SAMPO GROUP

ANNUAL REPORT 2016

TABLE OF CONTENTS

Group

Group CEO's Review

A Good Year in Spite of Political Surprises

Many people were taken by surprise in 2016 – including us at Sampo. However, in spite of this, we were able to report very good results.

In 2016, the investment market was something of a bumpy road indeed. At the beginning of the year, stock prices crashed following weakened growth expectations in China. Meanwhile, in the summer, markets were hit by the Brexit referendum results which also pushed sterling on a downward slide. In the fall of 2016, stock markets were shaken by fears regarding the results of the US presidential election and when the votes were cast and the result announced, markets plunged although they then swiftly recovered. Finally, investment markets returns were good during the last quarter of the year.

As big a surprise as it was, the US presidential election result did spark a glimmer of hope for the financial services industry. The hope is for deregulation in the sector or at the very least the postponement of new plans for additional regulation. The outcome of this potential deregulation is yet to be seen. However, it is clear that if the United States will begin revoking regulations, the European Union will also have to take similar action in order to maintain a level playing field.

Europe should respond in such a manner as it would be imprudent to give American banks a clear competitive advantage through there being stricter regulations in Europe. This would be an absolutely necessary action as our industry has become clearly overregulated in many areas following the political bidding game of the past few years. As a first step in deregulation, financial services companies should be given clear incentives for strengthening their capital bases. As an example, why not reward the industry for capital generating by releasing those banks with the strongest solvency levels from some of the current regulation? Without an explicit mechanism and goals for deregulation there is not a chance for Europe to get rid of the current overregulation that exists.

The New Solvency II regulation that was applied with effect from 1 January 2016 did not affect our business operation as we had been preparing for it for many years. Furthermore, our solvency level clearly exceeds minimum regulatory requirements. Consequently, no changes were needed to our investment allocation following the new regulation coming into effect.

If P&C's Combined Ratio Hits New Record Level

Predictable and stable earnings are important for us at Sampo. However, it is underwriting excellence, in other words risk assessment and fair pricing that is the cornerstone of our property and casualty insurance operations. In addition to this, significant investments in digitalization and the automation of claims handling have improved our efficiency.

During the past year, climate conditions were pleasingly on our side and both the cost ratio and combined ratio reached new record levels. The combined ratio amounted to 86.1 per cent without non-recurring items.

Our property and casualty insurance customers want a comprehensive online service. More than one-third of claims are currently reported via our online channels and an ever increasing share of our claims handling takes place online. In addition, an increasing share of sales is internet based: Our online sales increased by 25 per cent last year. In summary, our insurance subsidiary If P&C is the indisputable forerunner in taking advantage of internet in its own sector in the Nordic countries.

Nordea's Financial Strength Is Very Strong

Our associated company Nordea once again proved its ability to generate capital. The Group Common Equity Tier 1 ratio (CET1) was higher than ever before at 18.4 per cent at the end of the fourth quarter of 2016. Nordea was also able to slightly increase its dividend proposal. Being the largest shareholder in Nordea, we value this greatly.

Nordea's new CEO appointed his team during his first full year in office. The next step is to move from planning into the execution phase. In regard to the bank's transformational change agenda, the new IT platform project is proceeding on schedule and the first product was already launched on the new core banking platform. We can expect significant gains from IT investments during the coming years.

Furthermore, a new legal structure was created for Nordea by merging the subsidiary banks in Denmark, Finland and Norway into the parent company Nordea Bank AB at the start of 2017. The banking businesses in Denmark, Finland and Norway are now conducted via local branches. This increases agility and reduces bureaucracy – two characteristics that customers appreciate.

Strong Growth in Mandatum Life's Premium Income During the Fourth Quarter

Profit before taxes for our subsidiary Mandatum Life increased to EUR 210 million and this was especially due to its excellent investment results. The life insurance company is now well positioned to generate good profits in the future as well.

Premium income development in life insurance was strong towards the end of the year. During the fourth quarter of 2016, premium income increased by 46 per cent. Premium income in the main focus area of unit-linked insurance reached a new record, while unit-linked technical provisions also achieved a record level.

