,587** | **167** | **760** | **-29** | **10,113** |
| Change in IAS 19 Pension benefits 4) | | | | | -91 | -2 | | | -93 |
| **Restated equity at 1 Jan. 2013** | **98** | **0** | **4** | **1,527** | **7,496** | **165** | **760** | **-29** | **10,020** |
| **Changes in equity** | | | | | | | | | |
| Recognition of undrawn dividends | | | | | 7 | | | | 7 |
| Dividends | | | | | -756 | | | | -756 |
| Share of associate's other changes | | | | | | | | | |
| in equity | | | | | -54 | | | | -54 |
| Other changes in equity 5) | | | | | 19 | -19 | | | 0 |
| Profit for the period | | | | | 1,452 | | | | 1,452 |
| Other comprehensive income for the period | | | | | 10 | -253 | 216 | -1 | -27 |
| **Equity at 31 December 2013** | **98** | **0** | **4** | **1,527** | **8,175** | **-106** | **976** | **-30** | **10,643** |

*1) The total comprehensive income includes also the share of the associate Nordea's other comprehensive income, in accordance with the Group's share holding. The retained earnings thus include EURm 25 (-) of Nordea's actuarial gains/losses from defined pension plans. The exchange differences include the share of Nordea's exchange differences EURm -99 (28). Respectively, available-for-sale financial assets include EURm 5 (11) of Nordea's valuation differences and cash flow hedges EURm -0 (-29).*

*2) The amount recognised in equity from available-for-sale financial assets for the period totalled EURm 280 (384). The amount transferred to p/l amounted to EURm -70 (11).*

*3) The amount recognised in equity from cash flow hedges for the period totalled EURm -0 (-1).*

*4) IAS 19 Pension benefits had a net effect of EURm -83 (-95) on retained earnings.*

*5) Reclassification of subsidiary exchange differences.*

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

# Statement of cash flows, IFRS

| EURm | 2013 | 2012 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxes | 1,668 | 1,622 |
| **Adjustments:** | | |
| Depreciation and amortisation | 18 | 17 |
| Unrealised gains and losses arising from valuation | -133 | -290 |
| Realised gains and losses on investments | -231 | -93 |
| Change in liabilities for insurance and investment contracts | 730 | 513 |
| Other adjustments | -715 | -586 |
| **Adjustments total** | **-331** | **-439** |
| **Change (+/-) in assets of operating activities** | | |
| Investments *) | -553 | 350 |
| Other assets | -11 | 16 |
| **Total** | **-564** | **366** |
| **Change (+/-) in liabilities of operating activities** | | |
| Financial liabilities | -14 | -169 |
| Other liabilities | -276 | 21 |
| Paid taxes | -253 | -310 |
| **Total** | **-543** | **-458** |
| **Net cash from operating activities** | **230** | **1,092** |
| **Investing activities** | | |
| Investments in group and associated undertakings | 371 | 230 |
| Net investment in equipment and intangible assets | -11 | -16 |
| **Net cash from investing activities** | **360** | **215** |
| **Financing activities** | | |
| Dividends paid | -747 | -663 |
| Issue of debt securities | 1,214 | 2,181 |
| Repayments of debt securities in issue | -1,307 | -2,362 |
| **Net cash used in financing activities** | **-839** | **-845** |
| **Total cash flows** | **-249** | **462** |

| | | |
|---|---|---|
| Cash and cash equivalents at 1 January | 1,031 | 567 |
| Effects of exchange rate changes | 3 | 5 |
| Cash and cash equivalents at 31 December | 785 | 1,034 |
| **Net increase in cash and cash equivalents** | **-249** | **462** |

| **Additional information to the statement of cash flows:** | **2013** | **2012** |
|---|---|---|
| Interest income received | 574 | 694 |
| Interest expense paid | -120 | -177 |
| Dividend income received | 82 | 82 |

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

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

Cash and cash equivalents include cash at bank and in hand and short-term deposits (max. 3 months).

## Note to the Group's statement of cash flows

*Acquisitions 2013*

If P&C Insurance Ltd. acquired the business of Tryg Finland on 1 May 2013. The purchase price was EURm 15. The cash and cash equivalents transferred amounted to EURm 93. The transferred net assets totalled about EURm 15. The liabilities consisted mainly of insurance liabilities.

The acquired assets and liabilities did not have a material effect on the Group's income statement, balance sheet or cash flows.

*Disposals 2012*

If P&C Insurance Holding AB sold the Russian insurance company SOAO Region on 30 Nov 2012. The net net consideration paid was EURm 8. The cash and cash equivalents transferred amounted to EURm 1.

The assets and liabilities of the disposed company did not have a material effect on the Group's income statement, balance sheet or cash flows.

# Notes to the accounts

## Summary of significant accounting policies

Sampo Group has prepared the consolidated financial statements for 2013 in compliance with the International Financial Reporting Standards (IFRSs). In preparing the financial statements, Sampo has applied all the standards and interpretations relating to its business, adopted by the commission of the EU and effective at 31 December 2013.

During the financial year, Sampo adopted the following amended standards relating to its business.

Amendment to IAS 1 (effective for annual periods beginning on 7 July 2012 or after) requires the grouping of items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. The amendment had an impact on the Group's disclosures.

The amendment to IAS 19 *Employee Benefits* (effective for annual periods beginning on 1 Jan 2013 or after) mandates all actuarial gains and losses be recognised in other comprehensive income, thus the so-called corridor approach has been eliminated and the benefit cost is determined based on the net funding. The change had an impact on the employee benefits recognised in If subgroup. In the transition phase, the accumulated unrecognised losses EURm 126 related to the corridor method at 31 Dec 2011 reduced the opening equity for the comparison year 2012. The corresponding amount at 31 Dec 2012 was EURm 93. The subsequent changes will be recognised in other comprehensive income.

IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on 1 Jan 2013 or after) brought together in one standard the measurement of fair value and gave it a precise definition. The standard had an effect mainly on the Group's disclosures on financial instruments and investment property.

The amendment to IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on 1 Jan 2013 or after) clarifies the disclosure requirements for e.g. offsetting financial instruments. The amendment had no material impact on the Group's financial statements reporting.

*Improvements to IFRSs* 2009 – 2011, May 2012 include various minor changes made to different standards at the same time. The changes were not material to Sampo's financial statements reporting.

In preparing the notes to the consolidated financial statements, attention has also been paid to the Finnish accounting and company legislation and applicable regulatory requirements. Some of the risk management disclosures are presented in the Group's financial statements' Risk Management section.

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

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

The Board of Directors of Sampo plc accepted the financial statements for issue on 12 February 2014.

### Consolidation

#### Subsidiaries

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

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

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

## Associates

Associates are entities in which the Group has significant influence, but no control over the financial management and operating policy decisions. Unless otherwise demonstrated, this is generally presumed when the Group holds in excess of 20 per cent, but no more than 50 per cent, of the voting rights of an entity. Investments in associates are treated by the equity method of accounting, in which the investment is initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the associate. If the Group's share of the associate's loss exceeds the carrying amount of the investment, the investment is carried at zero value, and the loss in excess is consolidated only if the Group is committed to fulfilling the obligations of the associate. Goodwill arising on the acquisition is included in the cost of the investment. Unrealised gains (losses) on transactions are eliminated to the extent of the Group's interest in the entity.

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

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

## Foreign currency translation

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

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

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

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

Exchange differences that existed at the Group's IFRS transition date, 1 January 2004, are deemed to be zero, in accordance with the exemption permitted by IFRS 1.

The following exchange rate was applied in the consolidated financial statements:

| | Balance sheet date | Average exchange rate |
|---|---|---|
| 1 euro (EUR) = | | |
| Swedish krona (SEK) | 8.8591 | 8.6522 |

## Segment reporting

The Group's segmentation is based on business areas whose risks and performance bases as well as regulatory environment differ from each other. The control and management of business and management reporting is organised in accordance with the business segments. The Group's business segments are P&C insurance, life insurance and holding business.

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

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

Inter-segment transactions, assets and liabilities are eliminated in the consolidated financial statements on a line-by-line basis.

## Interest and dividends

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

## Fees and commissions

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

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

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

## Insurance premiums

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

P&C insurance contracts are primarily of short duration (1 year), so that premiums written are recognised as earned on a pro rata basis, adjusting them by a change in the provision for unearned premiums i.e. by the proportion of the insurance premium income that, based on the period covered by the insurance contract, belongs to the following financial year,.

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

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

## Financial assets and liabilities

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

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

In the P&C insurance, the fair value option permitted by IAS 39 has been applied in the earlier years. The remaining assets acquired before the year 2008 are still measured at fair value through p/l. Furthermore, the fair value option is applied in some minor P&C companies.

In the life insurance business, IFRS 4 *Insurance Contracts* provides that insurance contracts with a discretionary participation feature are measured in accordance with national valuation principles (except for the equalisation reserve) rather than at fair value. These contracts and investments made to cover shareholders' equity are managed in their entirety and are classified mainly as available-for-sale financial assets.

Financial assets designated as at fair value through profit or loss in the life insurance business are investments related to unit-linked insurance, presented separately in the balance sheet. The corresponding liabilities are also presented separately. In addition, in the life insurance business, investments classified as the financial assets of foreign subsidiaries, and financial instruments in which embedded derivatives have not been separated from the host contract have been designated as at fair value through profit or loss.

In the Holding business, investments are primarily classified as financial assets available-for-sale.

## Recognition and derecognition

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

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

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

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

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

**Financial derivative instruments held for trading**

Derivative instruments that are not designated as hedges and do not meet the requirements for hedge accounting are classified as derivatives for trading purposes.

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

**Financial assets designated as at fair value through profit or loss**

Financial assets designated as at fair value through profit or loss are assets which, at inception, are irrevocably designated as such. They are initially recognised at their fair value. Gains and losses arising from changes in fair value, or realised on disposal, together with the related interest income and dividends, are recognised in the income statement.

## Loans and receivables

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

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

## Available-for-sale financial assets

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

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

## Other financial liabilities

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

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

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

## Fair value

The fair value of financial instruments is determined primarily by using quoted prices in active markets. Instruments are measured either at the bid price or at the last trade price, if the instrument is a share listed at NASDAQ OMX. The financial derivatives are also measured at the last trade price. If the financial instrument has a counter-item that will offset its market risk, the mid-price may be used to that extent.

If a published price quotation does not exist for a financial instrument in its entirety, but active markets exist for its component parts, the fair value is determined on the basis of the relevant market prices of the component parts.

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

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

## Impairment of financial assets

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

## Financial assets carried at amortised cost

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

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

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

## Available-for-sale financial assets

Whether there is objective evidence of an impairment of available-for-sale financial assets, is evaluated in a separate assessment, which is done if the credit rating of an issuer has declined or the entity is placed on watchlist, or there is a significant or prolonged decline in the fair value of an equity instrument below its original acquisition cost.

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

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

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

In the case of debt securities, the amount of the impairment loss is assessed as the difference between the acquisition cost, adjusted with capital amortisations and accruals, and the fair value at the review time, reduced by previously in profit or loss recognised impairment losses.

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

If, in a subsequent period, the fair value of a debt security increases and the increase can objectively be related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed by recognising the amount in profit or loss.

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

## Derivative financial instruments and hedge accounting

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

## Derivatives held for trading

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

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

## Hedge accounting

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

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

During the financial year, fair value hedges have been used in P&C insurance. Both fair value and cash flow hedging have been applied in life insurance.

**Cash flow hedging**

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

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

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

**Fair value hedging**

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

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

## Securities lending

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

# Leases

## Group as lessee

**Finance leases**

Leases of assets in which substantially all the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are recognised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding obligation is included in 'Other liabilities' in the balance sheet. The assets acquired under finance leases are amortised or depreciated over the shorter of the asset's useful life and the lease term. Each lease payment is allocated between the liability and the interest expense. The interest expense is amortised over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**Operating leases**

Assets in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases and they are included in the lessor's balance sheet. Payments made on operating leases are recognised on a straight-line basis over the lease term as rental expenses in profit or loss.

## Group as lessor

**Operating leases**

Leases in which assets are leased out and the Group retains substantially all the risks and rewards of ownership are classified as operating leases. They are included in 'Investment property' in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment, and the impairment losses are recognised on the same basis as for these items. Rental income on assets held as operating leases is recognised on a straight-line basis over the lease term in profit or loss.

# Intangible assets

## Goodwill

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

Goodwill is measured at historical cost less accumulated impairment losses. Goodwill is not amortised.

## Other intangible assets

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

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

| | |
|---|---|
| IT software | 4 - 10 years |
| Other intangible assets | 3 - 10 years |

## Property, plant and equipment

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

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. Improvement costs are added to the carrying amount of a property when it is probable that the future economic benefits that are attributable to the asset will flow to the entity. Costs for repairs and maintenance are recognised as expenses in the period in which they were incurred.

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

| | |
|---|---|
| Residential, business premises and offices | 20 - 60 years |
| Industrial buildings and warehouses | 30 - 60 ″ |
| Components of buildings | 10 - 15 ″ |
| IT equipment and motor vehicles | 3 - 5 ″ |
| Other equipment | 3 - 10 ″ |

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

## Impairment of intangible assets and property, plant and equipment

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

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

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

## Investment property

Investment property is held to earn rentals and for capital appreciation. The Group applies the cost model to investment property in the same way as it applies to property, plant and equipment. The depreciation periods and methods and the impairment principles are also the same as those applied to corresponding property occupied for own activities. In the Holding segment, the investment property of the associate Nordea is measured at fair value in item Investments in associates.

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

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

## Provisions

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

## Insurance and investments contracts

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

Sampo treats the liabilities arising from contracts in the first phase of the standard according to national accounting standards, except for the equalisation reserve and the provision for collective guarantee item and their changes which are reported in equity and profit or loss, in accordance with the IFRS.

The risks involved in insurance and investment contracts are widely elaborated in the Group's financial statements' Risk Management section.

## Reinsurance contracts

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

When the Group itself has to pay compensation to another insurer on the basis of a reinsurance contract, the liability is recognised in the item 'Other liabilities'.

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

## P&C insurance business

**Classification of insurance contracts**

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

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

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

**Insurance liabilities**

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

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

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

The provision for claims outstanding in direct P&C insurance and reinsurance may be calculated by statistical methods or through individual assessments of individual claims. Often a combination of the two methods is used, meaning large claims are assessed individually while small claims and claims incurred but not reported (the IBNR provision) are calculated using statistical methods. The provision for claims outstanding is not discounted, with the exception of provisions for vested annuities, which are discounted to present value using standard actuarial methods, taking anticipated inflation and mortality into account.

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

**Liability adequacy test**

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

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

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

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

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

**Deferred aquisition costs**

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

## Life insurance business

**Classification of insurance contracts**

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

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

**Measurement of insurance and investment contracts**

National accounting standards are applied to all insurance contracts and to investment contracts with DPF, with the exception of the equalisation provision and changes in it.

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

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

**Insurance and investment contract liabilities and reinsurance assets**

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

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

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

The interest rate used in discounting liabilities is, at most, the maximum rate accepted by the authorities in each country. The guaranteed interest used in the direct insurance premium basis varies on the basis of the starting date of the insurance from zero to 4.5 per cent. The interest rate used in discounting liabilities is the same or lower than that used in premium calculation. Most of the liabilities of the accrued benefits of pension business with DPF are discounted by an interest rate of 3.5 per cent, also being the highest discount rate used. In addition, Mandatum Life has for the year 2014 lowered the maximum rate to 2.25 per cent, and for the year 2015 to 2.75 per cent.

Due to the difference in the discount rate of liabilities and the guaranteed interest of 4.5 per cent, supplementary provisions for guaranteed interest have been added to technical provisions. In the subsidiary, Mandatum Life Insurance Baltic, the discount rate varies by country between 2.0-4.0 per cent and the average guaranteed interest rate between 2.0-4.0 per cent.

Mortality assumptions have an essential effect on the amount of liability, particularly in group pension insurance, the liability of which accounts for about 32 per cent of the technical provisions of the Finnish life company. A so-called cohort mortality model is used in calculating the group pension insurance liability since 2002, incorporating the insured person's birth year in addition to his or her age and sex. The cohort mortality model assumes that life expectancy increases by one year over a ten-year period.

For unit-linked contracts, all the liabilities and the assets covering the unit-linked insurance are matched. Both the liabilities and the assets have been presented in the Notes to the financial statements. In calculating the provision for claims outstanding of direct insurance, discounting is applied only in connection with the liabilities of pensions whose payment has commenced. The liabilities of assumed reinsurance are based on the reports of the ceding company and on an estimate of claims which have not yet been settled. The assets covering the unit-linked liabilities include debt securities issued by the Group companies. These have not been eliminated. Elimination would lead to misleading information, as the policy holders carry the investment risk related to these investments, and to a mismatch between the unit-linked liabilities and assets covering them.

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

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

The Group's financial statements' Risk Management section elaborates on the change of technical provisions and their forecast annual maturities.

**Liability adequacy test**

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

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

**Principle of fairness**

According to Chapter 13, Section 2 of the Finnish Insurance Companies' Act, the Principle of Fairness must be observed in life insurance and investment contracts with a discretionary participation feature. If the solvency requirements do not prevent it, a reasonable part of the surplus has to be returned to these policies as bonuses.

Mandatum Life aims at giving a total return before charges and taxes on policyholders' savings in contracts with DPF that is at least the yield of those long term bonds, which are considered to have lowest risk. At the moment we consider German government bonds to be the most risk free long term bonds available. Nevertheless, Finnish government bonds are used as target levels at the moment. The total return consists of the guaranteed interest rate and bonuses determined annually. Continuity is pursued in the level of bonuses. The aim is to maintain the company's solvency status on such a level that it neither limits the giving of bonuses to policyholders nor the distribution of profit to shareholders. The principle is explained in detail on the company's website.

The legislation of Estonia, Latvia and Lithuania respectively does not contain provisions corresponding to the Principle of Fairness.

## Employee benefits

## Post-employment benefits

Post-employment benefits include pensions and life insurance.

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

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

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

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

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

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

The Group has also certain voluntary defined benefit plans. These are intra-Group, included in the insurance liabilities of Mandatum Life and have no material significance.

## Termination benefits

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

## Share-based payments

During the financial year, Sampo had two valid share-based incentive schemes settled in cash (the long-term incentive schemes 2009 I and 2011 I for the management and key employees). The schemes have been measured at fair value at the grant date and at every reporting date thereafter.

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

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

## Income taxes

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

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

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

From the beginning of 2014 on, the corporate tax rate in Finland was lowered from 24.5 per cent to 20 per cent. The taxable income for the financial year is based on 24.5 per cent, but the lower rate has been used in the calculation of deferred taxes.

## Share capital

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

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

## Cash and cash equivalents

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

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

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

## Accounting policies requiring management judgement and key sources of estimation uncertainties

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

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

## Actuarial assumptions

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

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

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

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

## Determination of fair value

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

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

## Impairment tests

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

## Application of new or revised IFRSs and interpretations

In 2014, the Group will apply the following new or amended standards and interpretations related to the Group's business.

IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on 1 Jan 2013 or after, latest application for annual period beginning on 1 Jan 2014) defines closer the concept of control as the crucial factor for consolidation. The new standard will have no material impact on the Group's financial statements reporting.

IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on 1 Jan 2013 or after, latest application for annual period beginning on 1 Jan 2014) includes requirements for disclosures regarding different involvements in other entities, such as associates and unconsolidated entities. The new standard will have an impact on the Group's disclosures.

Revised IAS 27 *Consolidated and Separate Financial Statements* (effective for annual periods beginning on 1 Jan 2013 or after, latest application for annual period beginning on 1 Jan 2014) includes the requirements for separate financial statements to the extent they have not been included in the new IFRS 10. The adoption of the revised standard will have no material impact on the Group's financial statements reporting.

Revised IAS 28 *Investments in Associates* (effective for annual periods beginning on 1 Jan 2013 or after, latest application for annual period beginning on 1 Jan 2014) includes the requirements for using the equity method accounting for investments in associates and joint ventures. The adoption of the revised standard will have no material impact on the Group's financial statements reporting.

The amendment to IAS 32 *Financial Instruments: presentation* (effective for annual periods beginning on 1 Jan 2014 or after) specifies the presentation of situations when financial assets and liabilities are offset. The adoption of the amendment will have no material impact on the Group's financial statements reporting.

# Segment information

The Group's business segments comprise P&C insurance, Life insurance and Holding company.

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

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

Depreciation and amortisation by segment are disclosed in notes 11 - 13 and investments in associates in note 14.