In the fall of 2016, Mandatum Life agreed to sell to Danske Bank the insurance portfolio sold through Danske Bank's branch network in Finland. The portfolio almost exclusively consists of unit-linked and loan insurance products. The technical reserves related to the portfolio amounted to EUR 3.2 billion at the end of 2016. Meanwhile, the transfer of the portfolio is estimated to take place during the fourth quarter of 2017 at the earliest.

Mandatory Offer for Topdanmark Proved to Be Successful

In September 2016, we made a non-premium mandatory offer for the Danish P&C insurer Topdanmark. The bid was made after we had crossed the applicable threshold for the mandatory offer. It proved to be successful: As a result of the offer, our ownership exceeded 41 per cent of the total of Topdanmark shares.

After the end of the reporting period, we proposed to Topdanmark's Annual General Meeting of April 2017 a change to the company's distribution policy. Based on our proposition, Topdanmark should move from share buy-backs to dividends only. Simultaneously, we proposed that three representatives of Sampo Group, which would make up half of the total number of Board members, be elected to Topdanmark's Board of Directors.

Prepared for Interest Rate Increases

Interest rates remain at record lows. Especially in Sweden, current rates are abnormally low considering the relatively good economic growth of the country. Indeed, as I write this review in February 2017, the interest rate gap between the US and Europe is larger than ever before.

We at Sampo are well-prepared for potential interest rate increases: The duration of our fixed-income portfolio is shorter than that of our competitors and the technical provisions of our insurance subsidiaries have in many areas been discounted with lower discount rates than those of our peers. Furthermore, higher rates would benefit banks, including Nordea. Thus, in the event of rising interest rates, we should outperform our peers.

Our Dividend Will Increase for the Eighth Consecutive Year

At Sampo, we have been aiming at steadily increasing profit distribution. To this end, we have managed to increase the dividend every year since 2009 and this spring will see Sampo's dividend proposal increase for the eighth consecutive time. The Board's dividend proposal for the AGM is EUR 2.30 per share. The dividends to be paid amount to almost EUR 1.3 billion in total, which makes this our biggest ever dividend proposal. All in all, we have paid out dividends totaling EUR 10.9 billion so far in the 21st century.

Increasing shareholder value will also be our main task at Sampo during 2017. And whilst I naturally do not want to predict the level of future dividends, we will continue to aim at steadily increasing profit distribution.

Last but not least, I would like to thank our employees for their efforts and dedication. At the same time, I also want to thank our customers – many of whom are also our shareholders – for your continued support and trust. It is very much appreciated.

Kari Stadigh
Group CEO and President

2016 in Figures

Key Figures
Sampo Group, 2016

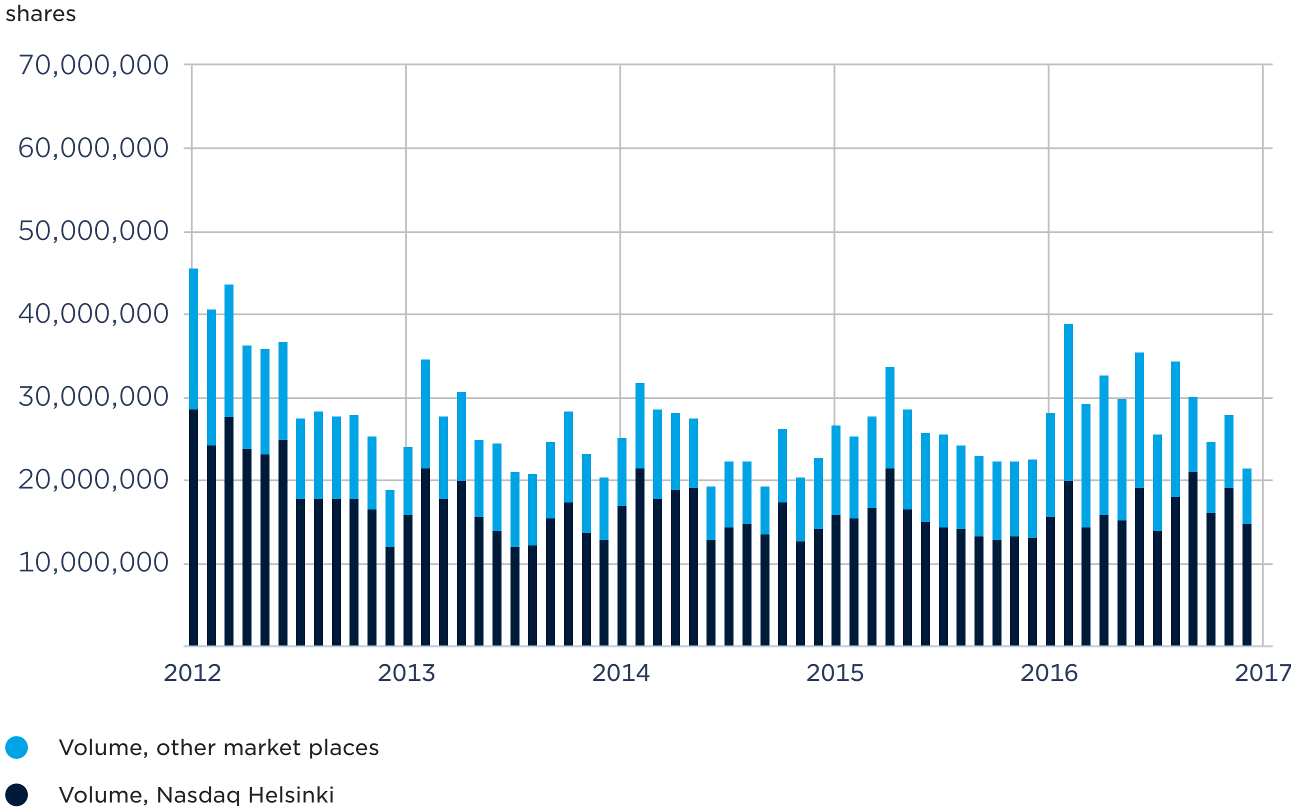
EURm	2016	2015	Change, %
Profit before taxes	1,871	1,888	-1
P&C Insurance	883	960	-8
Associate (Nordea)	773	751	3
Life Insurance	210	181	16
Holding (excl. Nordea)	6	-1	-
Profit for the period	**1,650**	**1,656**	**0**

	2016	2015	Change
Earnings per share, EUR	2.95	2.96	-0.01
EPS (incl. change in FVR), EUR	3.14	2.79	0.35
NAV per share, EUR	24.86	23.79	1.07
Average number of staff (FTE)	6,780	6,755	25
Group solvency ratio, %	154	145	9
RoE, %	15.0	14.0	1.0

Income statement items are compared on a year-on-year basis and comparison figures for balance sheet items are from 31 December 2015 unless otherwise stated.

Share Price Performance
Sampo plc, 2012–2016

Monthly Trading Volume
Sampo plc, 2012–2016



Share – Main Facts

A Share		B Share	
Market	Nasdaq 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	SAMPO (OMX)		
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 creates value for its shareholders 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 as Sampo plc upstreams the dividends it receives from its subsidiaries and associates to its shareholders.

Sampo Group's business areas are P&C insurance and life insurance, under If brand and Mandatum Life brand, 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 targets.

The parent company Sampo plc's A shares are listed on the Nasdaq Helsinki. The parent company sets financial targets for the subsidiaries. For both P&C and life insurance operations the return on equity target is to exceed 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 2016

	Target	Performance 2016
If P&C Focus on underwriting	**RoE** 17.5% **Combined Ratio** < 95%	**RoE** 25.3% **Combined Ratio** 84.4%
Sampo plc Shareholder value creation	**Payout ratio** ≥ 50%	**Payout ratio** 78%*
Mandatum Life Focus on unit-linked	**RoE** 17.5%	**RoE** 15.9%

* Based on Board's proposal on 8 February 2017

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 2.30 per share for the year 2016. The proposed dividend corresponds to a pay-out ratio of 78 per cent.