# Consolidated income statement by business segment for year ended 31 December 2013

| EURm | P&C insurance | Life insurance | Holding | Elimination | Group |
|---|---|---|---|---|---|
| Insurance premius written | 4,560 | 1,063 | - | -6 | 5,618 |
| Net income from investments | 368 | 569 | 26 | -22 | 942 |
| Other operating income | 28 | 4 | 15 | -16 | 31 |
| Claims incurred | -2,946 | -731 | - | - | -3,677 |
| Change in liabilities for insurance and investment contracts | -55 | -648 | - | 6 | -697 |
| Staff costs | -564 | -46 | -23 | - | -634 |
| Other operating expenses | -493 | -54 | -11 | 16 | -543 |
| Finance costs | -18 | -7 | -51 | 18 | -58 |
| Share of associates' profit/loss | 50 | 1 | 635 | - | 686 |
| **Profit before taxes** | **929** | **153** | **589** | **-3** | **1,668** |
| Taxes | -181 | -33 | -3 | 2 | -216 |
| **Profit for the year** | **748** | **119** | **586** | **-1** | **1,452** |
| **Other comprehensive income for the period** | | | | | |
| **Items reclassifiable to profit or loss** | | | | | |
| Exchange differences | -153 | 0 | - | - | -153 |
| Available-for-sale financial assets | 134 | 97 | 4 | -2 | 233 |
| Cash flow hedges | - | -0 | - | - | -0 |
| Share of associate's other comprehensive income | - | - | -70 | - | -70 |
| Taxes | -25 | 4 | -1 | -0 | -22 |
| **Total items reclassifiable to profit or loss, net of tax** | **-45** | **101** | **-67** | **-2** | **-13** |
| **Items not reclassifiable to profit or loss** | -21 | - | - | - | -21 |
| Actuarial gains and losses from defined pension plans | 7 | - | - | - | 7 |
| Taxes | | | | | |
| **Total items not reclassifiable to profit or loss, net of tax** | **-14** | **-** | **-** | **-** | **-14** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **689** | **220** | **520** | **-3** | **1,425** |
| **Profit attributable to** | | | | | |
| Owners of the parent | | | | | 1,452 |
| Non-controlling interests | | | | | - |
| **Total comprehensive income attributable to** | | | | | |
| Owners of the parent | | | | | 1,425 |
| Non-controlling interests | | | | | - |

# Consolidated income statement by business segment for year ended 31 December 2012

| EURm | P&C insurance | Life insurance | Holding | Elimination | Group |
|---|---|---|---|---|---|
| Insurance premius written | 4,441 | 977 | - | -5 | 5,413 |
| Net income from investments | 359 | 574 | 51 | -18 | 967 |
| Other operating income | 33 | 3 | 15 | -16 | 35 |
| Claims incurred | -2,876 | -669 | - | 4 | -3,540 |
| Change in liabilities for insurance and investment contracts | -78 | -642 | - | 1 | -719 |
| Staff costs | -521 | -42 | -18 | 0 | -582 |
| Other operating expenses | -521 | -58 | -13 | 16 | -576 |
| Finance costs | -19 | -7 | -65 | 16 | -75 |
| Share of associates' profit/loss | 46 | 0 | 653 | 0 | 700 |
| **Profit before taxes** | **864** | **136** | **623** | **-1** | **1,622** |
| Taxes | -188 | -28 | 1 | 0 | -214 |
| **Profit for the year** | **677** | **108** | **624** | **-1** | **1,408** |
| **Other comprehensive income for the period** | | | | | |
| **Items reclassifiable to profit or loss** | | | | | |
| Exchange differences | 46 | 0 | - | - | 46 |
| Available-for-sale financial assets | 281 | 236 | -2 | -6 | 509 |
| Cash flow hedges | - | -1 | - | - | -1 |
| Share of associate's other comprehensive income | - | - | 9 | - | 9 |
| Taxes | -56 | -58 | 0 | -0 | -114 |
| **Total items reclassifiable to profit or loss, net of tax** | **270** | **177** | **8** | **-6** | **449** |
| **Items not reclassifiable to profit or loss** | | | | | |
| Actuarial gains and losses from defined pension plans | 44 | - | - | - | 44 |
| Taxes | -13 | - | - | - | -13 |
| **Total items not reclassifiable to profit or loss, net of tax** | **31** | **-** | **-** | **-** | **31** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **947** | **286** | **631** | **-7** | **1,887** |
| **Profit attributable to** | | | | | |
| Owners of the parent | | | | | 1,408 |
| Non-controlling interests | | | | | - |
| **Total comprehensive income attributable to** | | | | | |
| Owners of the parent | | | | | 1,887 |
| Non-controlling interests | | | | | - |

# Consolidated balance sheet by business segment at 31 December 2013

| EURm | P&C insurance | Life insurance | Holding | Elimination | Group |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 16 | 5 | 4 | - | 25 |
| Investment property | 22 | 107 | 0 | -4 | 125 |
| Intangible assets | 590 | 162 | 0 | - | 752 |
| Investments in associates | 374 | 1 | 6,906 | - | 7,282 |
| Financial assets | 11,265 | 5,122 | 3,148 | -2,712 | 16,824 |
| Investments related to unit-linked insurance contracts | - | 4,623 | - | -7 | 4,616 |
| Tax assets | 58 | 0 | 14 | -4 | 68 |
| Reinsurers' share of insurance liabilities | 420 | 3 | - | - | 422 |
| Other assets | 1,559 | 81 | 47 | -10 | 1,676 |
| Cash and cash equivalents | 282 | 222 | 280 | - | 785 |
| **Total assets** | **14,586** | **10,327** | **10,399** | **-2,736** | **32,576** |
| **Liabilities** | | | | | |
| Liabilities for insurance and investment contracts | 9,500 | 3,927 | - | - | 13,427 |
| Liabilities for unit-linked insurance and investment contracts | - | 4,617 | - | -7 | 4,610 |
| Financial liabilities | 373 | 111 | 2,045 | -336 | 2,193 |
| Tax liabilities | 381 | 128 | - | -1 | 508 |
| Provisions | 58 | - | - | - | 58 |
| Employee benefits | 195 | - | - | - | 195 |
| Other liabilities | 694 | 129 | 129 | -11 | 941 |
| **Total liabilities** | **11,202** | **8,912** | **2,174** | **-355** | **21,933** |
| **Equity** | | | | | |
| Share capital | | | | | 98 |
| Reserves | | | | | 1,531 |
| Retained earnings | | | | | 8,175 |
| Other components of equity | | | | | 840 |
| **Equity attributable to parent company's equityholders** | | | | | **10,643** |
| Non-controlling interests | | | | | - |
| **Total equity** | | | | | **10,643** |
| **Total equity and liabilities** | | | | | **32,576** |

# Consolidated balance sheet by business segment at 31 December 2012

| EURm | P&C insurance | Life insurance | Holding | Elimination | Group |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 16 | 5 | 4 | - | 26 |
| Investment property | 27 | 95 | 4 | -4 | 122 |
| Intangible assets | 606 | 164 | 0 | - | 771 |
| Investments in associates | 362 | 0 | 6,687 | - | 7,049 |
| Financial assets | 11,200 | 5,269 | 3,028 | -2,641 | 16,857 |
| Investments related to unit-linked insurance | - | 3,834 | - | -1 | 3,833 |
| Tax assets | 65 | 0 | 18 | -5 | 78 |
| Reinsurers' share of insurance liabilities | 577 | 3 | - | - | 580 |
| Other assets | 1,592 | 109 | 41 | -13 | 1,729 |
| Cash and cash equivalents | 407 | 154 | 473 | - | 1,034 |
| **Total assets** | **14,852** | **9,635** | **10,256** | **-2,663** | **32,079** |
| **Liabilities** | | | | | |
| Liabilities for insurance and investment contracts | 9,854 | 4,071 | - | - | 13,925 |
| Liabilities for unit-linked insurance and investment contracts | - | 3,833 | - | -1 | 3,832 |
| Financial liabilities | 362 | 105 | 2,181 | -270 | 2,378 |
| Tax liabilities | 389 | 153 | - | -0 | 542 |
| Provisions | 56 | - | - | - | 56 |
| Employee benefits | 203 | - | - | - | 203 |
| Other liabilities | 807 | 177 | 152 | -13 | 1,123 |
| **Total liabilities** | **11,671** | **8,340** | **2,333** | **-284** | **22,059** |
| **Equity** | | | | | |
| Share capital | | | | | 98 |
| Reserves | | | | | 1,531 |
| Retained earnings | | | | | 7,496 |
| Other components of equity | | | | | 896 |
| **Equity attributable to parent company's equityholders** | | | | | **10,020** |
| Non-controlling interests | | | | | 0 |
| **Total equity** | | | | | **10,020** |
| **Total equity and liabilities** | | | | | **32,079** |

## Geographical information

| EURm | Finland | Sweden | Norway | Denmark | Baltic | Total |
|---|---|---|---|---|---|---|
| **At 31 Dec. 2013** | | | | | | |
| **Revenue from external customers** | | | | | | |
| P&C insurance | 1,005 | 1,371 | 1,616 | 399 | 114 | 4,505 |
| Life insurance | 1,031 | - | - | - | 32 | 1,063 |
| Holding | 41 | - | - | - | - | 41 |
| **Total** | **2,077** | **1,371** | **1,616** | **399** | **146** | **5,608** |
| **Non-current assets** | | | | | | |
| P&C insurance | 109 | 515 | 22 | 350 | 6 | 1,002 |
| Life insurance | 274 | - | - | - | 1 | 275 |
| Holding | 4 | 6,906 | - | - | - | 6,910 |
| **Total** | **388** | **7,421** | **22** | **350** | **7** | **8,187** |
| **At 31 Dec. 2012** | | | | | | |
| **Revenue from external customers** | | | | | | |
| P&C insurance | 910 | 1,321 | 1,630 | 389 | 113 | 4,363 |
| Life insurance | 944 | - | - | - | 33 | 977 |
| Holding | 66 | - | - | - | - | 66 |
| **Total** | **1,920** | **1,321** | **1,630** | **389** | **146** | **5,406** |
| **Non-current assets** | | | | | | |
| P&C insurance | 110 | 529 | 23 | 338 | 11 | 1,011 |
| Life insurance | 264 | - | - | - | 1 | 265 |
| Holding | 8 | 6,687 | - | - | - | 6,696 |
| **Total** | **382** | **7,217** | **23** | **338** | **12** | **7,972** |

The revenue includes insurance premiums according to the underwriting country, consisting of premiums earned for P&C insurance and premiums written for Life insurance, and net investment income and other operating income in the Holding segment.

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

# Notes to the Group's Financial Statements

# 1 Insurance premiums written

## P&C insurance

| EURm | 2013 | 2012 |
|---|---|---|
| **Premiums from insurance contracts** | | |
| Premiums written, direct insurance | 4,674 | 4,590 |
| Premiums written, assumed reinsurance | 94 | 109 |
| **Premiums written, gross** | **4,768** | **4,698** |
| Reinsurers' share of premiums written | -208 | -258 |
| **Premiums written, net** | **4,560** | **4,441** |
| Change in unearned premium provision | -46 | -79 |
| Reinsurers' share | -10 | 1 |
| **Change in unearned premium provision, net** | **-55** | **-78** |
| **Premiums earned, total** | **4,505** | **4,363** |

## Life insurance

| EURm | 2013 | 2012 |
|---|---|---|
| **Premiums from insurance contracts** | | |
| Premiums written, direct insurance | 624 | 591 |
| Premiums written, assumed reinsurance | 4 | 2 |
| **Insurance contracts total, gross** | **628** | **593** |
| Premium revenue ceded to reinsurers on insurance contracts issued | -5 | -5 |
| **Insurance contracts total, net** | **623** | **588** |
| Investment contracts | 440 | 389 |
| **Premiums written, net** [1)] | **1,063** | **977** |
| Elimination items between segments | -6 | -5 |
| **Group, total** | **5,618** | **5,413** |

*1) The change in unearned premiums is presented in note 4 " The change in insurance and investment liabilities".*

### Specification of premiums written in Life insurance

| EURm | 2013 | 2012 |
|---|---|---|
| **Premiums from insurance contracts** | | |
| Premiums from contracts with discretionary participation feature | 153 | 168 |
| Premiums from unit-linked contracts | 469 | 421 |
| Premiums from other contracts | 1 | 1 |
| **Total** | **624** | **591** |
| Assumed reinsurance | 4 | 2 |
| **Premiums from investment contracts** | | |
| Premiums from contracts with discretionary participation feature | 0 | 0 |
| Premiums from unit-linked contracts | 440 | 389 |
| **Total** | **440** | **389** |
| **Insurance and investment contracts, total** | **1,068** | **983** |
| Reinsurers' share | -5 | -5 |
| **Premiums written, total** | **1,063** | **977** |
| **Single and regular premiums from direct insurance** | | |
| Regular premiums, insurance contracts | 291 | 320 |
| Single premiums, insurance contracts | 333 | 271 |
| Single premiums, investment contracts | 440 | 389 |
| **Total** | **1,064** | **981** |

# 2 Net income from investments

## P&C insurance

| EURm | 2013 | 2012 |
|---|---|---|
| **Financial assets** | | |
| **Derivative financial instruments** | | |
| Gains/losses | -5 | -12 |
| **Financial assets designated as at fair value through p/l** | | |
| Debt securities | | |
| Interest income | 0 | 3 |
| Gains/losses | -0 | 4 |
| Equity securities | | |
| Gains/losses | 6 | 0 |
| Dividend income | 0 | 0 |
| **Total** | **7** | **7** |
| **Loans and receivables** | | |
| Interest income | 22 | 18 |
| **Financial assets available-for-sale** | | |
| Debt securities | | |
| Interest income | 317 | 379 |
| Impairment losses | -0 | 3 |
| Gains/losses | 13 | 11 |
| Equity securities | | |
| Gains/losses | 57 | 12 |
| Impairment losses | -4 | -27 |
| Dividend income | 37 | 40 |
| **Total** | **419** | **418** |
| **Total from financial assets** | **443** | **430** |
| **Other assets** | | |
| Investment properties | | |
| Gains/losses | -0 | 1 |
| Other | -1 | -1 |
| **Total from other assets** | **-1** | **0** |
| Expense on other than financial liabilities | -4 | -3 |
| Effect of discounting annuities | -55 | -57 |

| | | |
|---|---:|---:|
| **Fee and commission expenses** | | |
| Asset management | -15 | -11 |
| | | |
| **P&C insurance, total** | **368** | **359** |

Included in gains/losses from financial assets available-for-sale is a net gain of EURm -63 (28) transferred from the fair value reserve.

## Life insurance

| EURm | 2013 | 2012 |
|---|---:|---:|
| **Financial assets** | | |
| **Derivative financial instruments** | | |
| Gains/losses | 6 | 42 |
| | | |
| **Financial assets designated as at fair value through p/l** | | |
| Debt securities | | |
| Interest income | 1 | 3 |
| Gains/losses | 0 | -1 |
| Equity securities | | |
| Gains/losses | 0 | 0 |
| Dividend income | 0 | 0 |
| **Total** | **2** | **3** |
| | | |
| **Investments related to unit-linked contracts** | | |
| Debt securities | | |
| Interest income | 46 | 34 |
| Gains/losses | -27 | 37 |
| Equity securities | | |
| Gains/losses | 210 | 237 |
| Dividend income | 13 | 11 |
| Loans and receivables | | |
| Interest income | -1 | 1 |
| Other financial assets | | |
| Gains/losses | 29 | -26 |
| **Total** | **270** | **294** |
| | | |
| **Loans and receivables** | | |
| Interest income | 1 | 1 |
| Gains/losses | -5 | 1 |
| **Total** | **-4** | **1** |
| | | |
| **Financial assets available-for-sale** | | |
| Debt securities | | |
| Interest income | 115 | 144 |
| Gains/losses | 2 | 13 |
| Equity securities | | |
| Gains/losses | 111 | 37 |
| Impairment losses | -33 | -37 |
| Dividend income | 87 | 67 |
| **Total** | **282** | **224** |

| | | |
|---|---|---|
| **Total financial assets** | **555** | **563** |
| **Other assets** | | |
| Investment properties | | |
| Gains/losses | 1 | -0 |
| Impairment losses | 0 | -2 |
| Other | 2 | 4 |
| **Total other assets** | **2** | **2** |
| **Net fee income** | | |
| Asset management | -13 | -13 |
| Fee income | 25 | 22 |
| **Total** | **11** | **9** |
| **Life insurance, total** | **569** | **574** |

Included in gains/losses from financial assets available-for-sale is a net gain of EURm 70 (2) transferred from the fair value reserve.

## Holding

| **EURm** | **2013** | **2012** |
|---|---|---|
| **Financial assets** | | |
| **Derivative financial instruments** | | |
| Gains/losses | 8 | 23 |
| **Loans and receivables** | | |
| Interest income | 1 | 0 |
| Gains/losses | -6 | -0 |
| **Total** | **-5** | **-0** |
| **Financial assets available-for-sale** | | |
| Debt securities | | |
| Interest income | 16 | 21 |
| Gains/losses | - | 3 |
| Equity securities | | |
| Gains/losses | 5 | -0 |
| Impairment losses | -0 | -1 |
| Dividend income | 1 | 5 |
| **Total** | **22** | **28** |
| **Total financial assets** | **25** | **51** |
| **Other assets** | | |
| Investment properties | | |
| Gains/losses | 1 | 0 |
| Other | -0 | -0 |
| **Total other assets** | **1** | **0** |

| | | |
|---|---|---|
| Net fee income | -0 | -0 |
| **Holding, total** | **26** | **51** |
| Included in gains/losses from financial assets available-for-sale is a net gain of EURm 4 (2) transferred from the fair value reserve. | | |
| Elimination items between segments | -22 | -18 |
| **EURm** | **2013** | **2012** |
| **Group, total** | **942** | **967** |

Other income and expenses comprise rental income, maintenance expenses and depreciation of investment property.

All the income and expenses arising from investments are included in Net income from investments. Gains/losses include realised gains/losses on sales, unrealised and realised changes in fair values and exchange differences. Unrealised fair value changes for financial assets available-for-sale are recorded in other comprehensive income and presented in the fair value reserve in equity.

The changes in the fair value reserve are disclosed in the Statement of changes in equity.

The effect of discounting annuities in P&C insurance is disclosed separately. The provision for annuities is calculated in accordance with actuarial principles taking anticipated inflation and mortality into consideration, and discounted to take the anticipated future return on investments into account. To cover the costs for upward adjustment of annuity provisions required for the gradual reversal of such discounting, an anticipated return on investments is added to annuity results.

# 3 Claims incurred

## P&C insurance

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| **EURm** | **Gross** | **Ceded** | **Net** | **Gross** | **Ceded** | **Net** |
| **P&C insurance** | | | | | | |
| **Claims cost attributable to current-year operations** | | | | | | |
| Claims paid | -1,718 | 21 | -1,697 | -1,694 | 30 | -1,665 |
| Change in provision for claims outstanding (incurred and reported losses) | -715 | 19 | -696 | -894 | 166 | -727 |
| Change in provision for claims outstanding (incurred but not reported losses, IBNR) | -633 | 13 | -620 | -622 | 13 | -609 |
| Claims-adjustment costs | -4 | 0 | -4 | 2 | - | 2 |
| Change in claims provision for annuities | -7 | 0 | -7 | -9 | - | -9 |
| **Total claims cost attributable to current-year operations** | **-3,078** | **53** | **-3,025** | **-3,218** | **209** | **-3,009** |
| **Claims costs attributable to prior-year operations** | | | | | | |
| Claims paid | -1,274 | 165 | -1,108 | -1,426 | 139 | -1,288 |
| Annuities paid | -77 | 0 | -77 | -20 | -0 | -20 |
| Change in provision for claims outstanding (incurred and reported losses) | 915 | -140 | 775 | 938 | -100 | 837 |
| Change in provision for claims outstanding (incurred but not reported losses, IBNR) | 508 | -18 | 489 | 647 | -44 | 603 |
| **Total claims cost attributable to prior-year operations** | **71** | **7** | **79** | **139** | **-6** | **133** |
| **Insurance claims paid** | | | | | | |
| Claims paid | -2,991 | 186 | -2,805 | -3,121 | 168 | -2,952 |
| Annuities paid | -129 | - | -129 | -42 | - | -42 |
| **Total claims paid** | **-3,120** | **186** | **-2,935** | **-3,163** | **168** | **-2,995** |
| **Change in provision for claims outstanding** | | | | | | |
| Change in provision for claims outstanding (incurred and reported losses) | 199 | -121 | 79 | 44 | 66 | 110 |
| Change in provision for claims outstanding (incurred but not reported losses, IBNR) | -126 | -5 | -131 | 25 | -31 | -6 |
| Change in claims provision for annuities | 45 | 0 | 45 | 13 | -0 | 13 |
| Claims-adjustment costs | -4 | - | -4 | 2 | - | 2 |
| **Total change in provision for claims outstanding** | **114** | **-126** | **-12** | **84** | **35** | **119** |
| **P&C insurance, total** | **-3,006** | **60** | **-2,946** | **-3,079** | **203** | **-2,876** |

The provision for annuities is valued in accordance with normal actuarial principles taking anticipated inflation and mortality into consideration, and discounted to take the anticipated future investment return into account. To cover costs for the upward adjustment of annuity provisions required for the gradual reversal of such discounting, an anticipated return is added to the annuity results. Provisions for incurred but not reported losses pertaining to annuities in Finland are discounted. The provisions in 2013 amounted to EURm 282 (289). The non-discounted value was EURm 453 (513). The exchange effect on the discounted provisions was an increase of EURm 9. The acquired businesses increased the the provision by some EURm 9. The real decrease EURm 15 is partly explained by the model adjustment for Motor Third Party Liability and Workers' Compensation insurances.