If P&C Insurance – Security and Stability

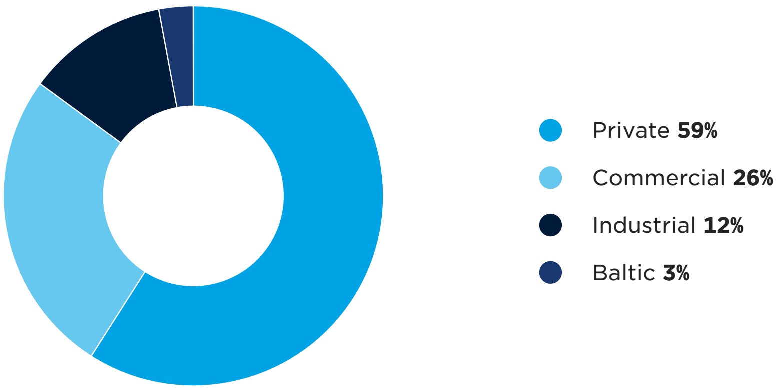
If's vision is to offer insurance solutions that provide customers with security and stability in their daily lives and business operations with such excellence that If is the preferred insurance provider in the Nordic and Baltic markets. This vision is expressed through the customer promise "Relax, we'll help you".

If is the leading property and casualty insurer in the Nordic region, with over 3.7 million customers in the Nordic and Baltic countries. If offers a full range of P&C insurance solutions and services to a broad customer base, from private individuals to large corporate customers.

If operates on a pan-Nordic basis leveraging both scale and capabilities across all areas in If. If's key success factor is continuous improvement of its operations. Underwriting focus by understanding risk better than competitors, setting the right prices, and offer the best products and services, has been the strategic theme for more than a decade.

If's operations are divided into Nordic Business areas by customer segments. The Baltic countries constitute a separate business area and operates on one business platform across all three Baltic countries.

Gross Written Premium per Business Area
If P&C Insurance, 2016



- The **Private** business area is If's largest business area and If is the Nordic market leader with more than three million private individuals as customers.
- The **Commercial** business area is the largest commercial insurer in the Nordic countries and accounts for nearly one third of If's insurance premiums. This business area insures companies with up to 500 employees and has about 350,000 companies as customers.
- The **Industrial** business area is the leading insurer for large corporate customers in the Nordic region with approximately 1,300 customers. Customers are companies with a turnover of more than EUR 50 million and more than 500 employees.
- The **Baltic** business area offers property and casualty insurances for both private individuals and corporate customers. If is the second largest P&C insurer in the Baltic region and market leader in Estonia, with approximately 350,000 customers.

In order to fulfil the vision of being the preferred insurance partner, If has adopted a strategy based on three goals:

- **Most satisfied customers through strong focus on customer value**
  To achieve this If must have the best in-depth understanding of the customers' insurance needs and, correspondingly, the best underwriting skills. If strives to be the most service-oriented company in the industry and continues to develop its digital communication.
- **Europe's most professional and innovative P&C insurance people**
  If continues to strengthen its underwriting competences within the "Best in Risk" concept. The concept focuses on understanding all aspects of risk management, including product, pricing and risk quality, throughout the organisation.

- **Stable profitability through underwriting excellence and operational efficiency**
  Profitability in the core business by accurate pricing of risk. Continuous focus on cost efficiency, an investment strategy based on balanced risk and creditworthiness also contribute to a strong and stable profitability.

If's financial targets are to achieve a return on equity (RoE) of at least 17.5 per cent and a combined ratio of less than 95 per cent.

Mandatum Life – an Expert in Money and Life

Mandatum Life is the leading provider of cover against health and life risks, and a well-respected manager of customer wealth in Finland and the Baltic countries. Mandatum Life offers its customers comprehensive services that include tailored unit-linked investments and wealth management, personal risk insurance for private customers, pension and reward services for companies and the related consultation services. The parent company of the Mandatum Life Group is Mandatum Life Insurance Company Limited, the subsidiaries of which are Mandatum Life Services Ltd., Mandatum Life Investment Services Ltd., Mandatum Life Fund Management S.A., Innova Services Ltd. and Mandatum Life Insurance SE Baltic.