**Interest rate used in calculating the technical provisions of annuities (%)**

| | 2013 | 2012 |
|---|---|---|
| Sweden | 1.19% | 0.18% |
| Finland | 2.50% | 3.00% |
| Denmark | 2.00% | 2.00% |

## Life insurance

| | Claims paid | | Change in provision for claims outstanding | | Claims incurred | |
|---|---|---|---|---|---|---|
| **EURm** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| **Insurance contracts** | | | | | | |
| **Life insurance** | | | | | | |
| Contracts with discretionary participation feature (DPF) | -50 | -77 | -0 | -3 | -50 | -80 |
| Other contracts | -0 | -0 | -0 | -1 | -0 | -1 |
| Unit-linked contracts | -160 | -155 | 0 | 4 | -160 | -152 |
| **Total** | **-211** | **-233** | **0** | **0** | **-210** | **-233** |
| **Pension insurance** | | | | | | |
| Contracts with discretionary participation feature (DPF) | -344 | -346 | 24 | 51 | -320 | -296 |
| Unit-linked contracts | -12 | -10 | -16 | -10 | -29 | -20 |
| **Total** | **-357** | **-357** | **8** | **41** | **-349** | **-315** |
| **Assumed reinsurance** | -1 | -1 | -1 | 0 | -2 | -1 |
| **Insurance contracts total, gross** | **-568** | **-590** | **7** | **41** | **-561** | **-548** |
| Reinsurers´ share | 3 | 4 | -1 | 0 | 2 | 4 |
| **Insurance contracts total, net** | **-565** | **-586** | **7** | **41** | **-559** | **-545** |
| **Investment contracts** | | | | | | |
| **Capital redemption policies** | | | | | | |
| Contracts with discretionary participation feature (DPF) | -1 | -1 | - | - | -1 | -1 |
| Unit-linked contracts | -172 | -123 | - | - | -172 | -123 |
| **Investment contracts, total** | **-173** | **-124** | **-** | **-** | **-173** | **-124** |
| **Life insurance, total** | **-738** | **-710** | **7** | **41** | **-731** | **-669** |

# Claims paid by type of benefit

| EURm | 2013 | 2012 |
|---|---|---|
| **Insurance contracts** | | |
| **Life insurance** | | |
| Surrender benefits | -10 | -8 |
| Death benefits | -21 | -26 |
| Maturity benefits | -9 | -33 |
| Loss adjustment expenses | -0 | -0 |
| Other | -10 | -10 |
| **Total** | **-50** | **-77** |
| **Life insurance, unit-linked** | | |
| Surrender benefits | -115 | -89 |
| Death benefits | -34 | -27 |
| Maturity benefits | -12 | -40 |
| Loss adjustment expenses | 0 | -0 |
| **Total** | **-160** | **-155** |
| **Pension insurance** | | |
| Pension payments | -319 | -320 |
| Surrender benefits | -20 | -19 |
| Death benefits | -5 | -7 |
| Loss adjustment expenses | -0 | -0 |
| **Total** | **-344** | **-346** |
| **Pension insurance, unit-linked** | | |
| Surrender benefits | -9 | -8 |
| Death benefits | -4 | -2 |
| Other | -0 | -0 |
| **Total** | **-12** | **-10** |
| Assumed reinsurance | -1 | -1 |
| **Insurance contracts total, gross** | **-569** | **-590** |
| Reinsurers´ share | 3 | 4 |
| **Insurance contracts total, net** | **-565** | **-586** |
| **Investment contracts** | | |
| **Capital redemption policy, with-profit** | | |
| Surrender benefits | -0 | -0 |
| Loss adjustment expenses | -0 | -0 |
| **Total** | **-1** | **-1** |

| | | |
|---|---|---|
| **Investment contracts** | | |
| **Capital redemption policy, unit-linked** | | |
| Surrender benefits | -170 | -123 |
| Loss adjustment expenses | -2 | -0 |
| **Total** | **-172** | **-123** |
| **Investment contracts total, gross** | **-173** | **-124** |
| **Claims paid total, gross** | -741 | -714 |
| **Claims paid total, net** | -738 | -710 |
| Elimination items between segments | - | 4 |

| **EURm** | **2013** | **2012** |
|---|---|---|
| **Group, total** | **-3,677** | **-3,541** |

# 4 Change in liabilities for insurance and investment contracts

## P&C insurance

| **EURm** | **2013** | **2012** |
|---|---|---|
| Change in unearned premium provision | -46 | -79 |
| Reinsurers' share | -10 | 1 |
| **Change in unearned premium provision, net** | **-55** | **-78** |

## Life insurance

| **EURm** | **2013** | **2012** |
|---|---|---|
| **Insurance contracts** | | |
| **Life-insurance** | | |
| Contracts with discretionary participation feature (DPF) | 19 | 47 |
| Other contracts | 0 | 0 |
| Unit-linked contracts | -232 | -214 |
| **Total** | **-213** | **-167** |
| **Pension insurance** | | |
| Contracts with discretionary participation feature (DPF) | 102 | 83 |
| Unit-linked contracts | -183 | -229 |
| **Total** | **-80** | **-146** |
| Assumed reinsurance | -3 | 0 |
| **Insurance contracts total, gross** | **-296** | **-313** |
| Reinsurers´ share | 0 | 0 |
| **Insurance contracts total, net** | **-296** | **-313** |

| | | |
|---|---|---|
| **Investment contracts** | | |
| **Capital redemption policy** | | |
| Contracts with discretionary participation feature (DPF) | 2 | 1 |
| Unit-linked contracts | -353 | -330 |
| **Investment contracts, total** | **-352** | **-329** |
| **Change in liabilities for insurance and investment contracts in total, gross** | **-648** | **-642** |
| **Change in liabilities for insurance and investment contracts in total, net** | **-648** | **-642** |
| Elimination items between segments | 6 | 1 |
| **Group, total** | **-697** | **-719** |

## 5 Staff costs

### P&C insurance

| EURm | 2013 | 2012 |
|---|---|---|
| **Staff costs** | | |
| Wages and salaries | -390 | -381 |
| Cash-settled share-based payments | -22 | -16 |
| Pension costs | | |
| - defined contribution plans | -51 | -44 |
| - defined benefit plans (Note 31) | -22 | -7 |
| Other social security costs | -79 | -73 |
| **P&C insurance, total** | **-564** | **-521** |

### Life insurance

| EURm | 2013 | 2012 |
|---|---|---|
| **Staff costs** | | |
| Wages and salaries | -33 | -31 |
| Cash-settled share-based payments | -5 | -3 |
| Pension costs - defined contribution plans | -5 | -5 |
| Other social security costs | -3 | -2 |
| **Life insurance, total** | **-46** | **-42** |

## Holding

| EURm | 2013 | 2012 |
|---|---|---|
| **Staff costs** | | |
| Wages and salaries | -8 | -8 |
| Cash-settled share-based payments | -12 | -7 |
| Pension costs - defined contribution plans | -3 | -3 |
| Other social security costs | -1 | -1 |
| **Holding, total** | **-23** | **-18** |

| EURm | 2013 | 2012 |
|---|---|---|
| **Group, total** | **-634** | **-582** |

More information on share-based payments in note 36 Incentive schemes.

# 6 Other operating expenses

## P&C insurance

| EURm | 2013 | 2012 |
|---|---|---|
| IT costs | | |
| Other staff costs | -16 | -17 |
| Marketing expenses | -44 | -45 |
| Depreciation and amortisation | -11 | -9 |
| Rental expenses | -53 | -53 |
| Change in deferred acquisition costs | 3 | 10 |
| Direct insurance comissions | -180 | -184 |
| Commissions on reinsurance ceded | 18 | 19 |
| Other | -108 | -144 |
| **P&C insurance, total** | **-393** | **-422** |

## Life insurance

| EURm | 2013 | 2012 |
|---|---|---|
| IT costs | -12 | -14 |
| Other staff costs | -2 | -2 |
| Marketing expenses | -3 | -4 |
| Depreciation and amortisation | -3 | -4 |
| Rental expenses | -3 | -3 |
| Direct insurance comissions | -10 | -8 |
| Comissions of reinsurance assumed | 0 | -1 |
| Commissions on reinsurance ceded | 2 | 1 |
| Other | -23 | -24 |
| **Life insurance, total** | **-54** | **-58** |

Item Other for P&C and Life Insurance includes e.g. expenses related to communication, external services and other administrative expenses.

## Holding

| EURm | 2013 | 2012 |
|---|---|---|
| IT costs | -0 | -0 |
| Other staff costs | -0 | -0 |
| Marketing expenses | -2 | -1 |
| Depreciation and amortisation | -0 | -0 |
| Rental expenses | -1 | -1 |
| Other | -8 | -9 |
| **Holding, total** | **-11** | **-13** |

Item Other includes e.g. consultancy fees and rental and other administrative expenses.

| | | |
|---|---|---|
| Elimination items between segments | 16 | 16 |

| EURm | 2013 | 2012 |
|---|---|---|
| **Group, total** | **-543** | **-576** |

## 7 Result analysis of P&C insurance

| EURm | 2013 | 2012 |
|---|---|---|
| Insurance premiums earned | 4,505 | 4,363 |
| Claims incurred | -3,215 | -3,142 |
| Operating expenses | -755 | -738 |
| Other insurance technical income and expense | 2 | 3 |
| Allocated investment return transferred from the non-technical account | 65 | 89 |
| **Technical result** | **601** | **574** |
| Net investment income | 405 | 397 |
| Allocated investment return transferred to the technical account | -120 | -146 |
| Other income and expense | 43 | 39 |
| **Operating result** | **929** | **864** |

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

| EURm | 2013 | 2012 |
|---|---|---|
| Claims-adjustment expenses (Claims paid) | -269 | -266 |
| Acquisition expenses (Operating expenses) | -525 | -528 |
| Joint administrative expenses for insurance business (Operating expenses) | -245 | -240 |
| Administrative expenses pertaining to other technical operations (Operating expenses) | -26 | -30 |
| Asset management costs (Investment expenses) | -15 | -11 |
| **Total** | **-1,081** | **-1,075** |

# 8 Performance analysis per class of P&C insurance

| EURm | Accident and health | Motor, third party liability | Motor, other classes | Marine, air and transport | Fire and other damage to property | Third party liability | Credit insurance |
|---|---|---|---|---|---|---|---|
| Premiums written, gross | | | | | | | |
| 2013 | 772 | 689 | 1,334 | 148 | 1,367 | 216 | 3 |
| 2012 | 738 | 693 | 1,291 | 150 | 1,366 | 203 | 3 |
| Premiums earned, gross | | | | | | | |
| 2013 | 757 | 695 | 1,308 | 147 | 1,359 | 211 | 2 |
| 2012 | 720 | 694 | 1,249 | 148 | 1,352 | 203 | 2 |
| Claims incurred, gross [1)] | | | | | | | |
| 2013 | -560 | -508 | -918 | -93 | -966 | -105 | -1 |
| 2012 | -477 | -499 | -911 | -66 | -1,006 | -96 | -1 |
| Operating expenses, gross [2)] | | | | | | | |
| 2013 | -135 | -144 | -195 | -26 | -207 | -31 | -0 |
| 2012 | -125 | -144 | -191 | -26 | -208 | -31 | -0 |
| Profit/loss from ceded reinsurance | | | | | | | |
| 2013 | -2 | -2 | -2 | -10 | -81 | -32 | 0 |
| 2012 | -18 | 5 | -2 | -25 | -70 | -34 | -0 |
| **Technical result before investment return** | | | | | | | |
| **2013** | **60** | **41** | **193** | **18** | **105** | **42** | **1** |
| **2012** | **100** | **56** | **145** | **31** | **68** | **42** | **1** |

| EURm | Legal expenses | Other | Total direct insurance | Reinsurance assumed | Elimination | Total |
|---|---|---|---|---|---|---|
| Premiums written, gross | | | | | | |
| 2013 | 40 | 112 | 4,680 | 94 | -6 | 4,768 |
| 2012 | 34 | 117 | 4,596 | 109 | -6 | 4,698 |
| Premiums earned, gross | | | | | | |
| 2013 | 39 | 113 | 4,631 | 97 | -6 | 4,723 |
| 2012 | 34 | 116 | 4,519 | 106 | -6 | 4,619 |
| Claims incurred, gross [1)] | | | | | | |
| 2013 | -26 | -48 | -3,226 | -56 | 6 | -3,276 |
| 2012 | -24 | -170 | -3,250 | -100 | 4 | -3,345 |
| Operating expenses, gross [2)] | | | | | | |
| 2013 | -7 | -14 | -760 | -24 | 11 | -773 |
| 2012 | -6 | -10 | -742 | -26 | 13 | -755 |
| Profit/loss from ceded reinsurance | | | | | | |
| 2013 | -0 | -14 | -144 | -2 | 6 | -140 |
| 2012 | 0 | 99 | -46 | 7 | 6 | -34 |
| **Technical result before investment return** | | | | | | |
| **2013** | **6** | **37** | **501** | **16** | **17** | **534** |
| **2012** | **3** | **35** | **481** | **-13** | **17** | **485** |

*1) Activity-based operating costs EURm 269 (271) have been allocated to claims incurred.*

*2) Includes other technical income EURm 28 (33) and other technical expenses EURm 26 (30).*

## 9 Earnings per share

| EURm | 2013 | 2012 |
|---|---|---|
| **Earnings per share** | | |
| Profit or loss attributable to the equity holders of the parent company | 1,452 | 1,408 |
| Weighted average number of shares outstanding during the period | 560 | 560 |
| Earnings per share (EUR per share) | 2.59 | 2.51 |

## 10 Financial assets and liabilities

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

| | | | 2013 | | |
|---|---|---|---|---|---|
| **EURm** | **Carrying amount** | **Interes inc./exp.t** | **Gains / losses** | **Impairment losses** | **Dividend income** |
| **FINANCIAL ASSETS** | | | | | |
| **Financial assets at fair value through p/l** | | | | | |
| Derivative financial instruments | 78 | 1 | 37 | - | - |
| Financial assets designated as at fair value through p/l | 50 | 1 | 7 | - | 0 |
| **Loans and receivables** | 1,051 | 23 | -11 | - | - |
| **Financial assets available-for-sale** | 16,430 | 427 | 187 | -38 | 125 |
| **Financial assets, group total** | **17,609** | **453** | **220** | **-38** | **125** |
| **FINANCIAL LIABILITIES** | | | | | |
| **Financial liabilities at fair value through p/l** | | | | | |
| Derivative financial instruments | 53 | - | - | | |
| **Other financial liabilities** | 2,140 | -73 | 16 | | |
| **Financial liabilities, group total** | **2,193** | **-73** | **16** | | |

| EURm | Carrying amount | Interes inc./exp.t | 2012 Gains / losses | Impairment losses | Dividend income |
|---|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | | |
| **Financial assets at fair value through p/l** | | | | | |
| Derivative financial instruments | 168 | 2 | 32 | - | - |
| Financial assets designated as at fair value through p/l | 70 | 6 | 3 | - | 0 |
| **Loans and receivables** | 1,142 | 19 | 0 | - | - |
| **Financial assets available-for-sale** | 16,511 | 526 | 75 | -62 | 112 |
| **Financial assets, group total** | **17,891** | **554** | **111** | **-62** | **112** |
| **FINANCIAL LIABILITIES** | | | | | |
| **Financial liabilities at fair value through p/l** | | | | | |
| Derivative financial instruments | 62 | - | - | | |
| **Other financial liabilities** | 2,316 | -85 | 10 | | |
| **Financial liabilities, group total** | **2,378** | **-85** | **10** | | |

# 11 Property, plant and equipment

## P&C insurance

| EURm | 2013 Equipment | 2012 Equipment |
|---|---|---|
| **At 1 Jan.** | | |
| Cost | 154 | 146 |
| Accumulated depreciation | -138 | -131 |
| **Net carrying amount** | **16** | **16** |
| Opening net carrying amount | 16 | 16 |
| Additions | 9 | 9 |
| Disposals | -1 | -2 |
| Depreciation | -8 | -8 |
| Exchange differences | -1 | 0 |
| **Closing net carrying amount** | **16** | **16** |
| **At 31 Dec.** | | |
| Cost | 162 | 154 |
| Accumulated depreciation | -146 | -138 |
| **Net carrying amount** | **16** | **16** |

## Life insurance

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| **EURm** | **Land and buildings** | **Equipment** | **Total** | **Land and buildings** | **Equipment** | **Total** |
| **At 1 Jan.** | | | | | | |
| Cost | 4 | 8 | 12 | 4 | 7 | 12 |
| Accumulated depreciation | -1 | -6 | -6 | -0 | -5 | -6 |
| **Net carrying amount** | **4** | **2** | **5** | **4** | **2** | **6** |
| | | | | | | |
| Opening net carrying amount | 4 | 2 | 5 | 4 | 2 | 6 |
| Additions | - | - | 0 | - | 0 | 0 |
| Depreciation | - | - | 0 | -0 | -0 | -1 |
| **Closing net carrying amount** | **4** | **2** | **5** | **4** | **2** | **5** |
| | | | | | | |
| **At 31 Dec.** | | | | | | |
| Cost | 4 | 8 | 12 | 4 | 8 | 12 |
| Accumulated depreciation | -1 | -6 | -6 | -1 | -6 | -6 |
| **Net carrying amount** | **4** | **2** | **5** | **4** | **2** | **5** |

## Holding

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| **EURm** | **Land and buildings** | **Equipment** | **Total** | **Land and buildings** | **Equipment** | **Total** |
| **At 1 Jan.** | | | | | | |
| Cost | 2 | 5 | 7 | 2 | 5 | 7 |
| Accumulated depreciation | -1 | -2 | -3 | -1 | -2 | -3 |
| **Net carrying amount** | **1** | **3** | **4** | **1** | **3** | **4** |
| | | | | | | |
| Opening net carrying amount | 1 | 3 | 4 | 1 | 3 | 4 |
| Additions | 0 | 0 | 0 | - | 0 | 0 |
| Depreciation | -0 | -0 | -0 | -0 | -0 | -0 |
| **Closing net carrying amount** | **1** | **3** | **4** | **1** | **3** | **4** |
| | | | | | | |
| **At 31 Dec.** | | | | | | |
| Cost | 2 | 5 | 7 | 2 | 5 | 7 |
| Accumulated depreciation | -1 | -2 | -3 | -1 | -2 | -3 |
| **Net carrying amount** | **1** | **3** | **4** | **1** | **3** | **4** |

| **EURm** | **2013** | **2012** |
|---|---|---|
| **Group, total** | **25** | **26** |

Equipment in different segments comprise IT equipment and furniture.

# 12 Investment property

## P&C insurance

| EURm | 2013 | 2012 |
|---|---|---|
| **At 1 Jan.** | | |
| Cost | 34 | 34 |
| Accumulated depreciation | -7 | -6 |
| Accumulated impairment losses | -0 | -2 |
| **Net carrying amount** | **27** | **26** |
| | | |
| **Opening net carrying amount** | **27** | **26** |
| Additions | -5 | -0 |
| Disposals | -1 | -1 |
| Depreciation | -1 | -1 |
| Impairment losses | 1 | 2 |
| Reversal of impairment losses | -1 | 0 |
| Exchange differences | 2 | 1 |
| **Closing net carrying amount** | **22** | **26** |
| | | |
| **At 31 Dec.** | | |
| Cost | 29 | 34 |
| Accumulated depreciation | -7 | -7 |
| Accumulated impairment losses | -0 | -0 |
| **Net carrying amount** | **22** | **27** |
| | | |
| Rental income from investment property | 3 | 3 |
| | | |
| **Property rented out under operating lease** | | |
| **Non-cancellable minimum rental** | | |
| - not later than one year | 1 | 2 |
| - later than one year and not later than five years | 1 | 1 |
| - later than five years | 0 | 0 |
| **Total** | **2** | **3** |
| | | |
| **Expenses arising from investment property** | | |
| - direct operating expenses arising from investment property generating rental income during the period | -2 | -2 |
| - direct operating expenses arising from investment property not generating rental income during the period | -1 | -1 |
| **Total** | **-2** | **-3** |
| | | |
| **Fair value of investment property at 31 Dec.** | **23** | **23** |

## Life insurance

| EURm | 2013 | 2012 |
|---|---|---|
| **At 1 Jan.** | | |
| Cost | 157 | 150 |
| Accumulated depreciation | -45 | -42 |
| Accumulated impairment losses | -16 | -16 |
| **Net carrying amount** | **95** | **92** |
| | | |
| **Opening net carrying amount** | **95** | **92** |
| Additions | 17 | 8 |
| Disposals | -2 | 0 |
| Depreciation | -3 | -3 |
| Impairment losses | -1 | -2 |
| **Closing net carrying amount** | **107** | **95** |
| | | |
| **At 31 Dec.** | | |
| Cost | 172 | 158 |
| Accumulated depreciation | -48 | -45 |
| Accumulated impairment losses | -17 | -17 |
| **Net carrying amount** | **107** | **95** |
| | | |
| Rental income from investment property | 13 | 15 |
| | | |
| **Property rented out under operating lease** | | |
| **Non-cancellable minimum rental** | | |
| - not later than one year | 6 | 6 |
| - later than one year and not later than five years | 14 | 11 |
| - later than five years | 2 | 3 |
| **Total** | **22** | **20** |
| | | |
| **Expenses arising from investment property** | | |
| - direct operating expenses arising from investment property generating rental income during the period | -7 | -8 |
| - direct operating expenses arising from investment property not generating rental income during the period | -2 | -1 |
| **Total** | **-9** | **-8** |
| | | |
| **Fair value of investment property at 31 Dec.** | **125** | **112** |

## Holding

| EURm | 2013 | 2012 |
|---|---|---|
| **At 1 Jan.** | | |
| Cost | 4 | 4 |
| Accumulated depreciation | 0 | -0 |
| Accumulated impairment losses | 0 | 0 |
| **Net carrying amount** | **4** | **4** |
| | | |
| **Net carrying amount** | **4** | **4** |
| Disposals | -4 | -0 |
| **Closing net carrying amount** | **0** | **4** |
| | | |
| **At 31 Dec.** | | |
| Cost | 0 | 4 |
| Accumulated depreciation | 0 | -0 |
| Accumulated impairment losses | 0 | 0 |
| **Net carrying amount** | **0** | **4** |
| | | |
| **Rental income from investment property** | **0** | **0** |
| | | |
| **Fair value of investment property at 31 Dec.** | **0** | **4** |
| | | |
| Elimination items between segments | -4 | -4 |

| EURm | 2013 | 2012 |
|---|---|---|
| **Group, total** | **125** | **122** |

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

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

# 13 Intangible assets

## P&C insurance

| EURm | Goodwill | 2013<br>Other intangible assets | Total |
|---|---|---|---|
| At 1 Jan. | | | |
| Cost | 585 | 125 | 710 |
| Accumulated amortisation | - | -104 | -104 |
| **Net carrying amount** | **585** | **21** | **606** |
| **Opening net carrying amount** | **585** | **21** | **606** |
| Exchange differences | 0 | -2 | -2 |
| Additions | | | |
| Acquired separately | - | 7 | 7 |
| Disposals | 0 | - | 0 |
| Amortisation | - | -3 | -3 |
| **Closing net carrying amount** | **585** | **23** | **608** |
| At 31 Dec. | | | |
| Cost | 585 | 130 | 715 |
| Accumulated amortisation | - | -107 | -107 |
| **Net carrying amount** | **585** | **23** | **608** |

| EURm | Goodwill | 2012<br>Other intangible assets | Total |
|---|---|---|---|
| At 1 Jan. | | | |
| Cost | 564 | 119 | 682 |
| Accumulated amortisation | - | -102 | -102 |
| **Net carrying amount** | **564** | **13** | **580** |
| **Opening net carrying amount** | **564** | **13** | **576** |
| Exchange differences | 22 | 1 | 22 |
| Additions | | | |
| Acquired separately | - | 6 | 6 |
| Disposals | 0 | -1 | -1 |
| Amortisation | - | -2 | -2 |
| **Closing net carrying amount** | **585** | **17** | **602** |
| At 31 Dec. | | | |
| Cost | 585 | 125 | 710 |
| Accumulated amortisation | - | -104 | -104 |
| **Net carrying amount** | **585** | **21** | **606** |

## Life insurance

| EURm | 2013 Goodwill | 2013 Other intangible assets | 2013 Total | 2012 Goodwill | 2012 Other intangible assets | 2012 Total |
|---|---|---|---|---|---|---|
| At 1 Jan. | | | | | | |
| Cost | 153 | 42 | 195 | 153 | 0 | 153 |
| Accumulated amortisation | - | -31 | -31 | - | 0 | 0 |
| **Net carrying amount** | **153** | **11** | **164** | **153** | **0** | **153** |
| Opening net carrying amount | 153 | 11 | 164 | 153 | 12 | 165 |
| Additions | - | 1 | 1 | - | 2 | 2 |
| Amortisation | - | -3 | -3 | - | -3 | -3 |
| **Closing net carrying amount** | **153** | **9** | **162** | **153** | **11** | **164** |
| At 31 Dec. | | | | | | |
| Cost | 153 | 43 | 196 | 153 | 42 | 195 |
| Accumulated amortisation | - | -34 | -34 | - | -31 | -31 |
| **Net carrying amount** | **153** | **9** | **162** | **153** | **11** | **164** |

| EURm | 2013 | 2012 |
|---|---|---|
| **Group, total** | **770** | **771** |

Other intangible assets in all segments comprise mainly IT software.

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

## Testing goodwill for impairment

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

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

The recoverable amounts for If have been determined by using a discounted cash flow model. The model is based on Sampo's management's best estimates of both historical evidence and economic conditions such as volumes,interest rates, margins, capital structure and income and cost development. The value in use model for Mandatum Life is greatly influenced by the long-term development of insurance liabilities, affecting e.g. the required solvency capital and thus the recoverable amount. That is why the forecast period is longer for Mandatum Life, 10 years. The derived cash flows were discounted at the pre-tax rates of the weighted average cost of capital which for If was 9.4 per cent and for Mandatum Life 9.7 per cent. These are somewhat higher than last year due to the increase in Nordic government bonds.

Forecasts for If, approved by the management, cover years 2014 – 2016. The cash flows beyond that have been extrapolated using a 2 per cent growth rate. A 2 per cent growth rate for years beyond 2023 has been used for the for Mandatum Life as well, as it is believed to be close to the anticipated inflation.

In Mandatum Life, the recoverable amount exceeds its carrying amount by some EURm 180. With the calculation method used, e.g. an increase of about 1.4 per cent in the weighted average cost of capital could lead to a situation where the recoverable amount of the entity would equal its carrying amount.

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

## 14 Investments in associates

### Associates that have been accounted for by the equity method at 31 Dec. 2013

**EURm**

| Name | Carrying amount | Fair value *) | Interest held % | Assets/ liabilities | Revenue | Profit/loss |
|---|---|---|---|---|---|---|
| Nordea Bank Abp | 6,906 | 8,413 | 21.25 | 630 434 / 601 225 | 9,891 | 3,116 |
| Topdanmark A/S | 363 | 603 | 27.98 | 7 980 / 7 278 | 1,187 | 167 |
| Autovahinkokeskus Oy | 3 | | 35.50 | 9 / 1 | 9 | 0 |
| Consulting AB Lennemark & Andersson | 1 | | 22.00 | 11 / 6 | 17 | 1 |
| Urzus Group AS | 2 | | 28.60 | 11 / 10 | 8 | -4 |
| Svithun Assuranse AS (Norway) | 1 | | 33.00 | 1 / 1 | 2 | 0 |
| Watercircles Skandinavia AS (Norway) | 4 | | 39.60 | 7 / 10 | 6 | -4 |

### Associates that have been accounted for by the equity method at 31 Dec. 2012

**EURm**

| Name | Carrying amount | Fair value *) | Interest held % | Assets/ liabilities | Revenue | Profit/loss |
|---|---|---|---|---|---|---|
| Nordea Bank Abp | 6,687 | 6,226 | 21.25 | 668 178 / 640 173 | 9,998 | 3,126 |
| Topdanmark A/S | 352 | 512 | 25.44 | 8 291 / 7 612 | 1,253 | 178 |
| Autovahinkokeskus Oy | 3 | | 35.54 | 9 / 1 | 8 | 1 |
| Consulting AB Lennemark & Andersson | 1 | | 21.98 | 16 /1 | 16 | 1 |
| Urzus Group AS | 3 | | 28.57 | 4 / -6 | 4 | -6 |
| Svithun Assuranse AS (Norway) | 1 | | 33.00 | 2 / 0 | 2 | 0 |
| Watercircles Skandinavia AS (Norway) | 2 | | 27.68 | 3 / -4 | 3 | -4 |

**) Published price quatation*

### Changes in investments in associates

| EURm | 2013 | 2012 |
|---|---|---|
| At beginning of year | 7,049 | 6,593 |
| Share of loss/profit | 686 | 700 |
| Additions | 3 | 3 |
| Disposals | -293 | -224 |
| Changes in the equity of associates | -128 | -21 |
| Exchange differences | -36 | -1 |
| **At end of year** | **7,282** | **7,049** |

At 31 Dec. 2013, the carrying amount of investments in associates included goodwill EURm 1,102 (1,100), including goodwill from the Nordea acquisition EURm 978 (978).

## Sampo's holding in Nordea

Nordea is an universal bank with positions within corporate merchant banking as well as retail banking and private banking. With approximately 1,400 branches, call centers in all Nordic countries and an e-bank, Nordea also has a large distribution network for customers in the Nordic and Baltic sea region, including more than 260 branches in five new European markets, Russia, Poland, Lithuania, Latvia and Estonia.

Nordea was first conslidated as an associate company from 31 Dec. 2009 with Sampo's holding of 20.05 per cent. In the financial year 2013, Sampo's holding in Nordea was 21.25 per cent with the goodwill related to the acquisitions of EURm 978.

## Sampo's share of Nordea's profit at 31 Dec. 2013:

| EURm | |
|---|---|
| Share of loss/profit of the associate | 662 |
| Amortisation of the customer rlations | -35 |
| Change in deferred tax | 8 |
| **Share of the loss/profit of an associate** | **635** |

## 15 Financial assets

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

The Group uses derivative instruments for trading and for hedging purposes. The derivatives used are foreign exchange, interest rate and equity derivatives. In P&C insurance business, fair value hedging has been applied during the financial year. In Life insurance, both fair value and cash flow hedging have been applied.

| EURm | 2013 | 2012 |
|---|---|---|
| **P&C insurance** | | |
| Derivative financial instruments | 5 | 49 |
| Financial assets designated as at fair value through p/l | 2 | 22 |
| Loans and receivables | 246 | 85 |
| Financial assets available-for-sale | 11,012 | 11,045 |
| **P&C insurance, total** | **11,265** | **11,200** |
| | | |
| **Life insurance** | | |
| Derivative financial instruments | 33 | 60 |
| Financial assets designated as at fair value through p/l | 48 | 48 |
| Loans and receivables | 19 | 23 |
| Financial assets available-for-sale | 5,023 | 5,138 |
| **Life insurance, total** | **5,122** | **5,269** |
| | | |
| **Holding** | | |
| Derivative financial instruments | 41 | 59 |
| Loans and receivables | 1 | 1 |
| Financial assets available-for-sale | 737 | 599 |

| | | |
|---|---|---|
| Investments in subsidiaries | 2,370 | 2,370 |
| **Holding, total** | **3,148** | **3,028** |
| | | |
| Elimination items between segments | -2,712 | -2,641 |
| | | |
| **Group, total** | **16,824** | **16,857** |

# P&C insurance

## Derivative financial instruments

| EURm | 2013 Contract/ notional amount | 2013 Fair value Assets | 2013 Fair value Liabilities | 2012 Contract/ notional amount | 2012 Fair value Assets | 2012 Fair value Liabilities |
|---|---|---|---|---|---|---|
| **Derivatives held for trading** | | | | | | |
| **Interest rate derivatives** | | | | | | |
| OTC derivatives | | | | | | |
| Interest rate swaps | 1,165 | - | 4 | 50 | 0 | 1 |
| Exchange traded derivatives | | | | | | |
| Interest rate futures | 85 | 1 | 1 | 163 | 2 | - |
| **Total interest rate derivatives** | **1,250** | **1** | **5** | **213** | **2** | **1** |
| **Foreign exchange derivatives** | | | | | | |
| OTC derivatives | | | | | | |
| Currency forwards | 2,147 | 4 | 20 | 2,173 | 37 | 36 |
| Currency options, bought and sold | 42 | 0 | - | - | - | - |
| **Total foreign exchange derivatives** | **2,189** | **4** | **20** | **2,173** | **37** | **36** |
| **Equity derivatives** | | | | | | |
| OTC derivatives | | | | | | |
| Equity and equity index options | 0 | 0 | - | 0 | 0 | - |
| **Total derivatives held for trading** | **3,439** | **5** | **25** | **2,386** | **40** | **37** |
| **Derivatives held for hedging** | | | | | | |
| **Fair value hedges** | | | | | | |
| Currency forwards | - | - | - | 372 | 9 | 1 |
| **Total derivatives** | **3,439** | **5** | **25** | **2,759** | **49** | **38** |

## Other financial assets

| EURm | 2013 | 2012 |
|---|---|---|
| **Financial assets designated as at fair value through p/l** | | |
| **Debt securities** | | |
| Issued by public bodies | - | 3 |
| Certificates of deposit issued by banks | - | 16 |
| Other debt securities | 0 | 1 |
| **Total debt securities** | **0** | **19** |

| | | |
|---|---|---|
| **Equity securities** | | |
| Other than listed | 2 | 2 |
| **Total financial assets designated as at fair value through p/l** | **2** | **22** |
| **Loans and receivables** | | |
| Deposits with ceding undertakings | 1 | 1 |
| Other | 245 | 83 |
| **Total loans and receivables** | **246** | **85** |
| **Financial assets available-for-sale** | | |
| **Debt securities** | | |
| Issued by public bodies | 1,327 | 152 |
| Certificates of deposit issued by banks | 2,741 | 3,729 |
| Other debt securities | 5,462 | 5,794 |
| **Total debt securities** | **9,531** | **9,675** |
| **Equity securities** | | |
| Listed | 1,277 | 1,240 |
| Unlisted | 205 | 130 |
| **Total** | **1,481** | **1,370** |
| **Total financial assets available-for-sale** | **11,012** | **11,045** |
| Financial assets available-for-sale for P&C insurance include impairment losses EURm 242 (323). | | |
| **P&C insurance, total financial assets** | **11,265** | **11,200** |

# Life insurance

## Derivative financial instruments

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Contract/ | Fair value | | Contract/ | Fair value | |
| **EURm** | **notional amount** | **Assets** | **Liabilities** | **notional amount** | **Assets** | **Liabilities** |
| **Derivatives held for trading** | | | | | | |
| **Interest rate derivatives** | | | | | | |
| OTC derivatives | | | | | | |
| Interest rate swaps | 5,978 | 25 | 7 | 778 | 19 | 2 |
| Credit risk swaps | 508 | 0 | 2 | 531 | 0 | 2 |
| **Total** | **6,486** | **25** | **10** | **1,309** | **19** | **3** |
| **Foreign exchange derivatives** | | | | | | |
| OTC derivatives | | | | | | |
| Currency forwards | 955 | 7 | 1 | 1,149 | 17 | 2 |
| Currency options, bought and sold | 0 | 0 | 0 | 99 | 1 | 0 |
| **Total foreign exchange derivatives** | **955** | **7** | **1** | **1,248** | **17** | **2** |
| **Equity derivatives** | | | | | | |
| OTC derivatives | | | | | | |
| **Equity and equity index options** | **1** | **0** | **0** | **-** | **-** | **-** |
| **Total derivatives held for trading** | **7,441** | **32** | **11** | **2,556** | **37** | **5** |
| **Derivatives held for hedging** | | | | | | |
| **Fair value hedges** | | | | | | |
| Currency forwards | 501 | 1 | 0 | 575 | 23 | - |
| Interest rate swaps | 0 | 0 | 0 | - | - | - |
| **Total** | **501** | **1** | **-** | **575** | **23** | **0** |
| **Cash flow hedges** | | | | | | |
| Interest rate swaps | 0 | - | - | 9 | 0 | - |
| **Total derivatives held for hedging** | **501** | **1** | **-** | **584** | **23** | **0** |
| **Total derivatives** | **7,943** | **33** | **11** | **3,141** | **60** | **5** |

## Fair value hedges

Fair value hedging is used to hedge a proportion of foreign exchange and interest risk in available-for-sale financial assets. The interest elements of forward contracts have been excluded from hedging relationships in foreign exchange hedges.

Net result from exchange derivatives designated as fair value hedges amounted to EURm 18 (12). Net result from hedged risks in fair value hedges of available for sale financial assets amounted to EURm -18 (-11).

## Cash flow hedges

The interest rate derivatives hedging cash flows fell due during the financial year and no new cash flow hedges were started.

## Other financial assets

| EURm | 2013 | 2012 |
|---|---|---|
| **Financial assets designated as at fair value through p/l** | | |
| **Debt securities** | | |
| Issued by public bodies | 11 | 12 |
| Certificates of deposit issued by banks | 35 | 35 |
| **Total debt securities** | **46** | **47** |
| **Listed equity securities** | 2 | 1 |
| **Total financial assets designated as at fair value through p/l** | **48** | **48** |
| **Loans and receivables** | | |
| Deposits with ceding undertakings | 1 | 1 |
| Loans | 18 | 22 |
| **Total loans and receivables** | **19** | **23** |
| **Financial assets available-for-sale** | | |
| **Debt securities** | | |
| Issued by public bodies | 727 | 12 |
| Issued by banks | 632 | 1,066 |
| Other debt securities | 1,548 | 1,708 |
| **Total debt securities** | **2,907** | **2,786** |
| **Equity securities** | | |
| Listed | 1,379 | 1,561 |
| Unlisted | 737 | 792 |
| **Total** | **2,116** | **2,353** |
| **Total financial assets available-for-sale** | **5,023** | **5,138** |
| Financial assets available-for-sale for life insurance include impairment losses EURm 33 (29). | | |
| **Life insurance, total financial assets** | **5,122** | **5,269** |

Financial assets available for sale / debt securities: Debt securities available for sale include EURm 2,553 (2,381) investments in bonds and EURm 354 (405) investments in money market instruments.

Financial assets available for sale /shares and participations: Listed equity securities include EURm 641 (589) listed equities. Unlisted equity securities include EURm 640 (752) investments in capital trusts.

# Holding

## Derivative financial instruments

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Contract/ | Fair value | | Contract/ | Fair value | |
| EURm | notional amount | Assets | Liabilities | notional amount | Assets | Liabilities |
| **Derivatives held for trading** | | | | | | |
| **Interest derivatives** | | | | | | |
| OTC-derivatives | | | | | | |
| Interest rate swaps | 800 | 26 | - | 800 | 42 | - |
| Credit risk swaps | 20 | 0 | - | 20 | 1 | - |
| **Total interest derivatives** | **820** | **26** | **0** | **820** | **43** | **-** |
| **Foreign exchange derivatives** | | | | | | |
| OTC-derivatives | | | | | | |
| Currency forwards | 21 | 0 | 1 | 284 | 0 | 0 |
| **Equity derivatives** | | | | | | |
| Exchange traded derivatives | | | | | | |
| Equity and euqity index options | 88 | 14 | 16 | 90 | 16 | 19 |
| **Total derivatives** | **930** | **41** | **18** | **1,194** | **59** | **19** |

## Other financial assets

| EURm | 2013 | 2012 |
|---|---|---|
| **Loans and receivables** | | |
| Deposits | 0 | 1 |
| **Financial assets available-for-sale** | | |
| **Debt securities** | | |
| Certificates of deposit issued by banks | 350 | 100 |
| Other debt securities | 360 | 475 |
| **Total debt securities** | **709** | **575** |
| **Equity securities** | | |
| Listed | 7 | 1 |
| Unlisted | 21 | 24 |
| **Total** | **28** | **24** |
| **Total financial assets available-for-sale** | **737** | **599** |
| Financial assets available-for-sale for Holding business include impairment losses EURm 0 (0). | | |
| **Investments in subsidiaries** | 2,370 | 2,370 |

| | | |
|---|---|---|
| **Holding, total financial assets** | **3,148** | **3,028** |
| Elimination items between segments | -2,712 | -2,641 |

| EURm | 2013 | 2012 |
|---|---|---|
| **Group, total** | **16,824** | **16,856** |

## 16 Fair values

| | 2013 | | 2012 | |
|---|---|---|---|---|
| EURm | Fair value | Carrying amount | Fair value | Carrying amount |
| **Financial assets, group** | | | | |
| Financial assets | 16,827 | 16,824 | 16,858 | 16,857 |
| Investments related to unit-linked contracts | 4,616 | 4,616 | 3,834 | 3,834 |
| Other assets | 17 | 17 | 9 | 9 |
| Cash and cash equivalents | 779 | 785 | 1,029 | 1,034 |
| **Total** | **22,240** | **22,242** | **21,730** | **21,734** |
| **Financial liablities, group** | | | | |
| Financial liabilities | 2,273 | 2,193 | 2,485 | 2,378 |
| Other liabilities | 26 | 26 | 4 | 4 |
| **Total** | **2,299** | **2,219** | **2,489** | **2,382** |

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

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

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

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

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

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

# 17 Determination and hierarchy of fair values

A large majority of Sampo Group's financial assets are valued at fair value. The valuation is based on either published price quatations or valuation techniques based on market observable inputs, where available. For a limited amount of assets the value needs to be determined using other techniques.

The financial instruments measured at fair value have been classified into three hierarchy levels in the notes, depending on e.g. if the market for the instrument is active, or if the inputs used in the valuation technique are observable.