The focal point of Mandatum Life's new sales business is unit-linked insurance, capital redemption contracts and group pension insurance and risk insurance covering personal risks. For these, Mandatum Life has three of its own sales channels in Finland: sales groups specialized in corporate sales, wealth managers focused on wealth management, and Customer Service that focuses on additional services offered to existing clientele. In addition to these sales channels, Mandatum Life and Danske Bank have had a distribution agreement in effect since 2007. In the same year, it was also agreed that Mandatum Life would have the right to sell the insurance portfolio to Danske Bank. In October 2016, Mandatum Life announced that it would exercise that right, as a result of which, it is estimated that the insurance portfolio acquired through Danske Bank will transfer to Danske Bank at the end of 2017.

Mandatum Life began offering its own wealth management services related to insurance and capital redemption contracts in 2008. These services are primarily focused on high-net-worth individuals, but the comprehensive range of investment baskets and funds is also available to a broad spectrum of private, corporate and institutional customers.

Insurance for Corporate Customers and Entrepreneurs a Strong Strategic Focal Area

Mandatum Life's goal is to maintain its position as Finland's largest life and supplementary pension insurer in the corporate customer segment. The company estimates that the need for Finns to secure their income during retirement will increase further with the pension reform that entered into force at the start of 2017. The reform aims at extending careers, which has an impact on employers: they must maintain their employees' work capacity, competence and enthusiasm for even longer. Companies can complement the statutory pension cover of their employees through group pension insurance. By planning the retirement of personnel in time, companies can make sure that their employees retire at a time that is right for both them and their employer.

In Mandatum Life's view, investing in personnel has a major impact on the company's earnings power. Mandatum Life offers its corporate customers expert services and solutions for rewarding their entire personnel. For example, personnel funds are a key component of the services Mandatum Life provides companies.

Management of the With-Profit Insurance Portfolio

In terms of the existing insurance portfolio with guarantees, the company's strategy is to maintain a sufficiently strong solvency position, which makes it possible to seek a higher long-term investment return than that offered by low-risk fixed income instruments. The goal will be to actively accelerate the downward trend of the with profit portfolio. The transitional provisions of the Solvency II framework, together with the downward trend of this insurance portfolio, will enable the company to carry out effective capital management in future. The company also seeks growth in the area of new with profit contracts, provided that this takes place on favourable terms, taking into account profitability, risk management and Solvency II, and brings added value to both customers and the company.

Mandatum Life's result consists of three components: investment result, risk result and expense result. In the expense and risk results, Mandatum Life seeks growth through both higher operational efficiency and volume growth. The company's financial target is to produce a Return on Equity of at least 17.5 per cent.

Group Structure

31 December 2016

Sampo plc
Finland

- 100% **If P&C Insurance Holding Ltd**, Sweden
  - 100% **If P&C Insurance Ltd**, Sweden
    - 100% **If P&C Insurance Company Ltd**, Finland
      - 100% **If P&C Insurance AS**, Estonia
        - 100% **If Livförsäkring AB**, Sweden
- 100% **Mandatum Life Insurance Company Ltd**, Finland
  - 100% **Innova Services Ltd**, Finland
    - 100% **Mandatum Life Insurance Baltic SE**, Estonia
      - 100% **Mandatum Life Services Ltd**, Finland
        - 100% **Mandatum Life Investment Services Ltd**, Finland
          - 100% **Mandatum Life Fund Management S.A**, Luxembourg
- 21.2% **Nordea Bank AB (publ)**, Sweden
- >40% **Topdanmark A/S**, Denmark

!

Danish insurance company Topdanmark is Sampo plc's associated company. In May 2011 Sampo Group's holding in Topdanmark exceeded 20 per cent and it started to be accounted for as an associated company. On 7 September 2016 Sampo's ownership in Topdanmark exceeded one third of all shares, which obliged Sampo to make a mandatory public offer to the other shareholders of Topdanmark to acquire all outstanding shares. The offer period expired on 25 October 2016. At the beginning of February 2017, Sampo held 39,579,226 Topdanmark shares, corresponding to 45.7 per cent of all votes. In Sampo Group's segment reporting Topdanmark holding is included in the P&C insurance segment.