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

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

In level 3, the measurement is based on other inputs rather than observable market data.

| EURm | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **FINANCIAL ASSETS 31.12.2013** | | | | |
| **Derivative financial instruments** | | | | |
| Interest rate swaps | 1 | 51 | - | 52 |
| Other interest derivatives | - | 0 | - | 0 |
| Foreign exchange derivatives | - | 12 | - | 12 |
| Equity derivatives | - | 14 | - | 14 |
| | **1** | **77** | **-** | **78** |
| **Financial assets designated at fair value through profit or loss** | | | | |
| Equity securities | 2 | - | - | 2 |
| Debt securities | - | 46 | 0 | 46 |
| | **2** | **46** | **0** | **48** |
| **Financial assets related to unit-linked insurance** | | | | |
| Equity securities | 324 | 2 | 13 | 339 |
| Debt securities | 14 | 1,069 | 19 | 1,101 |
| Derivative financial instruments | 2,098 | 804 | 64 | 2,966 |
| Mutual funds | - | 26 | - | 26 |
| | **2,436** | **1,901** | **97** | **4,433** |
| **Financial assets available-for-sale** *) | | | | |
| Equity securities | 1,583 | - | 243 | 1,826 |
| Debt securities | 1,874 | 10,858 | 39 | 12,770 |
| Mutual funds | 993 | 124 | 720 | 1,836 |
| | **4,449** | **10,981** | **1,002** | **16,432** |
| **Total financial assests measured at fair value** | **6,887** | **13,006** | **1,099** | **20,992** |

| FINANCIAL LIABILITIES 31.12.2013 | | | | |
|---|---|---|---|---|
| **Derivative financial instruments** | | | | |
| Interest rate derivatives | 1 | 14 | - | 15 |
| Foreign exchange derivatives | - | 22 | - | 22 |
| Equity derivatives | - | 16 | - | 16 |
| **Total financial liabilities measured at fair value** | **-** | **52** | **-** | **53** |

| EURm | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **FINANCIAL ASSETS 31.12.2012** | | | | |
| **Derivative financial instruments** | | | | |
| Interest rate swaps | 2 | 62 | - | 64 |
| Other interest rate derivatives | - | 2 | - | 2 |
| Foreign exchange derivatives | - | 87 | - | 87 |
| Equity derivatives | - | 16 | - | 16 |
| | **2** | **166** | **-** | **168** |
| **Financial assets designated at fair value through profit or loss** | | | | |
| Equity securities | 3 | - | - | 3 |
| Debt securities | - | 66 | - | 66 |
| | **3** | **66** | **-** | **70** |
| **Financial assets related to unit-linked insurance** | | | | |
| Equity securities | 239 | 67 | 14 | 320 |
| Debt securities | - | 808 | 17 | 826 |
| Derivative financial instruments | 1,821 | 520 | 50 | 2,390 |
| Mutual funds | - | 16 | - | 16 |
| | **2,060** | **1,412** | **81** | **3,553** |
| **Financial assets available-for-sale** *) | | | | |
| Equity securities | 1,535 | - | 69 | 1,603 |
| Debt securities | 253 | 12,439 | 73 | 12,764 |
| Mutual funds | 1,131 | 118 | 894 | 2,143 |
| | **2,918** | **12,557** | **1,036** | **16,511** |
| **Total financial assests measured at fair value** | **4,984** | **14,201** | **1,117** | **20,301** |

**FINANCIAL LIABILITIES 31.12.2012**

| | | | | |
|---|---|---|---|---|
| **Derivative financial instruments** | | | | |
| Interest rate derivatives | - | 4 | - | 4 |
| Foreign exchange derivatives | - | 39 | 0 | 39 |
| Equity derivatives | - | - | 19 | 19 |
| **Total financial liabilities measured at fair value** | **-** | **43** | **19** | **62** |

**) During the financial year, debt securities EURm 19 (7) were transferred from level 1 to level to 2. From level 2 to level 1 were transferred EURm 151 (-). Mutual funds EURm 34 were transferred from level 2 to level 1 in the comparsion year.*

## Sensitivity analysis of fair values

The sensitivity of financial assets and liabilites to changes in exchange rates is assessed on business area level due to differenct base currencies. In P&C insurance, 10 percentage point depreciation of all other currencies against SEK would result in an increase recognised in profit/loss of EURm 12 (15) and in a decrease recognised directly in equity of EURm 11 (11). In Life insurance, 10 percentage point depreciation of all other currencies against EUR would result in an increase recognised in profit/ loss of EURm 14 (52) and in a decrease recognised directly in equity of EURm 68 (64). In Holding, 10 percentage point depreciation of all other currencies against EUR would have no impact in profit/loss, but a decrease recognised in equity of EURm 15 (3).

The sensitivity analysis of the Group's fair values of financial assets and liabilities in differenct market risk scenarios is presented below. The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values on 31 Dec. 2013.

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

The debt issued by Sampo plc is not included.

| | **Interest rate** | | **Equity** | **Other financial investments** |
|---|---|---|---|---|
| | 1% parallel shift down | 1% parallel shift up | 20% fall in prices | 20% fall in prices |
| Effect recognised in profit/loss | 9 | -23 | 0 | -4 |
| Effect recognised directly in equity | 192 | -186 | -550 | -169 |
| **Total effect** | **202** | **-210** | **-550** | **-173** |

# 18 Movements in level 3 financial instruments measured at fair value

| EURm | At Jan. 2013 | Total gains/ losses in income statement | Total gains/ losses recorded in other comprehensive income | Purchases | Sales | Transfers between levels 1 and 2 | At 31 Dec. 2013 | Gains/ losses included in p/l for financial assets 31 Dec. 2013 |
|---|---|---|---|---|---|---|---|---|
| **FINANCIAL ASSETS 2013** | | | | | | | | |
| **Financial assets related to unit-linked insurance** | | | | | | | | |
| Equity securities | 14 | -1 | - | 5 | -4 | - | 14 | -1 |
| Debt securities | 17 | 1 | - | 2 | -1 | - | 19 | 1 |
| Mutual funds | 50 | 4 | - | 24 | -13 | - | 64 | 3 |
| | **81** | **4** | **-** | **31** | **-19** | **-** | **97** | **4** |
| **Financial assets available-for-sale** | | | | | | | | |
| Equity securities | 69 | -1 | 3 | 176 | -4 | - | 243 | -3 |
| Debt securities | 73 | 29 | -21 | 6 | -47 | - | 39 | -1 |
| Mutual funds | 894 | -24 | 46 | 139 | -335 | - | 720 | 19 |
| | **1,036** | **4** | **27** | **320** | **-385** | **-** | **1,002** | **14** |
| **Total financial assests measured at fair value** | **1,117** | **8** | **27** | **351** | **-404** | **-** | **1,099** | **18** |

| EURm | Realised gains | 2013<br>Fair value gains and losses | Total |
|---|---|---|---|
| Total gains or losses included in profir or loss for the financial year | 8 | 32 | **40** |
| Total gains or losses included in profit and loss for assets held at the end of the financial year | -14 | 32 | **18** |

| EURm | At Jan. 2012 | Total gains/ losses in income statement | Total gains/ losses recorded in other comprehensive income | Purchases | Sales | Transfers between levels 1 and 2 | At 31 Dec. 2012 | Gains/ losses included in p/l for financial assets 31 Dec. 2012 |
|---|---|---|---|---|---|---|---|---|
| **RAHOITUSVARAT 2012** | | | | | | | | |
| **Financial assets designated at fair value through profit or loss** | | | | | | | | |
| Debt securities | 0 | - | - | - | - | - | 0 | - |
| | **0** | **0** | **-** | **-** | **0** | **0** | **0** | **0** |
| **Financial assets related to unit-linked insurance** | | | | | | | | |
| Equity securities | 0 | -0 | - | 19 | -6 | - | 13 | -0 |
| Debt securities | 0 | 1 | - | 17 | -0 | - | 17 | 1 |
| Mutual funds | 62 | 2 | - | 31 | -45 | -0 | 50 | 2 |
| | **63** | **2** | **0** | **66** | **-50** | **-0** | **81** | **3** |
| **Financial assets available-for-sale** | | | | | | | | |
| Equity securities | 72 | 0 | 1 | 2 | -6 | - | 69 | -1 |
| Debt securities | 99 | 17 | -16 | 4 | -31 | - | 73 | 15 |
| Mutual funds | 904 | 4 | 13 | 168 | -196 | - | 894 | 12 |
| | **1,074** | **21** | **-2** | **174** | **-232** | **-** | **1,035** | **25** |
| **Total financial assests measured at fair value** | **1,137** | **23** | **-2** | **240** | **-282** | **-0** | **1,117** | **28** |

| | 2012 | | |
|---|---|---|---|
| EURm | Realised gains | Fair value gains and losses | Total |
| Total gains or losses included in profir or loss for the financial year | 23 | 5 | **29** |
| Total gains or losses included in profit and loss for assets held at the end of the financial year | 23 | 5 | **28** |

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

| | 2013 | | 2012 | |
|---|---|---|---|---|
| **EURm** | **Carrying amount** | **Effect of reasonably possible alternative assumptions (+ / -)** | **Carrying amount** | **Effect of reasonably possible alternative assumptions (+ / -)** |
| **Financial assets** | | | | |
| **Financial assets available-for-sale** | | | | |
| Equity securities | 243 | -23 | 69 | -14 |
| Debt securities | 39 | -2 | 73 | -3 |
| Mutual funds | 720 | -138 | 894 | -163 |
| **Total** | **1,002** | **-163** | **1,036** | **-180** |

The value of financial assets regarding the debt security instruments has been tested by assuming a rise of 1 per cent unit in interest rate level in all maturities. For other financial assets, the prices were assumed to go down by 20 per cent. The Sampo Group bears no investment risks relatted to unit-linked insurance, so a change in assumptions regarding these assets does not affect profit or loss. On the basis of the these alternative assumptions, a possible change in interest levels would cause descend of EURm 2 (3) for the debt instruments, and EURm 161 (177) valuation loss for other instruments in the Group's other comprehensive income. The reasonably possible effect, proportionate to the Group's equity, would thus be 1.5 per cent (1.8).

## 20 Investments related to unit-linked insurance contracts

### Life insurance

| **EURm** | **2013** | **2012** |
|---|---|---|
| **Financial assets designated at fair value through p/l** | | |
| **Debt securities** | | |
| Issued by public bodies | 47 | 34 |
| Certificates of deposit issued by banks | 223 | 207 |
| Other debt securities | 832 | 585 |
| **Total** | **1,101** | **826** |
| **Equity securities** | | |
| Listed | 3,290 | 2,702 |
| Unlisted | 22 | 9 |
| **Total** | **3,312** | **2,711** |
| **Total financial assets designated at fair value through p/l** | 183 | 281 |
| **Other** | 26 | 16 |
| **Investment related to unit-linked contracts, total** | **4,623** | **3,834** |

| Elimination items between segments | | |
|---|---|---|
| | -7 | 0 |
| **Group total** | **4,616** | **3,834** |

The historical cost of the equity securities related to unit-linked contracts was EURm 2,646 (2,460) and that of the debt securities EURm 1,089 (776).

## 21 Deferred tax assets and liabilities

### Changes in deferred tax during the financial period 2013

| EURm | 1.1. | Recognised in comprehensive income statement | Recognised in equity | Exchange differences | 31.12. |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Tax losses carried forward | 18 | -3 | 0 | -0 | 15 |
| Changes in fair values | 0 | 0 | 0 | 0 | 0 |
| Employee benefits | 65 | -1 | 7 | -5 | 65 |
| Other deductible temporary differences | 0 | -2 | 4 | -5 | -2 |
| **Total** | **83** | **-6** | **11** | **-10** | **78** |
| Netting of deferred taxes | | | | | -10 |
| **Deferred tax assets in the balance sheet** | | | | | 68 |
| **Deferred tax liabilities** | | | | | |
| Depreciation differences and untaxed reserves | 337 | -26 | -0 | -17 | 293 |
| Changes in fair values | 197 | -23 | 28 | -0 | 202 |
| Other taxable temporary differences | 13 | 10 | -1 | 0 | 22 |
| **Total** | **547** | **-40** | **27** | **-17** | **518** |
| Netting of deferred taxes | | | | | -10 |
| **Total deferred tax liabilities in the balance sheet** | | | | | **508** |

## Changes in deferred tax during the financial period 2012

| EURm | 1.1. | Recognised in comprehensive income statement | Recognised in equity | Exchange differences | 31.12. |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Tax losses carried forward | 19 | -0 | 0 | -0 | 18 |
| Changes in fair values | 0 | -0 | 0 | 0 | -0 |
| Employee benefits | 84 | -10 | -13 | 4 | 65 |
| Other deductible temporary differences | 29 | -28 | 2 | 2 | 5 |
| **Total** | **132** | **-38** | **-11** | **6** | **88** |
| Netting of deferred taxes | | | | | -10 |
| **Deferred tax assets in the balance sheet** | | | | | 78 |
| **Deferred tax liabilities** | | | | | |
| Depreciation differences and untaxed reserves | 356 | -29 | -0 | 10 | 337 |
| Changes in fair values | 107 | -2 | 93 | -1 | 197 |
| Other taxable temporary differences | 28 | -10 | 0 | 1 | 18 |
| **Total** | **491** | **-41** | **93** | **10** | **552** |
| Netting of deferred taxes | | | | | -10 |
| **Total deferred tax liabilities in the balance sheet** | | | | | **542** |

In Sampo plc, EURm 25 of deferred tax asset has not been recognised on unused tax losses. The first losses will expire in 2021.

In life insurance, EURm 4 of deferred tax asset has not been recognised on unused tax losses.

## 22 Taxes

| EURm | 2013 | 2012 |
|---|---|---|
| Profit before tax | 1,668 | 1,622 |
| Tax calculated at parent company's tax rate | -409 | -397 |
| Different tax rates on overseas earnings | 19 | -11 |
| Income not subject to tax | 5 | 4 |
| Expenses not allowable for tax purposes | -3 | -4 |
| Consolidation procedures and eliminations | 159 | 183 |
| Tax losses for which no deferred tax asset has been recognised | -9 | -6 |
| Changes in tax rates | 22 | 15 |
| Tax from previous years | -1 | 1 |
| **Total** | **-216** | **-214** |

## 23 Components of other comprehensive income

| EURm | 2013 | 2012 |
|---|---|---|
| **Other comprehensive income:** | | |
| **Items reclassifiable to profit or loss** | | |
| Exchange differences | -153 | 46 |
| Available-for-sale financial assets | | |
| Gains/losses arising during the year | 362 | 540 |
| Reclassification adjustments | -129 | -31 |
| Cash flow hedges | | |
| Gains/losses arising during the year | -0 | -1 |
| Share of associate's other comprehensive income | -70 | 9 |
| Taxes | -22 | -114 |
| **Total items reclassifiable to profit or loss, net of tax** | **-13** | **449** |
| **Items not reclassifiable to profit or loss** | | |
| Actuarial gains and losses from defined pension plans | -21 | 44 |
| Taxes | 7 | -13 |
| **Total items not reclassifiable to profit or loss, net of tax** | **-14** | **31** |

## 24 Tax effects relating to components of other comprehensive income

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **Before-tax amount** | **Tax** | **Net-of-tax amount** | **Before-tax amount** | **Tax** | **Net-of-tax amount** |
| **Items reclassifiable to profit or loss** | | | | | | |
| Exchange differences | -153 | - | -153 | 46 | - | 46 |
| Available-for-sale financial assets | 233 | -22 | 211 | 509 | -114 | 395 |
| Cash flow hedges | -0 | 0 | -0 | -1 | 0 | -1 |
| Share of associate's other comprehensiv income | -70 | - | -70 | 9 | - | 9 |
| **Total** | **79** | **-22** | **-13** | **554** | **-114** | **449** |

## 25 Other assets

## P&C insurance

| EURm | 2013 | 2012 |
|---|---|---|
| Interests | 102 | 126 |
| Assets arising from direct insurance operations | 1,119 | 1,098 |
| Assets arising from reinsurance operations | 45 | 79 |
| Settlement receivables | 3 | 3 |
| Deferred acquisition costs [1)] | 159 | 172 |
| Assets related to Patient Insurance Pool | 69 | 56 |
| Other | 62 | 57 |
| **P&C insurance, total** | **1,559** | **1,592** |

Other assets include non-current assets EURm 71 (57).

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

*1) See table Change in deferred acquisition costs in the period*

### Change in deferred acquisition costs in the period

| EURm | 2013 | 2012 |
|---|---|---|
| **At 1 Jan.** | 172 | 157 |
| Net change in the period | -3 | 10 |
| Exchange differences | -10 | 5 |
| **At 31 Dec.** | **159** | **172** |

## Life insurance

| EURm | 2013 | 2012 |
|---|---|---|
| Interests | 36 | 45 |
| Receivables from policyholders | 3 | 6 |
| Assets arising from reinsurance operations | 1 | 0 |
| Settlement receivables | 8 | 6 |
| Taxes | 0 | 19 |
| Assets pledged for trading in derivatives | 6 | 6 |
| Other | 27 | 27 |
| **Life insurance, total** | **81** | **109** |

Item Other comprise e.g. pensions paid in advance and receivables from co-operation companies.

## Holding

| EURm | 2013 | 2012 |
|---|---|---|
| Interests | 36 | 36 |
| Other | 11 | 5 |
| **Holding, total** | **47** | **41** |

Item Other includes e.g. asset management fee receivables.

| | | |
|---|---|---|
| Elimination items between segments | -10 | -13 |

| EURm | 2013 | 2012 |
|---|---|---|
| **Group, total** | **1,676** | **1,729** |

## 26 Cash and cash equivalents

### P&C insurance

| EURm | 2013 | 2012 |
|---|---|---|
| Cash at bank and in hand | 250 | 145 |
| Short-term deposits (max 3 months) | 33 | 261 |
| **P&C insurance, total** | **33** | **261** |

### Life insurance

| EURm | 2013 | 2012 |
|---|---|---|
| Cash at bank and in hand | 179 | 55 |
| Short-term deposits (max 3 months) | 44 | 99 |
| **P&C insurance, total** | **222** | **154** |

### Holding

| EURm | 2013 | 2012 |
|---|---|---|
| Cash | 280 | 200 |
| Short-term deposits (max 3 months) | - | 273 |
| **Holding, total** | **280** | **473** |
| **Group, total** | **535** | **889** |

# 27 Liabilities from insurance and investment contracts

## P&C insurance

### Change in insurance liabilities

| EURm | 2013 Gross | 2013 Ceded | 2013 Net | 2012 Gross | 2012 Ceded | 2012 Net |
|---|---|---|---|---|---|---|
| **Provision for unearned premiums** | | | | | | |
| **At 1 Jan.** | 2,107 | 55 | 2,053 | 1,972 | 53 | 1,919 |
| Acquired insurance holdings | 38 | - | 38 | - | - | - |
| Exchange differences | -127 | -2 | -128 | 56 | 1 | 56 |
| Change in provision | 46 | -10 | 36 | 79 | 1 | 78 |
| **At 31 Dec.** | **2,065** | **43** | **2,022** | **2,107** | **55** | **2,053** |

| EURm | 2013 Gross | 2013 Ceded | 2013 Net | 2012 Gross | 2012 Ceded | 2012 Net |
|---|---|---|---|---|---|---|
| **Provision for claims outstanding** | | | | | | |
| **At 1 Jan.** | 7,747 | 522 | 7,225 | 7,576 | 476 | 7,100 |
| Disposed insurance holdings | 61 | 0 | 61 | -1 | -0 | -1 |
| Exchange differences | -314 | -20 | -294 | 199 | 12 | 187 |
| Change in provision | -59 | -126 | 66 | -27 | 35 | -62 |
| **At 31 Dec.** | **7,435** | **377** | **7,058** | **7,747** | **522** | **7,225** |

### Liabilities from insurance contracts

| EURm | 2013 | 2012 |
|---|---|---|
| Provision for unearned premiums | 2,065 | 2,107 |
| Provision for claims outstanding | 7,435 | 7,747 |
| Incurred and reported losses | 1,770 | 2,050 |
| Incurred but not reported losses (IBNR) | 3,538 | 3,573 |
| Provisions for claims-adjustment costs | 271 | 275 |
| Provisions for annuities and sickness benefits | 1,856 | 1,849 |
| **P&C insurance total** | **9,500** | **9,854** |
| **Reinsurers' share** | | |
| Provision for unearned premiums | 43 | 55 |
| Provision for claims outstanding | 376 | 522 |
| Incurred and reported losses | 270 | 401 |
| Incurred but not reported losses (IBNR) | 107 | 121 |
| **Total reinsurers' share** | **420** | **577** |

As the P&C insurance is exposed to various exchange rates, comparing the balance sheet data from year to year can be misleading.

## Claims cost trend of P&C insurance

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

More information on P&C insurance's insurance liabilities in the Risk Management section of the Annual accounts.

### Claims costs before reinsurance

*Estimated claims cost*

| EURm | < 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At the close of the claims year | 7,715 | 2,468 | 2,629 | 2,639 | 2,703 | 2,847 | 2,853 | 2,968 | 3,051 | 3,085 | 2,979 | |
| One year later | 7,770 | 2,434 | 2,575 | 2,621 | 2,700 | 2,801 | 2,801 | 3,009 | 3,170 | 3,071 | | |
| Two years later | 7,768 | 2,371 | 2,521 | 2,592 | 2,664 | 2,741 | 2,771 | 2,953 | 3,168 | | | |
| Three years later | 7,851 | 2,365 | 2,492 | 2,589 | 2,630 | 2,712 | 2,728 | 2,952 | | | | |
| Four years later | 7,871 | 2,349 | 2,458 | 2,548 | 2,583 | 2,688 | 2,709 | | | | | |
| Five years later | 7,853 | 2,322 | 2,423 | 2,498 | 2,557 | 2,674 | | | | | | |
| Six years later | 7,928 | 2,281 | 2,369 | 2,467 | 2,547 | | | | | | | |
| Seven years later | 8,037 | 2,247 | 2,345 | 2,456 | | | | | | | | |
| Eight years later | 8,077 | 2,209 | 2,327 | | | | | | | | | |
| Nine years later | 8,061 | 2,194 | | | | | | | | | | |
| Ten years later | 8,096 | | | | | | | | | | | |
| Current estimate of total claims costs | 8,096 | 2,194 | 2,327 | 2,456 | 2,547 | 2,674 | 2,709 | 2,952 | 3,168 | 3,071 | 2,979 | 35,174 |
| Total disbursed | 5,586 | 1,975 | 2,095 | 2,196 | 2,250 | 2,357 | 2,336 | 2,513 | 2,639 | 2,407 | 1,654 | 28,011 |
| **Provision reported in the balance sheet** | **2,510** | **219** | **232** | **259** | **297** | **316** | **373** | **440** | **529** | **664** | **1,325** | **7,164** |
| of which established vested annuities | 1,316 | 53 | 70 | 74 | 70 | 66 | 55 | 63 | 48 | 34 | 7 | 1,856 |
| Provision for claims-adjustment costs | | | | | | | | | | | | 271 |
| **Total provision reported in the BS** | | | | | | | | | | | | **7,435** |

## Claims cost after reinsurance

*Estimated claims cost*

| EURm | < 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At the close of the claims year | 6,994 | 2,398 | 2,482 | 2,530 | 2,602 | 2,723 | 2,733 | 2,821 | 2,884 | 2,880 | 2,927 | |
| One year later | 5,918 | 2,363 | 2,422 | 2,502 | 2,592 | 2,691 | 2,699 | 2,869 | 2,960 | 2,865 | | |
| Two years later | 7,030 | 2,300 | 2,366 | 2,473 | 2,565 | 2,634 | 2,668 | 2,826 | 2,948 | | | |
| Three years later | 7,097 | 2,294 | 2,345 | 2,477 | 2,532 | 2,607 | 2,639 | 2,819 | | | | |
| Four years later | 7,110 | 2,281 | 2,313 | 2,438 | 2,487 | 2,586 | 2,621 | | | | | |
| Five years later | 7,091 | 2,254 | 2,279 | 2,394 | 2,462 | 2,573 | | | | | | |
| Six years later | 7,116 | 2,212 | 2,238 | 2,364 | 2,454 | | | | | | | |
| Seven years later | 7,242 | 2,180 | 2,215 | 2,355 | | | | | | | | |
| Eight years later | 7,283 | 2,143 | 2,199 | | | | | | | | | |
| Nine years later | 7,282 | 2,130 | | | | | | | | | | |
| Ten years later | 7,318 | | | | | | | | | | | |
| Current estimate of total claims costs | 7,318 | 2,130 | 2,199 | 2,355 | 2,454 | 2,573 | 2,621 | 2,819 | 2,948 | 2,865 | 2,911 | 33,194 |
| Total disbursed | 4,875 | 1,921 | 1,974 | 2,103 | 2,164 | 2,263 | 2,256 | 2,455 | 2,492 | 2,287 | 1,617 | 26,407 |
| **Provision reported in the balance sheet** | **2,442** | **210** | **225** | **252** | **291** | **311** | **365** | **365** | **455** | **4,915** | **7,388** | **6,787** |
| of which established vested annuities | 1,315 | 53 | 70 | 74 | 70 | 66 | 55 | 63 | 48 | 34 | 7 | 1,856 |
| Provision for claims-adjustment costs | | | | | | | | | | | | 271 |
| **Total provision reported in the BS** | | | | | | | | | | | | **7,058** |

# Life insurance

### Change in liabilities arising from other than unit-linked insurance and investment contracts

| EURm | Insurance contracts | Investment contracts | Total |
|---|---|---|---|
| **At 1 Jan. 2013** | 4,065 | 6 | **4,071** |
| Premiums | 159 | 0 | **159** |
| Claims paid | -396 | -1 | **-396** |
| Expense charge | -37 | -0 | **-37** |
| Guaranteed interest | 139 | 0 | **139** |
| Bonuses | 3 | 0 | **3** |
| Other | -11 | -1 | **-12** |
| **At 31 Dec. 2013** | **3,924** | **4** | **3,927** |
| Reinsurers' share | -3 | 0 | **-3** |
| **Net liability at 31 Dec. 2013** | **3,921** | **4** | **3,925** |

| EURm | Insurance contracts | Investment contracts | Total |
|---|---|---|---|
| **At 1 Jan. 2012** | **4,242** | **7** | **4,249** |
| Premiums | 172 | 0 | **172** |
| Claims paid | -425 | -1 | **-426** |
| Expense charge | -38 | -0 | **-38** |
| Guaranteed interest | 148 | 0 | **148** |
| Bonuses | 3 | 0 | **3** |
| Other | -37 | -1 | **-38** |
| **At 31 Dec. 2012** | **4,065** | **6** | **4,071** |
| Reinsurers' share | -3 | 0 | **-3** |
| **Net liability at 31 Dec. 2012** | **4,062** | **6** | **4,067** |

### Change in liabilities arising from unit-linked insurance and investment contracts

| EURm | Insurance contracts | Investment contracts | Total |
|---|---|---|---|
| **At 1 Jan. 2013** | 2,665 | 1,168 | **3,833** |
| Premiums | 469 | 440 | **909** |
| Claims paid | -173 | -172 | **-345** |
| Expense charge | -36 | -18 | **-54** |
| Other | 169 | 104 | **274** |
| **At 31 Dec. 2013** | **3,095** | **1,522** | **4,617** |
| **At 1 Jan. 2012** | **2,216** | **838** | **3,054** |
| Premiums | 421 | 389 | **810** |
| Claims paid | -165 | -123 | **-289** |
| Expense charge | -32 | -14 | **-46** |
| Other | 225 | 79 | **303** |
| **At 31 Dec. 2012** | **2,665** | **1,168** | **3,833** |

The liabilities at 1 Jan. and at 31 Dec. include the future bonus reserves and the effect of the reserve for the decreased discount rate. The calculation is based on items before reinsurers' share. A more detailed specification of changes in insurance liabilities is presented in Group's Risk Management.

| EURm | 2013 | 2012 |
|---|---|---|
| **Insurance contracts** | | |
| Liabilities for contracts with discretionary participation feature (DPF) | | |
| Provision for unearned premiums | 1,969 | 2,090 |
| Provision for claims outstanding | 1,948 | 1,972 |
| Liabilities for contracts without discretionary participation feature (DPF) | | |
| Provision for unearned premiums | 0 | **0** |
| Provision for claims outstanding | 1 | 1 |
| **Total** | **3,918** | **4,063** |
| Assumed reinsurance | | |
| Provision for unearned premiums | 4 | 1 |
| Provision for claims outstanding | 2 | 1 |
| **Total** | **5** | **2** |
| Insurance contracts total | | |
| Provision for unearned premiums | 1,973 | 2,091 |
| Provision for claims outstanding | 1,951 | 1,975 |
| **Total** | **3,924** | **4,065** |
| **Investment contracts** | | |
| Liabilities for contracts with discretionary participation feature (DPF) | | |
| Provision for unearned premiums | 4 | 6 |
| **Liabilities for insurance and investment contracts total** | | |
| Provision for unearned premiums | 1,976 | 2,096 |
| Provision for claims outstanding | 1,951 | 1,975 |
| **Life insurance total** | **3,927** | **4,071** |
| **Reinsurers' share** | | |
| Provision for unearned premiums | 0 | 0 |
| Provision for claims outstanding | -3 | -3 |
| **Total** | **-3** | **-3** |

Investment contracts do not include a provision for claims outstanding.

Liability adequacy test does not give rise to supplementary claims.

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

| EURm | 2013 | 2012 |
|---|---|---|
| **Group, total** | **3,927** | **4,071** |

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

### Life insurance

| EURm | 2013 | 2012 |
|---|---|---|
| Unit-linked insurance contracts | 3,095 | 2,665 |
| Unit-linked investment contracts | 1,522 | 1,168 |
| **Total** | **4,617** | **3,833** |
| Elimination items between segments | -7 | -1 |

| EURm | 2013 | 2012 |
|---|---|---|
| **Group, total** | **4,610** | **3,832** |

## 29 Financial liabilities

The segment financial liabilities include derivatives, debt securities and other financial liabilities.

### P&C insurance

| EURm | | | 2013 | 2012 |
|---|---|---|---|---|
| **Derivative financial instruments (note 15)** | | | 25 | 38 |
| **Subordinated debt securities** | | | | |
| Subordinated loans | | | | |
| Euro-denominated loans | **Maturity** | **Interest** | | |
| Preferred capital note, 2002 (nominal value EURm 65) | 20 years | 8.98% | - | 66 |
| Preferred capital note, 2005 (nominal value EURm 150) | perpetual | 4.94% | 150 | 149 |
| Preferred capital note, 2011 (nominal value EURm 110) | 30 years | 6.00% | 109 | 109 |
| Preferred capital note, 2013 (nominal value EURm 90) | perpetual | 4.70% | 90 | - |
| **Total subordinated debt securities** | | | **348** | **215** |
| **P&C insurance, total financial liabilities** | | | **373** | **253** |

The subordinated loan issued in 2002 was repaid in April 2013.

The loans 2005 and 2011 are issued with fixed interest rates for the first ten years, after which they become subject to variable interest rates. The new subordinated loan issued in June 2013 has a fixed interest rate for the first 5.5 years afther which it becomes subject to variable interest rates. At the point of change, there is the possibility of redemption for all the loans. All loans and their terms are approved by supervisory authorities and the loans are utilised for solvency purposes.

The loans issued in 2011 and 2013 are wholly subscribed by Sampo Plc.

The loans issued in 2005 and 2011 are listed on the Luxembourg Exchange.

## Life insurance

| EURm | 2013 | 2012 |
|---|---|---|
| **Derivative financial instruments (note 15)** | 11 | 5 |
| **Subordinated debt securities** | | |
| Subordinated loans | 100 | 100 |
| **Life insurance, total** | **111** | **105** |

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

## Holding

| EURm | 2013 | 2012 |
|---|---|---|
| **Derivative financial instruments (note 15)** | 18 | 19 |
| **Debt securities in issue** | | |
| Commercial papers *) | 308 | 451 |
| Bonds | 1,720 | 1,710 |
| **Total** | **2,027** | **2,162** |
| **Holding, total** | **2,045** | **2,181** |

**) The determination and hierarchy of financial assets and liabilities at fair value are disclosed in note 17. Based on the principles of this determination, the bonds of the Holding Company fall under level 2.*

| | | |
|---|---|---|
| Elimination items between segments | -336 | -270 |

| EURm | 2013 | 2012 |
|---|---|---|
| **Group, total** | **2,193** | **2,269** |

# 30 Provisions

## P&C insurance

| EURm | 2013 |
|---|---|
| **At 1 Jan. 2013** | 56 |
| Exchange rate differences | -3 |
| Additions | 13 |
| Amounts used during the period | -7 |
| Unused amounts reversed during the period | -1 |
| **At 31 Dec. 2013** | **58** |
| | |
| Current (less than 1 year) | 52 |
| Non-current (more than 1 year) | 7 |
| **Total** | **58** |

EURm 22 of the provision consist of assets reserved for the development of efficient administrative and claims-adjustment processes and structural changes in distribution channels result in organisational changes that affect all business areas. In addition, the item includes a provision of about EURm 33 for law suits and other uncertain liabilities.

# 31 Employee benefits

## Employee benefits

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

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

## Employee benefit obligations of P&C Insurance 31 Dec.

| EURm | 01/2012 | 12/2012 | 12/2013 |
|---|---|---|---|
| Present value of estimated pension obligation, | 612 | 595 | 580 |
| including social costs | 347 | 392 | 385 |
| **Fair value of plan assets** | **266** | **203** | **195** |

Since January 1, 2008, the main Swedish pension plan has been closed to new employees born in 1972 or later and the corresponding Norwegian pension plan has been closed to new employees since January 1, 2007 regardless of age. The pension benefits referred to are old-age pension and survivors' pension in Sweden and old-age pension, survivors' pension and disability pension in Norway. A common feature of all of the pension plans is that the employees and survivors encompassed by the plans are entitled to a guaranteed pension that depends on the employees' service period and pensionable salary at the time of retirement. The dominating benefit is the old-age pension, which refers in part to temporary pension before the anticipated retirement age and in part to a life-long pension after the anticipated retirement age.

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

The anticipated retirement age in connection with life-long pension is 65 years for Sweden and 67 years for Norway. In Sweden, life-long old-age pension following a complete service period is payable at a rate of approximately 10 per cent of the pensionable salary between 0 and 7.5 income base amounts, 65 per cent of salary between 7.5 and 20 income base amounts and 32.5 per cent between 20 and 30 income base amounts. In Norway, life-long old-age pension following a complete service period is payable at a rate of approximately 70 per cent of the pensionable salary up to 12 Norwegian base amounts, together with the estimated statutory old-age pension. Paid-up policies and pension payments from the Swedish plans are normally indexed upwards in an amount corresponding to the change in the consumer price index. However, there is no agreement guaranteeing the value and future supplements in addition to the contractual pension benefit could either rise of fall. Pension payments from the Norwegian plans are indexed upwards in an amount corresponding to the change in the consumer price index.

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

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

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

When applying IAS 19, the pension obligations are calculated, as is the pension cost attributable to the fiscal period, using actuarial methods. Pension rights are considered to have been vested straight line during the service period. The calculation of pension obligations is based on future anticipated pension payments and includes assumptions regarding mortality, employee turnover and salary growth. The nominally calculated debt is discounted to the present value using an interest rate based on current market interest rates adjusted to take into account the duration of the company's pension obligations. As a basis for determining the discount interest rate for the Swedish obligation, If uses liquid covered mortgage bonds issued by a mortgage institution. Covered mortgage bonds are also used for the Norwegian obligation. After a deduction for the plan assets, a net asset or net liability is recognised in the balance sheet.

The following tables contain a number of material assumptions, specifications of pension costs, assets and liabilities and a sensitivity analysis showing the potential effect on the obligations of reasonable changes in those assumptions as at the end of the fiscal year. The carrying amounts have been stated including special payroll tax in Sweden (24.26 per cent) and a corresponding fee in Norway (14.1 per cent).

# Specification of employee benefit obligations by country

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Sweden | Norway | Total | Sweden | Norway | Total |
| **Recognised in income statement and other comprehensive income** | | | | | | |
| Current service cost | -6 | -10 | -16 | -5 | -16 | -21 |
| Past service cost | -0 | - | -0 | -2 | 24 | 22 |
| Interest expense on net pension liability | -2 | -5 | -7 | -2 | -6 | -8 |
| **Total in income statement** | **-7** | **-15** | **-22** | **-9** | **1** | **-7** |
| Remeasurement of the net pension liability | 19 | -40 | -21 | -18 | 63 | 45 |
| **Total in comprehensive income statement** | **12** | **-55** | **-44** | **-27** | **64** | **38** |
| **Recognised in balance sheet** | | | | | | |
| Present value of estimated pension liability, including social costs | 154 | 426 | 580 | 174 | 420 | 595 |
| Fair value of plan assets | 124 | 261 | 385 | 119 | 273 | 392 |
| **Net liability recognised in balance sheet** | **30** | **165** | **195** | **56** | **147** | **203** |

| | 2013 | | 2012 | |
|---|---|---|---|---|
| **Distribution by asset class** | Sweden | Norway | Sweden | Norway |
| Debt instruments, level 1 | 34% | 49% | 40% | 53% |
| Debt instruments, level 2 | 3% | 12% | | |
| Equity instruments, level 1 | 31% | 8% | 29% | 18% |
| Equity instruments, level 3 | 0% | 3% | | |
| Property, level 3 | 10% | 11% | 10% | 15% |
| Other, level 1 | 11% | 13% | 21% | 14% |
| Other, level 2 | 0% | 1% | | |
| Other, level 3 | 11% | 3% | | |

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

| | 31.12.2013 | | 31.12.2012 | |
|---|---|---|---|---|
| | Sweden | Norway | Sweden | Norway |
| Discount rate | 4,00% | 3,50% | 4,00% | 4,00% |
| Future salary increases | 3,00% | 3,00% | 3,75% | 3,75% |
| Price inflation | 2,00% | 2,00% | 2,25% | 2,25% |
| Mortality table | FFFS 2007:31 +1 year | K2013 | FFFS 2007:31 | K2005 |
| Average duration of pension liabilities | 20 years | 16 years | 20 years | 15 years |
| Expected contributions to the defined benefit plans during 2014 | 9 | 15 | | |

| Sensitivity analysis of effect of reasonably possible changes | Sweden | Norway | Total |
|---|---|---|---|
| Discount rate, +0,50% | -17 | -34 | **-51** |
| Discount rate, -0,50% | 20 | 38 | **58** |
| Future salary increases, +0,25% | 6 | 7 | **13** |
| Future salary increases, -0,25% | -5 | -7 | **-12** |
| Expected longevity, +1 year | 5 | 13 | **18** |

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| **EURm** | **Funded plans** | **Unfunded plans** | **Total** | **Funded plans** | **Unfunded plans** | **Total** |
| **Analysis of the employee benefit obligation** | | | | | | |
| Present value of estimated pension liability, including social costs | 532 | 490 | 1,022 | 538 | 57 | **595** |
| Fair value of plan assets | 385 | - | 385 | 392 | - | **392** |

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

| EURm | 2012 | 2013 |
|---|---|---|
| **Pension liabilities:** | | |
| At the beginning of the year | 612 | 595 |
| Earned during the financial year | 21 | 16 |
| Costs pertaining to prior-year service | -21 | 0 |
| Interest cost | 19 | 21 |
| Actuarial gains (-)/losses (+) on financial assumptions | -74 | -22 |
| Actuarial gains (-)/losses (+) on demographic assumptions | - | 67 |
| Actuarial gains (-)/losses (+), experience adjustments | 33 | -15 |
| Exchange differences on foreign plans | 31 | -57 |
| Benefits paid | -26 | -26 |
| **Defined benefit plans at 31 Dec.** | **595** | **580** |
| | | |
| **Reconciliation of plan assets:** | | |
| At the beginning of the year | 347 | 392 |
| Interest income | 11 | 15 |
| Difference between actual return and calculated interest income | 2 | 8 |
| Contributions paid | 28 | 24 |
| Exchange differences on foreign plans | 18 | -38 |
| Benefits paid | -15 | -16 |
| **Plan assets at 31 Dec.** | **392** | **385** |

## Other short-term employee benefits

There are other short-term staff incentive programmes in the Group, the terms of which vary according to country, business area or company. Benefits are recognised in the profit or loss for the year they arise from. An estimated amount of these short-term incentives, social security costs included, for 2013 is EURm 80.

# 32 Other liabilities

## P&C insurance

| EURm | 2013 | 2012 |
|---|---|---|
| Liabilities arising out of direct insurance operations | 148 | 149 |
| Liabilities arising out of reinsurance operations | 49 | 103 |
| Liabilities related to Patient Insurance Pool | 68 | 55 |
| Tax liabilities | 113 | 176 |
| Prepayments and accrued income | 197 | 199 |
| Other | 119 | 125 |
| **P&C insurance, total** | **694** | **807** |

The non-current share of other liabilities is EURm 57 (45).

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

## Life insurance

| EURm | 2013 | 2012 |
|---|---|---|
| Interests | 7 | 9 |
| Tax liabilities | 18 | 0 |
| Liabilities arising out of direct insurance operations | 6 | 6 |
| Liabilities arising out of reinsurance operations | 5 | 5 |
| Settlement liabilities | 26 | 4 |
| Guarantees received | 31 | 122 |
| Other liabilities | 37 | 32 |
| **Life insurance, total** | **129** | **177** |

Item Guarantees received comprise assets accepted as guarantees required in derivative trading and securities lending. Item Other includes e.g. liabilities arising from withholding taxes and social security costs, liabilities to creditors and insurance premium advances.

## Holding

| EURm | 2013 | 2012 |
|---|---|---|
| Interests | 34 | 34 |
| Guarantees for trading in derivatives | 47 | 78 |
| Liability for dividend distribution | 26 | 24 |
| Other | 21 | 16 |
| **Holding, total** | **129** | **152** |

Item Other includes e.g. reservations for share-based incentive programmes and other incentive salaries.

| | | |
|---|---|---|
| Elimination items between segments | -11 | -13 |

| EURm | 2013 | 2012 |
|---|---|---|
| **Group, total** | **941** | **1,123** |

# 33 Contingent liabilities and commitments

## P&C insurance

| EURm | 2013 | 2012 |
|---|---|---|
| **Off-balance sheet items** | | |
| Guarantees | 28 | 37 |
| Other irrevocable commitments | 14 | 6 |
| **Total** | **42** | **43** |

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

| | 2013 | | 2012 | |
|---|---|---|---|---|
| EURm | Assets pledged | Liabilities/ commitments | Assets pledged | Liabilities/ commitments |
| **Assets pledged as collateral** | | | | |
| Cash at balances at central banks | 1 | 1 | 6 | 4 |
| Investments | | | | |
| - Investment securities | 270 | 131 | 285 | 153 |
| **Total** | **271** | **132** | **290** | **157** |

| EURm | 12/2013 | 12/2012 |
|---|---|---|
| **Assets pledged as security for derivative contracts, carrying value** | | |
| Investment securities | 39 | 40 |

The pledged assets are included in the balance sheet item Other assets.

| EURm | 2013 | 2012 |
|---|---|---|
| **Commitments for non-cancellable operating leases** | | |
| **Minimum lease payments** | | |
| not later than one year | 32 | 37 |
| later than one year and not later than five years | 99 | 110 |
| later than five years | 78 | 101 |
| **Total** | **209** | **248** |
| Lease and sublease payments recognised as an expense in the period | | |
| - minimum lease payments | 25 | -45 |
| - sublease payments | 11 | - |
| **Total** | **36** | **-45** |

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

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

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

Normal seller's guarantees have been given in connection the disposal of the subsidiary IPSC Region.