Organization

31 December 2016

Group CEO and President
Kari Stadigh

- **P&C Insurance** – Torbjörn Magnusson
  - **Deputy MD** – Ricard Wennerklint
    - **Risk Management** – Karin Friberg
    - **Marketing and Communications** – Katarina Mohlin
    - **IT** – Kjell Rune Tveita
  - **Private** – Morten Thorsrud
  - **Commercial** – Ivar Martinsen
  - **Industrial** – Poul Steffensen
  - **Baltic** – Timo Vuorinen
  - **Finance** – Knut Arne Alsaker
  - **Legal Affairs** – Dag Rehme
- **Life Insurance** – Petri Niemisvirta
  - **Finance** – Jukka Kurki
  - **Private Customers, Customer Service, IT and Baltics** – Sanna Rajaniemi
  - **Danske Bank and Alliances** – Risto Honkanen
  - **Corporate Clients** – Tarja Tyni
  - **Wealth and Investment Management** – Jukka Pirskanen, Juhani Lehtonen
  - **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** – Johan Isaksson
- **Personnel** – Johan Börjesson

Businesses

Sampo Group is active in insurance and banking. Sampo plc, the parent company, has two fully owned insurance subsidiaries, If P&C Insurance Holding Ltd (publ) and Mandatum Life Insurance Company Ltd. In addition Sampo has two major associates, Nordea Bank AB and Topdanmark A/S, a Danish insurance company. Sampo plc is the largest shareholder in both Nordea Bank AB and Topdanmark A/S.

Sampo plc

Sampo plc, the parent company, is listed in the Nasdaq Helsinki since January 1988. It has no business activities of its own but administers the subsidiaries and is responsible for centralized functions in Sampo Group such as investments, Group Finance, risk management and investor relations.

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. If's operations are divided into four business areas: Private, Commercial, Industrial and Baltic. In Group reporting, the share of profit of Danish insurance company Topdanmark, an associated company of Sampo plc, is reported in the segment P&C insurance.

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 Nordic Exchanges in Stockholm, Helsinki and Copenhagen. In Group reporting Nordea is treated as an associate and included in the segment Holding. At the end of 2016 Sampo plc held 21.2 per cent of shares in Nordea.

MANDATUM LIFE

Mandatum Life provides its customers with a variety of services, including wealth management, investments, savings, personal risk insurance, as well as, incentive and reward solutions. Mandatum Life has an estimated 250,000 private and 25,000 corporate customers. In addition to Finland, it operates in all the Baltic countries.