If P&C Insurance Company Ltd has outstanding commitments to private equity funds totalling EURm 6, which is the maximum amount that the company has committed to invest in the funds. Capital will be called to these funds over several years as the funds make investments.

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

## Life insurance

| **EURm** | **2013** | **2012** |
|---|---|---|
| **Off-balance sheet items** | | |
| Investment commitments | 391 | 367 |
| Acquisition of IT-software | 3 | 1 |
| **Total** | **394** | **368** |

| **EURm** | **12/2013** | **12/2012** |
|---|---|---|
| **Assets pledged as security for derivative contracts, carrying value** | | |
| Cash and cash equivalents | 6 | 6 |
| The pledged assets are included in the balance sheet item Other assets. | | |
| **Lended securities** | | |
| Domestic shares | | |
| Remaining acquisition cost | 14 | 67 |
| Fair value | 4 | 53 |

Security lendings can be interrupted at any time and they are secured.

| **EURm** | **2013** | **2012** |
|---|---|---|
| **Commitments for non-cancellable operating leases** | | |
| **Minimum lease payments** | | |
| not later than one year | 2 | 2 |
| later than one year and not later than five years | 8 | 3 |
| later than five years | 9 | - |
| **Total** | **19** | **5** |

| | | |
|---|---|---|
| Total of sublease payments expected to be received under non-cancellable operating sub-leases at 31 Dec. | 1 | 1 |
| Lease and sublease payments recognised as an expense in the period | | |
| - minimum lease payments | -3 | -3 |
| - sublease payments | 0 | 0 |
| **Total** | **-3** | **-3** |

## Holding

| EURm | 2013 | 2012 |
|---|---|---|
| **Off-balance sheet items** | | |
| Investment commitments | 1 | 1 |

| EURm | 2013 | 2012 |
|---|---|---|
| **Commitments for non-cancellable operating leases** | | |
| **Minimum lease payments** | | |
| not later than one year | 1 | 1 |
| later than one year and not later than five years | 2 | 3 |
| **Total** | **3** | **4** |

The Group had at the end of 2013 premises a total of 178,877 m2 (178,971) taken as a lessee. The contracts have been made mainly for 3 to 10 years.

# 34 Equity and reserves

## Equity

The number of Sampo plc's shares at 31 Dec. 2013 was 560,000,000, of which 558,000,000 were A-shares and 1,200,000 B-shares. There was no change in the company's share capital of EURm 98 during the financial year.

At the end of the financial year 2013, the mother company or other Group companies held no shares in the parent company.

## Reserves and retained earnings

### Legal reserve

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

### Invested unrestricted equity

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

### Other components of equity

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

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

# 35 Related party disclosures

## Key management personnel

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

### Key management compensation

| EURm | 2013 | 2012 |
|---|---|---|
| Short-term employee benefits | 7 | 6 |
| Post employment benefits | 3 | 3 |
| Other long-term benefits | 10 | 6 |
| **Total** | **19** | **16** |

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

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

Other long-term benefits consist of the benefits under long-term incentive schemes accounted for for the year (see Note 36).

### Related party transactions of the key management

The related party transactions of the key management are not material nor does the key management have any loans from the Group companies.

## Associates

### Outstanding balances with related parties/Associate Nordea

| EURm | 2013 | 2012 |
|---|---|---|
| Assets | 1,152 | 1,074 |
| Liabilities | 111 | 122 |

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

# 36 Incentive schemes

## Long-term incentive schemes 2009 I - 2011 I

The Board of Directors of Sampo plc has decided on the long-term incentive schemes 2009 I - 2011 I for the management and key employees of Sampo Group. The Board has authorised the CEO to decide who will be included in the scheme, as well as the number of calculated incentive units granted for each individual used in determining the amount of the incentive reward. In the schemes, the number of calculated incentive units granted for the members of the Group Executive Committee is decided by the Board of Directors. Over 110 persons were included in the schemes at the end of year 2013.

The amount of the performance-related bonus is based on the value performance of Sampo's A share and on the insurance margin (IM) and, regarding the 2011 I scheme, also on Sampo's return on the risk adjusted capital (RORAC). The value of one calculated incentive unit is the trade-weighted average price of Sampo's A-share at the time period specified in the terms of the scheme, and reduced by the starting price adjusted with the dividends per share distributed up to the payment date. The pre-dividend starting prices vary between eur 16.49 - 24.07. The maximum value of one incentive unit varies between eur 28.49 - 39.07, reduced by the dividend-adjusted starting price. In the 2011 I scheme, the incentive reward depends on two benchmarks. The payout is 70 per cent, if the IM is 6 per cent or more, and 35 per cent, if the IM is between 4 - 5.99 per cent. No IM-related reward will be paid out, if the IM stays below these. In addition, the return on the risk adjusted capital is taken into account so that an incentive reward of 30 per cent is paid out, if the return is at least risk free return + 4 per cent. If the return is risk free return + 2 per cent, but less than risk free return + 4 per cent, the payout is 15 per cent. If the return stays below these benchmarks, no RORAC-based reward will be paid out.

Each plan has three performance periods and incentive rewards are settled in cash in three installments. In the scheme 2009 I when the reward is paid, the employee shall buy Sampo's A-shares at the first possible opportunity, taking into account the provisions on insiders, with 30 per cent of the amount of the reward after taxes and other comparable charges, and to keep the shares in his/her possession for 2 years. In the 2011 I scheme, the employee shall buy Sampo A shares with 60 per cent of the net amount of reward received. The shares are subject to transfer restrictions for three years from the day of payout. A premature payment of the reward may occur in the event of changes in the group structure or in the case of employment termination on specifically determined bases. The fair value of the incentive schemes is estimated by using the Black-Scholes princing model.

The longe-term incentive scheme 2009 I ended in September 2013, when the last reward was paid out.

| | | **2009 I** | **2011 I** | **2011 I/2** |
|---|---|---|---|---|
| Terms approved *) | | 08/27/09 | 09/14/11 | 09/14/11 |
| Granted (1,000) 31 Dec. 2010 | | 4,369 | - | - |
| Granted (1,000) 31 Dec. 2011 | | 3,002 | 4,359 | - |
| Granted (1,000) 31 Dec. 2012 | | 1,444 | 4,199 | 130 |
| Granted (1,000) 31 Dec. 2013 | | - | 4,134 | 100 |
| End of performance period I 30% | | Q2-2011 | Q2-2014 | Q2-2015 |
| End of performance period II 35% | | Q2-2012 | Q2-2015 | Q2-2016 |
| End of performance period III 35% | | Q2-2013 | Q2-2016 | Q2-2017 |
| Payment I 30% | | 9-2011 | 9-2014 | 9-2015 |
| Payment II 35% | | 9-2012 | 9-2015 | 9-2016 |
| Payment III 35% | | 9-2013 | 9-2016 | 9-2017 |
| Price of Sampo A at terms approval date *) | | 16.74 | 18.10 | 18.10 |
| Starting price **) | | 16.49 | 18.37 | 24.07 |
| Dividend-adjusted starting price at 31 Dec. 2013 | | 13.14 | 15.82 | 22.72 |
| Sampo A - closing price 31 Dec. 2012 | 35.72 | | | |
| Total intrinsic value, EURm | | - | 37 | 0 |

| | |
|---|---|
| Total debt | 38 |
| Total cost for the financial period, meur (incl. social costs) | 42 |

**) Grant dates vary*

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

## 37 Auditors' fees

| EURm | 2013 | 2012 |
|---|---|---|
| Auditing fees | -2 | -2 |
| Other fees | -0 | -1 |
| **Total** | **-3** | **-3** |

## 38 Legal proceedings

There are a number of legal proceedings against the Group companies outstanding on 31 Dec. 2013, arising in the ordinary course of business. The companies estimate it unlikely that any significant loss will arise from these proceedings.

## 39 Investments in subsidiaries

| Name | Group holding % | Carrying amount |
|---|---|---|
| **P&C insurance** | | |
| If P&C Insurance Holding Ltd | 100 | 1,886 |
| If P&C Insurance Ltd | 100 | 1,364 |
| If P&C Insurance Company Ltd | 100 | 501 |
| If P&C Insurance AS | 100 | 50 |
| AS If Kinnisvarahaldus | 100 | 0 |
| CJSC If Insurance | 100 | 10 |
| If Livförsäkring Ab | 100 | 8 |
| **Life insurance** | | |
| Mandatum Life Insurance Company Ltd | 100 | 484 |
| Mandatum Life Insurance Baltic SE | 100 | 11 |
| **Other business** | | |
| If IT Services A/S | 100 | 0 |
| Sampo Capital Oy | 100 | 1 |

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

## 40 Investments in shares and participations other than subsidiaries and associates

### P&C insurance

| | Country | No. of shares | Holding % | Carrying amount / Fair value |
|---|---|---|---|---|
| **Listed companies** | | | | |
| A P Moller - Maersk | Denmark | 1,125 | 0.03% | 9 |
| ABB | Switzerland | 3,162,541 | 0.14% | 61 |
| Atlas Copco A+B | Sweden | 1,918,293 | 0.16% | 35 |
| BB Tools | Sweden | 254,500 | 0.89% | 3 |
| Be Group | Sweden | 3,740,083 | 7.48% | 5 |
| Clas Ohlson | Sweden | 3,114,337 | 4.75% | 42 |
| CTT Systems | Sweden | 511,200 | 4.49% | 2 |
| Eitzen Maritime | Norway | 8,231,616 | 30.16% | 3 |
| Beijer Ab Gl | Sweden | 188,774 | 0.44% | 3 |
| Gunnebo AB | Sweden | 8,849,114 | 11.67% | 40 |
| Hennes Mauritz B | Sweden | 2,180,192 | 0.13% | 73 |
| Husqvarna AB | Sweden | 5,833,987 | 1.01% | 25 |
| Husqvarna | Sweden | 2,249,321 | 0.39% | 10 |
| Investor | Sweden | 970,000 | 0.13% | 24 |
| Lindab Intl | Sweden | 3,890,055 | 4.94% | 28 |
| Nederman Holding AB | Sweden | 1,160,400 | 9.90% | 25 |
| Nobia AB | Sweden | 21,075,000 | 12.02% | 130 |
| Nolato AB | Sweden | 243,131 | 0.92% | 4 |
| Reservoir Exploration Tech | Norway | 5,438,761 | 6.11% | 0 |
| Sandvik AB | Sweden | 3,945,780 | 0.31% | 40 |
| Scania AB | Sweden | 3,044,397 | 0.38% | 43 |
| Sectra AB | Sweden | 4,322,927 | 11.65% | 37 |
| SSAB | Sweden | 663,760 | 0.20% | 4 |
| SSAB | Sweden | 1,360,353 | 0.42% | 6 |
| Statoil ASA | Norway | 1,783,700 | 0.06% | 31 |
| Svedbergs i Dalstrop | Sweden | 2,427,790 | 11.45% | 6 |
| Teliasonera AB | Sweden | 14,400,000 | 0.33% | 87 |
| VBG Group AB | Sweden | 540,211 | 3.94% | 8 |
| Veidekke ASA | Norway | 12,111,648 | 9.06% | 71 |
| Volvo AB | Sweden | 1,287,600 | 0.06% | 12 |
| Volvo AB | Sweden | 4,409,972 | 0.21% | 42 |
| Yara Intl ASA | Norway | 596,861 | 0.21% | 19 |
| Noreco | Norway | 5,277,700 | 0.09% | 4 |
| Marine Harvest ASA | Norway | 9,495,173 | 2.31% | 8 |
| **Total listed companies** | | | | **942** |

| | | | |
|---|---|---|---|
| Other | | | 185 |
| **Unit trusts** | | | |
| Aberdeen AM | Luxemburg | 940,169 | 48 |
| Danske Invest | Finland | 32,303,302 | 66 |
| Danske Invest | Finland | 22,375,015 | 40 |
| DB Platinum Advisors | Luxemburg | 160,000 | 15 |
| PEQ Eqt III | Guernsey | 4,720,364 | 2 |
| PEQ Eqt IV | Guernsey | 6,257,655 | 5 |
| Henderson Global | Great Britain | 883,774 | 13 |
| Investec Asset Mgmt | Great Britain | 2,036,689 | 32 |
| Barclays Global Investment | Ireland | 752,200 | 23 |
| Blackrock Inc | United States | 595,000 | 80 |
| Lyxor Int AM | France | 220,000 | 7 |
| PEQ Mandatum I | Finland | 4,874,032 | 5 |
| PEQ Mandatum II | Finland | 1,436,768 | 2 |
| PEQ Mandatum II | Finland | 3,383,184 | 4 |
| PEQ Private Egy mkt | Finland | 2,851,007 | 3 |
| Handelsbanken Fonder | Sweden | 406,261 | 11 |
| PEQ Eqt Mid Market | Great Britain | 2,164,951 | 2 |
| **Total unit trusts** | | | **356** |
| **Total shares and participations** | | | **1,483** |

# Life insurance

| | Country | No. of shares | Holding % | Carrying amount / Fair value |
|---|---|---|---|---|
| **Listed companies** | | | | |
| Amer Sports OYJ | Finland | 4,000,000 | 3.38% | 60 |
| Comptel OYJ | Finland | 20,532,625 | 19.18% | 10 |
| Elecster OYJ A | Finland | 117,000 | 6.43% | 1 |
| eQ Oyj | Finland | 2,053,296 | 5.63% | 5 |
| Fortum OYJ | Finland | 4,954,834 | 0.56% | 82 |
| F-Secure OYJ | Finland | 6,674,081 | 4.20% | 12 |
| Kemira OYJ | Finland | 1,279,880 | 0.82% | 16 |
| Lassila & Tikanoja OYJ | Finland | 2,181,238 | 5.62% | 33 |
| Metso OYJ | Finland | 1,487,381 | 0.99% | 35 |
| Nokia OYJ | Finland | 1,500,000 | 0.04% | 9 |
| Nokian Renkaat OYJ | Finland | 1,099,757 | 0.83% | 38 |
| Norvestia OYJ B | Finland | 1,789,538 | 12.41% | 13 |
| Oriola-KD OYJ B | Finland | 3,000,000 | 2.88% | 8 |
| Poyry OYJ | Finland | 2,075,287 | 3.47% | 8 |
| Suominen OYJ | Finland | 20,759,500 | 8.37% | 10 |
| Teleste OYJ | Finland | 1,679,200 | 8.92% | 7 |
| Tikkurila Oyj | Finland | 1,577,079 | 3.58% | 31 |
| UPM-Kymmene OYJ | Finland | 9,531,219 | 1.80% | 117 |
| Vaisala Oyj A | Finland | 629,250 | 4.24% | 15 |
| Valmet Corp | Finland | 1,487,381 | 0.99% | 11 |
| Wartsila OYJ | Finland | 1,018,119 | 0.52% | 36 |
| YIT OYJ | Finland | 4,370,951 | 3.44% | 44 |
| **Total** | | | | **602** |
| Other listed companies | Finland | 20,312,267 | | 12 |
| **Listed companies in total** | | | | **614** |
| **Unit trusts** | | | | |
| Danske Invest Emerging Asia Fund G | Finland | 765,617 | | 22 |
| Fourton Odysseus | Finland | 161,675 | | 39 |
| KJK Fund SICAV-SIF Baltic States B1 C | Finland | 4,990 | | 9 |
| **Total** | | | | **70** |
| **Capital trusts** | | | | |
| Amanda III Eastern Private Equity L.P. | Finland | 13,455,462 | | 16 |
| Amanda IV West L.P. | Finland | 19,305,862 | | 19 |
| Capman Real Estate I Ky | Finland | 10,257,479 | | 12 |
| Capman Real Estate II Ky | Finland | 6,612,696 | | 8 |
| Mandatum Private Equity Fund I L.P. | Finland | 8,042,153 | | 8 |
| Sponsor Fund III Ky | Finland | 4,778,688 | | 5 |
| **Total** | | | | **68** |

| | | | | |
|---|---|---|---|---|
| Other shares and participations | | | | 34 |
| **Domestic shares and participations in total** | | | | **786** |
| **Other companies** | | | | |
| BenCo Insurance Holding B.V. | Netherlands | 389,329 | 6.49% | 6 |
| EQT IV ISS Co-investment L.P. | Guernsey | 872,610 | 12.52% | 12 |
| Pension Corporation Group Limited | Guernsey | 8,706,965 | 1.39% | 8 |
| Apple Inc | United States | 21,120 | 0.00% | 9 |
| **Foreign unit trusts** | | | | |
| Prosperity Russia Domestic Fund | Guernsey | | | 54 |
| Prosperity Cub Fund | Guernsey | | | 53 |
| DJ STOXX 600 OPT Healthcare | Ireland | | | 23 |
| Aberdeen Global Asia Pacific Equity Fund | Luxemburg | | | 70 |
| Danske Invest Europe High Dividend I | Luxemburg | | | 48 |
| DB X-Trackers DAX | Luxemburg | | | 31 |
| MFS MER-Europe SM COS-I1EUR | Luxemburg | | | 13 |
| MFS European Value Fund Z | Luxemburg | | | 41 |
| Allianz RCM Europe Equity Growth W | Luxemburg | | | 57 |
| Comgest Panda | Luxemburg | | | 37 |
| Brummer & Partners Nektar Fund | Sweden | | | 16 |
| Unideutschland XS | Germany | | | 19 |
| Henderson Gartmore Latin America R | Great Britain | | | 48 |
| Investec GSF-Asia Pacific-I | Great Britain | | | 58 |
| Ishares Core S&P 500 Index Fund | United States | | | 127 |
| Technology Select Sect SPDR | United States | | | 25 |

| | | |
|---|---|---|
| **Foreign unit trusts** | | |
| Fortress Credit Opportunities Fund II (C) L.P. | Cayman islands | 55 |
| Fortress Credit Opportunities Fund III (C) L.P. | Cayman islands | 20 |
| Victory Park Capital Fund II (Cayman), L.P. | Cayman islands | 15 |
| Avenue Special Situations Fund VI (C-Feeder), L.P. | Cayman islands | 25 |
| Financial Credit Investment I, L.P. | Cayman islands | 10 |
| Fortress Life Settlement Fund (C) L.P. | Cayman islands | 20 |
| Goldman Sachs Loan Partners I Offshore B, L.P. | Cayman islands | 14 |
| Goldman Sachs Loan Partners I Offshore Investment Fund L.P. | Cayman islands | 32 |
| Highbridge Liquid Loan Opportunities Fund, L.P | Cayman islands | 42 |
| Highbridge Principal Strategies - Senior Loan Fund II L.P. | Cayman islands | 6 |
| Highbridge Specialty Fund III | Cayman islands | 18 |
| Lunar Capital Partners III L.P. | Cayman islands | 6 |
| Mount Kellet Capital Partners (Cayman), L.P. | Cayman islands | 30 |
| Mount Kellett Capital Partners (Cayman) II, L.P. | Cayman islands | 23 |
| Petershill Offshore LP | Cayman islands | 17 |
| Russia Partners II, L.P. | Cayman islands | 9 |
| Capman Buyout IX Fund A L.P. | Guernsey | 10 |
| Capman Buyout VIII Fund A L.P. | Guernsey | 6 |
| EQT Credit (No.1) L.P. | Guernsey | 47 |
| EQT Credit (No.2) L.P. | Guernsey | 17 |
| EQT V (No.1) L.P. | Guernsey | 6 |
| EQT VI (No.1) L.P. | Guernsey | 10 |
| Gilde Buy-Out Fund III | Guernsey | 9 |
| Permira IV L.P. 2 | Guernsey | 7 |
| Activa Capital Fund II FCPR | France | 9 |
| Verdane Capital VII K/S | Denmark | 10 |
| Gresham IV Fund L.P. | Great Britain | 7 |
| M&G Debt Opportunities Fund | Great Britain | 16 |
| | | |
| Other share and participations | | 82 |
| | | |
| **Foreign shares and participations in total** | | **1,332** |
| | | |
| **Shares and participations in total** | | **2,117** |

## Holding

| | Country | No. of shares | Holding % | Carrying amount / Fair value |
|---|---|---|---|---|
| **Domestic other than listed companies** | | | | |
| Varma Mutual Pension Insurance Company | Finland | 57 | 80,28% | 14 |
| Other | Finland | | | 10 |
| **Total domestic shares and participations** | | | | **24** |
| **Foreign unit trusts** | | | | 4 |
| **Total shares and participations** | | | | **28** |

Holdings exceeding EURm 5 and holdings in listed companies exceeding five per cent specified.

The table does not include investments related to unit-linked insurance contracts.

## 41 Events after the balance sheet date

In the meeting of 12 Feb. 2014, the Board of Directors decided to propose at the Annual General Meeting on 24 April 2014 a dividend distribution of EUR 1.65 per share, or total EUR 924,000,000, for 2013. The dividends to be paid will be accounted for in the equity in 2014 as a deduction of retained earnings.

# Sampo plc's Financial Statements

## Sampo plc's income statement

| EURm | Note | 2013 | 2012 |
|---|---|---|---|
| Other operating income | 1 | 15 | 15 |
| Staff expenses | | | |
| Salaries and remunerations | | -20 | -15 |
| Social security costs | | | |
| Pension costs | | -3 | -3 |
| Other | | -1 | -1 |
| Depreciation and impairment | 2 | | |
| Depreciation according to plan | | -0 | -0 |
| Other operating expenses | 3 | -12 | -13 |
| **Operating profit** | | **-20** | **-17** |
| Financial income and expense | 5 | | |
| Income from shares in Group companies | | 585 | 544 |
| Income from other shares | | 294 | 229 |
| Other interest and financial income | | | |
| Group companies | | 15 | 13 |
| Other | | 1 | 8 |
| Other investment income and expense | | -10 | 30 |
| Other interest income | | 45 | 48 |
| Interest and other financial expense | | | |
| Group companies | | 0 | 0 |
| Other | | -97 | -124 |
| Exchange result | | 20 | 6 |
| **Proft before taxes** | | **832** | **737** |
| Income taxes | | | |
| Tax from previous years | | -0 | 0 |
| Deferred taxes | | -3 | 1 |
| **Profit for the financial year** | | **829** | **737** |

# Sampo plc's balance sheet

| EURm | Note | 2013 | 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 6 | 0 | 0 |
| Property, plant and equipment | 7 | | |
| Buildings | | 1 | 1 |
| Equipment | | 0 | 1 |
| Other | | 2 | 2 |
| Investments | | | |
| Shares in Group companies | 8 | 2,370 | 2,370 |
| Receivables from Group companies | 8 | 321 | 225 |
| Shares in participating undertakings | 9 | 5,557 | 5,557 |
| Other shares and participations | 10 | 28 | 28 |
| Other receivables | 11 | 388 | 350 |
| Short-term receivables | | | |
| Deferred tax assets | 19 | 14 | 18 |
| Other receivables | 12 | 17 | 11 |
| Prepayments and accrued income | 13 | 71 | 89 |
| Cash at bank and in hand | | 280 | 473 |
| **TOTAL ASSETS** | | **9,051** | **9,126** |
| **LIABILITIES** | | | |
| **Equity** | 14 | | |
| Share capital | | 98 | 98 |
| Fair value reserve | | 4 | 0 |
| Invested unrestricted equity | | 1,527 | 1,527 |
| Other reserves | | 273 | 273 |
| Retained earnings | | 4,146 | 4,158 |
| Profit for the financial year | | 829 | 737 |
| | | **6,877** | **6,793** |
| **Liabilities** | | | |
| Long-term liabilities | | | |
| Bonds | | 1,720 | 1,710 |
| Short-term liabilities | | | |
| Debt securities | | 308 | 451 |
| Other liabilities | 15 | 81 | 111 |
| Accruals and deferred income | 16 | 66 | 60 |
| **TOTAL LIABILITIES** | | **9,051** | **9,126** |

# Sampo plc's statement of cash flows

| EURm | 2013 | 2012 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxes | 832 | 737 |
| **Adjustments:** | | |
| Depreciation and amortisation | 0 | 0 |
| Unrealised gains and losses arising from valuation | 0 | 1 |
| Realised gains and losses on investments | -6 | -3 |
| Other adjustments | -285 | -144 |
| **Adjustments total** | **-290** | **-145** |
| **Change (+/-) in assets of operating activities** | | |
| Investments *) | -113 | 441 |
| Other assets | 1 | 14 |
| **Total** | **-113** | **455** |
| **Change (+/-) in liabilities of operating activities** | | |
| Financial liabilities | -1 | 3 |
| Other liabilities | -23 | 43 |
| Paid interests | -52 | -87 |
| Paid taxes | -0 | 0 |
| **Total** | **-76** | **-41** |
| **Net cash from operating activities** | **354** | **1,006** |
| **Investing activities** | | |
| Investments in group and associated undertakings | 293 | 224 |
| Net investment in equipment and intangible assets | -0 | -0 |
| **Net cash used from investing activities** | **293** | **224** |
| **Financing activities** | | |
| Dividends paid | -747 | -663 |
| Issue of debt securities | 1,214 | 2,181 |
| Repayments of debt securities in issue | -1,307 | -2,362 |
| **Net cash used in financing activities** | **-839** | **-845** |
| **Total cash flows** | **-193** | **385** |

| | | |
|---|---|---|
| Cash and cash equivalents at 1 January | 473 | 89 |
| Cash and cash equivalents at 31 December | 280 | 473 |
| **Net change in cash and cash equivalents** | **-193** | **385** |

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

Additional information to the statement of cash flows:

| EURm | 2013 | 2012 |
|---|---|---|
| Interest income received | 61 | 84 |
| Interest expense paid | -95 | -142 |
| Dividend income received | 878 | 769 |

# Summary of Sampo plc's significant accounting policies

The presentation of Sampo Plc's financial statements together with the notes has been prepared in accordance with the Finnish Accounting Act and Ordinance. The accounting principles applied to the separate financial statements of Sampo plc do not materially differ from those of the Group, prepared in accordance with the International Financial Reporting Standards (IFRSs). The financial assets are measured at fair value derived from the markets. The accounting principles for the Group are described in the section Summary of significant accounting policies.

# Notes to Sampo plc's Financial Statements

# Notes to the income statement

## 1 Other operating income

| EURm | 2013 | 2012 |
|---|---|---|
| Income from property occupied for own activities | 0 | 0 |
| Other | 15 | 15 |
| **Total** | **15** | **15** |

## 2 Other operating expenses

| EURm | 2013 | 2012 |
|---|---|---|
| Rental expenses | -1 | -1 |
| Expense on property occupied for own activities | -0 | -0 |
| Other | -10 | -12 |
| **Total** | **-12** | **-13** |

Item Other includes e.g. administration and IT expenses and fees for external services.

## 3 Auditors' fees

| EURm | 2013 | 2012 |
|---|---|---|
| Authorised Public Accountants Ernst & Young Oy | | |
| Auditing fees | -0 | -0 |
| Other fees | -0 | -0 |
| **Total** | **-0** | **-0** |

## 4 Financial income and expense

| EURm | 2013 | 2012 |
|---|---|---|
| Received dividends in total | 878 | 773 |
| Interest income in total | 61 | 69 |
| Interest expense in total | -97 | -124 |
| Gains on disposal in total | 6 | 3 |
| Losses on disposal in total | -0 | -1 |
| Exchange result | 20 | 6 |
| Other | -16 | 27 |
| **Total** | **852** | **753** |

# Notes to the assets

## 5 Property, plant and equipment

| EURm | 2013 Land and buildings | 2013 Other | 2012 Land and buildings | 2012 Other |
|---|---|---|---|---|
| **Cost at beginning of year** | 1 | 4 | 1 | 4 |
| Additions | - | 0 | - | 0 |
| Disposals | - | - | - | -0 |
| Accumulated depreciation at beginning of year | - | -1 | - | -1 |
| Depreciation according to plan during the financial year | -0 | -0 | -0 | -0 |
| **Carrying amount at end of year** | **1** | **3** | **1** | **3** |

## 6 Receivables from Group companies

| EURm | 2013 | 2012 |
|---|---|---|
| **Cost at beginning of year** | 225 | 223 |
| Additions | 101 | 13 |
| Disposals | -5 | -11 |
| **Carrying amount at end of year** | **321** | **225** |

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

## 7 Other shares and participations

| | 2013 | Fair value changes | | 2012 | Fair value changes | |
|---|---|---|---|---|---|---|
| EURm | Fair value | Recognised in p/l | Recognised in fair value reserve | Fair value | Recognised in p/l | Recognised in fair value reserve |
| Avalaible-for-sale equity securities | 28 | 4 | -4 | 24 | 2 | 0 |

## Changes in property shares

| EURm | 2013 | 2012 |
|---|---|---|
| **Cost at beginning of year** | 4 | 4 |
| Disposals | -4 | -0 |
| **Carrying amount at end of year** | **0** | **4** |
| Difference between current cost and carrying amount | 0 | 0 |

## 8 Other investment receivables

| EURm | 2013 Fair value | Fair value changes Recognised in p/l | Recognised in fair value reserve | 2012 Fair value | Fair value changes Recognised in p/l | Recognised in fair value reserve |
|---|---|---|---|---|---|---|
| Market money | 350 | 0 | -0 | 350 | 2 | 1 |
| Bonds | 39 | 0 | 4 | 0 | 0 | 2 |
| **Total** | **388** | **0** | **4** | **350** | **3** | **3** |

## 9 Other receivables

| EURm | 2013 | 2012 |
|---|---|---|
| Trading receivables | 7 | 0 |
| Derivatives | 6 | 7 |
| Other | 4 | 4 |
| **Total** | **17** | **11** |

## 10 Prepayments and accrued income

| EURm | 2013 | 2012 |
|---|---|---|
| Accrued interest | 36 | 36 |
| Derivatives | 35 | 52 |
| Other | 0 | 1 |
| **Total** | **71** | **89** |

# Notes to the liabilities

## 11 Movements in the parent company's equity

| | Restricted equity | | Unrestricted equity | | | |
|---|---|---|---|---|---|---|
| **EURm** | **Share capital** | **Fair value reserve** | **Invested unrestricted capital** | **Other reserves** | **Retained earnings** | **Total** |
| **Carrying amoun at 1 Jan. 2012** | **98** | **2** | **1,527** | **273** | **4,824** | **6,724** |
| Dividends | | | | | -672 | **-672** |
| Recognition of undrawn dividends | | | | | 6 | **6** |
| Financial assets available-for-sale | | | | | | |
| -recognised in equity | | -0 | | | | **-0** |
| -recognised in p/l | | -1 | | | | **-1** |
| Profit for the year | | | | | 737 | **737** |
| **Carrying amount at 31 Dec. 2012** | **98** | **0** | **1,527** | **273** | **4,895** | **6,793** |

| | Restricted equity | | Unrestricted equity | | | |
|---|---|---|---|---|---|---|
| **EURm** | **Share capital** | **Fair value reserve** | **Invested unrestricted capital** | **Other reserves** | **Retained earnings** | **Total** |
| **Carrying amount at 1 Jan. 2013** | 98 | 0 | 1,527 | 273 | 4,895 | 6,793 |
| Dividends | | | | | -756 | -756 |
| Recognition of undrawn dividends | | | | | 7 | 7 |
| Financial assets available-for-sale | | | | | | |
| -recognised in equity | | -0 | | | | -0 |
| -recognised in p/l | | 3 | | | | 3 |
| Profit for the year | | | | | | 0 |
| Carrying amount at 31 Dec. 2013 | | | | | 829 | 829 |
| **Kirjanpitoarvo 31.12.2013** | **98** | **4** | **1,527** | **273** | **4,976** | **6,877** |

## Distributable assets

| EURm | 2013 | 2012 |
|---|---|---|
| **Parent company** | | |
| Profit for the year | 829 | **737** |
| Retained earnings | 4,146 | **4,158** |
| Invested unrestricted capital | 1,527 | **1,527** |
| Other reserves | 273 | **273** |
| **Total** | **6,775** | **6,695** |

## 12 Share capital

Information on share capital is disclosed in Note 34 in the consolidated financial statements.

## 13 Other liabilities

| EURm | 2013 | 2012 |
|---|---|---|
| Unredeemed dividends | 26 | **24** |
| Derivatives | 7 | **9** |
| Guarantees for derivate contracts | 47 | **78** |
| Other | 0 | **0** |
| **Total** | **81** | **111** |

## 14 Accruals and deferred income

| EURm | 2013 | 2012 |
|---|---|---|
| Deferred interest | 34 | **34** |
| Derivatives | 10 | **11** |
| Other | 21 | **15** |
| **Total** | **66** | **60** |

# Notes to the income taxes

## 15 Deferred tax assets and liabilities

| EURm | 2013 | 2012 |
|---|---|---|
| **Deferred tax assets** | | |
| Losses | 15 | 18 |
| Timing differences | 0 | 0 |
| Fair value reserve | 0 | 0 |
| **Total** | **15** | **18** |
| | | |
| **Deferred tax liabilities** | | |
| Timing differences | 0 | -0 |
| Fair value reserve | -1 | -0 |
| Total | -1 | -0 |
| | | |
| **Total, net** | **14** | **18** |

# Notes to the liabilities and commitments

## 16 Pension liabilities

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

## 17 Future rental commitments

| EURm | 2013 | 2012 |
|---|---|---|
| Not more than one year | 1 | 1 |
| Over one year but not more than five years | 2 | 3 |
| **Total** | **3** | **4** |

## 18 Off-balance sheet items

| EURm | 2013 | 2012 |
|---|---|---|
| **Underwriting commitments** | **1** | **1** |
| **Off-balance sheet items total** | **1** | **1** |
| To or on behalf of Group companies | - | - |
| To or on behalf of associates | - | - |

# Notes to the staff and management

## 19 Staff numbers

| EURm | 2013 Average during the year | 2012 Average during the year |
|---|---|---|
| Full-time staff | 51 | 51 |
| Part-time staff | 2 | 2 |
| Temporary staff | 3 | 3 |
| **Total** | **56** | **55** |

## 20 Management's remuneration and post-employment benefits

| EUR thousand | | 2013 | 2012 |
|---|---|---|---|
| **Managing Director** | Kari Stadigh | 3,530 | 2,454 |
| **Members of the Board of Directors** | | | |
| Björn Wahlroos | | 160 | 160 |
| Anne Brunila | | 80 | 80 |
| Jannica Fagerholm | | 80 | - |
| Adine Grate Axén | | 80 | 80 |
| Veli-Matti Mattila | | 80 | 80 |
| Eira Palin-Lehtonen | | 80 | 80 |
| Per Arthur Sørlie | | 80 | 80 |
| Matti Vuoria | | 100 | 100 |

### Pension liability

The retirement age of the Managing Director is 60 years, when the pension benefit is 60% of the pensionable salary.

## 21 Pension contributions to the CEO, deputy CEO and the members of the board

| EUR thousand | Supplementary pension costs | Statutory pension costs | Total |
|---|---|---|---|
| **Pension contributions paid during the year** | | | |
| Chairman of the Board | - | - | - |
| Other Members of the Board | - | - | - |
| President/CEO 1) | 1,583 | 132 | 1,715 |
| Deputy CEO | - | - | - |
| Former Chairmen of the Board | | | |
| Kalevi Keinänen 2) | 40 | - | 40 |
| Former Presidents/CEO:s | | | |
| Harri Hollmen 3) | 86 | - | 86 |
| | **1,709** | **132** | **1,841** |

*1) According to his current agreement the Group CEO is entitled to retire in December 2015 when he turns 60. The pension benefit is 60 per cent of his pensionable salary. The pensionable salary includes fixed salary, fringe benefits, holiday pay and short-term incentives and is calculated as an average of two out of the four last full years, where the best and the worst year are left out. To replace the defined benefit supplementary pension agreement stipulated in the service contract for the Group CEO currently in force, a new defined contribution pension agreement will be signed as of 1 January 2016. The annual cost of the agreement for Sampo will be 400,000 euros.*

*2) Group pension agreement with a retirement age of 60 years and a pension benefit of 66 per cent of the pensionable TyEL-salary (TyEL: Employee's Pension Act). The supplementary cost pertains to a yearly index adjustement.*

*3) Group pension agreement with a retirement age of 60 and a pension benefit of 60 per cent of the pensionable TyEL-salary. The supplementary cost pertains to a yearly index adjustement.*

# Notes to the shares held

## 22 Shares held as of 31 Dec, 2013

| Company name | Percentage of share capital held *) | Carrying amount EURm |
|---|---|---|
| **Group undertakings** | | |
| **P&C insurance** | | |
| If P&C Insurance Holding Ltd, Stockholm Sweden | 100 | 1,886 |
| **Life insurance** | | |
| Mandatum Life Ltd, Helsinki Finland | 100 | 484 |
| **Other** | | |
| Sampo Capital Oy, Helsinki Finland | 100 | 1 |

# Approval of the Financial Statements and the Board of Directors' Report

Helsinki, 12 February 2014

## Sampo plc

### Board of Directors

| | | |
|---|---|---|
| Anne Brunila | Adine Grate Axén | Jannica Fagerholm |
| Eira Palin-Lehtinen | Per Arthur Sørlie | Veli-Matti Mattila |
| | Matti Vuoria | |
| Björn Wahlroos | | Kari Stadigh |
| **Chairman of the Board** | | **Group CEO and President** |

# Auditor's Report

## To the Annual General Meeting of Sampo plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Sampo plc for the financial period 1.1. - 31.12.2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

## Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report ofthe Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

## Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

## Opinions based on the assignment of the Audit Committee

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, February 26, 2014

Ernst & Young Oy
Authorized Public Accountant Firm

Heikki Ilkka
Authorized Public Accountant

# Calendar and Contacts

# Financial Information and Annual General Meeting 2014

Sampo will publish three Interim Reports in 2014. The Interim Reports and related supplementary materials are published on Sampo's website at www.sampo.com/result. Press and stock exchange releases, the monthly updated list of shareholders and other investor information published by Sampo are available on the site as well.

Sampo plc's Annual General Meeting will be held on April.

## Annual General Meeting

### The record date for the Annual General Meeting

10 April 2014

Shareholder who is registered on the record date for the Annual General Meeting in the company's Shareholder Register kept by Euroclear Finland Ltd has the right to participate in the General Meeting. Shareholders whose shares are registered on their personal Finnish book-entry accounts are registered in the company's Shareholder Register.

### The registration for the AGM ends

15 April 2014

Shareholder may register for the General Meeting
13 February – 15 April 2014
until 4 pm (CET+1)

- On the internet at www.sampo.com/agm
- By phone to +358 10 516 0028 from Monday to Friday, 9 am-4 pm (CET+1)
- By fax to +358 10 516 0719 or
- By mail to the address Sampo plc, Shareholder services, Fabianinkatu 27, 00100 Helsinki, Finland.

### Annual General Meeting

24 April 2014

Sampo plc's Annual General Meeting will be held on 24 April, 2014 at 2 pm, at the Helsinki Exhibition and Convention Centre, address Messuaukio 1, Helsinki. The listing of persons who have registered for the meeting will commence at 12.30 pm.

Read more about the AGM on the Internet at www.sampo.com/agm.

# Dividend

### Ex-dividend date

25 April 2014

After the ex-dividend date, the dividend from any shares traded is paid to the seller of the shares.

### Dividend record date

29 April 2014

The right to the dividend is held by the shareholder who is marked in the Shareholders Register on the dividend record date.

### Dividend payment date

7 May 2014

# Interim Report

### Interim Report for the period January - March 2014

7 May 2014

### Interim Report for the period January - June 2014

13 August 2014

### Interim Report for the period January - September 2014

6 November 2014

The Interim Reports are published on Sampo's website at www.sampo.com/result. You can subscribe to Sampo's Stock Exchange Releases and Press Releases at www.sampo.com/subscription.

Please note that you can find the latest information regarding events and dates at www.sampo.com/calendar.

# Contacts

## Sampo plc

**Address**
Sampo plc
Fabianinkatu 27
00100 Helsinki
Finland

**Business ID**
0142213-3

**Telephone**
+358 10 516 0100

**Registered domicile**
Helsinki, Finland

**E-mail**
firstname.lastname@sampo.fi

**Internet**
www.sampo.com

**Twitter**
@Sampo_plc

**Fax**
+358 9 228 90 434 or
+358 10 516 0016

**Contact information for Group Subsidiaries**
www.sampo.com/contacts

# Investor Relations

**Jarmo Salonen**
Head of Investor Relations and Group Communications

Tel. +358 10 516 0030
jarmo.salonen@sampo.fi

**Peter Johansson**
Group CFO

Tel. +358 10 516 0010
peter.johansson@sampo.fi

**Johanna Tynkkynen**
Communications Manager

Tel. +358 10 516 0067
johanna.tynkkynen@sampo.fi

**Essi Nikitin**
IR Manager (on maternity leave)

Tel. +358 10 516 0066
essi.nikitin@sampo.fi

# Shareholder Services

**Pirkko Rantanen**
Service Manager, Shareholder Services

Tel. +358 10 516 0068
Fax. +358 10 516 0719
pirkko.rantanen@sampo.fi

# Group Communications

**Jarmo Salonen**
Head of Investor Relations and Group Communications

Tel. +358 10 516 0030
jarmo.salonen@sampo.fi

**Maria Silander**
Press Officer, Media Contacts

Tel. +358 10 516 0031
maria.silander@sampo.fi

**Päivi Walldén**
Communications Manager, Publications and Web Communications

Tel. +358 10 516 0049
paivi.wallden@sampo.fi

**Carolina Orädd**
Web Communications Manager

Tel. +358 10 516 0065
carolina.oradd@sampo.fi

**Johanna Tynkkynen**
Communications Manager

Tel. +358 10 516 0067
johanna.tynkkynen@sampo.fi

**Maarit Kettunen**
Web Communications Manager

Tel. +358 50 521 1201
maarit.kettunen@sampo.fi