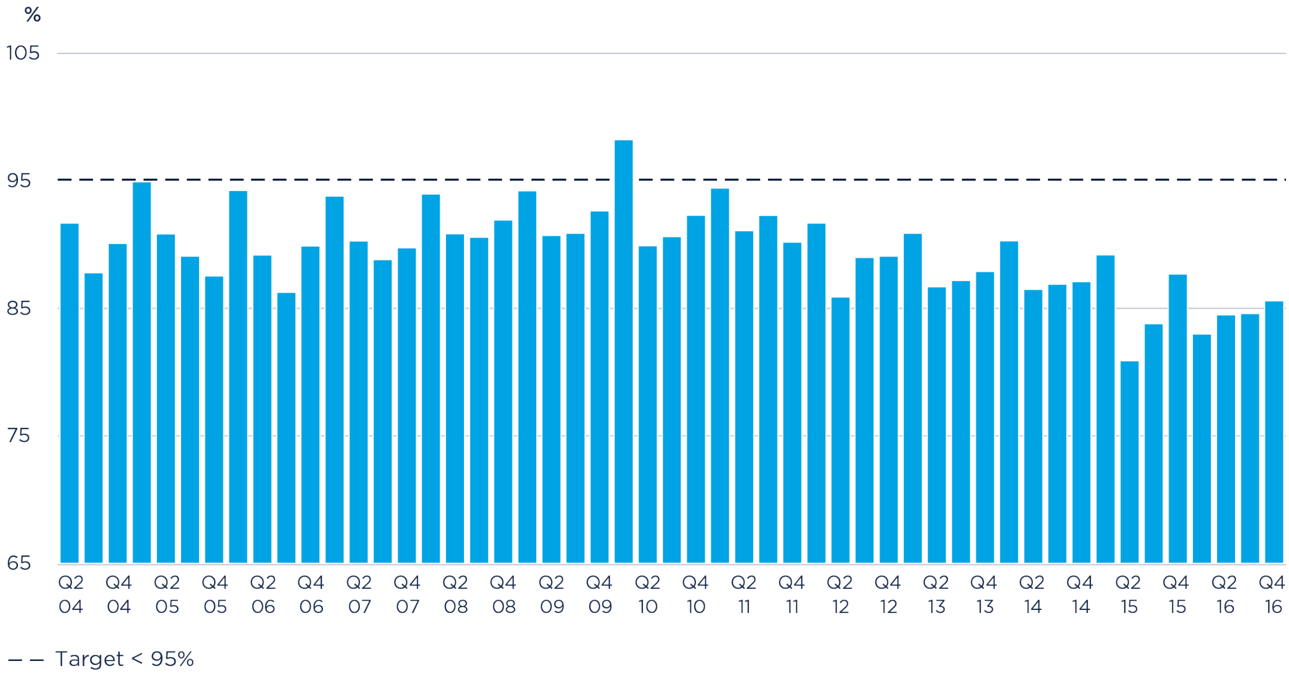
Topdanmark

Danish insurance company Topdanmark A/S, in which Sampo plc owns more than 40 per cent of the shares, is the second largest P&C insurer in Denmark. It is accounted for as an associated company and in Group reporting included in the P&C insurance segment.

If P&C Insurance

Year 2016 was a good year for If P&C Insurance with a strong result. If's combined ratio for the year was 84.4 per cent (85.4 per cent) and the technical result increased to EUR 658 million (657) and pre-tax profit amounted to EUR 883 million (960). During the year, If divested its shareholding in Topdanmark to Sampo plc, and hence no longer holds any shares in Topdanmark.

Quarterly Combined Ratios
If P&C, 2004–2016



In 2016, If P&C's premium growth was flat. Underlying growth was driven by strong new car sales, continuous development of partnerships and internet sales, but was off-set by the loss of a few larger corporate accounts.

These financial results were achieved in a competitive market with continued low and even negative interest rates and weaker macroeconomic conditions, contributing to a generally lower economic growth. Financial markets were further characterized by volatility and uncertainty. If's balanced and conservative investment policy remained unchanged during the year.

If's strategic focus areas during the year remained unchanged, with continued focus on digitalization, customer value, underwriting excellence and operational efficiency.

During the year, If continued to simplify products, developed value-added services and expanded its digital communication with customers. This has contributed to an increase in both customer satisfaction and use of online services, as well as an increase in the number of customers.

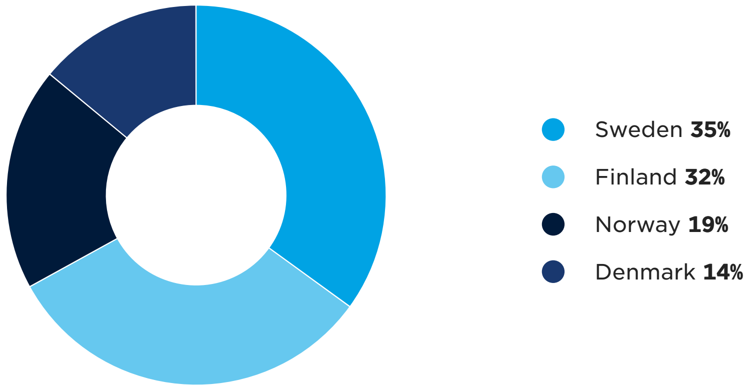
In 2016, If remained focused on digitalization. Internet sales increased by yet another 20 per cent, approximately 40 per cent of claims are filed online and more than 40 per cent of all customers are e-Customers, ie. customers with digital payment and digital policy letter on all their policies.

In addition, If continued its investments in IT with the ongoing deployment of a Nordic IT core system. At the end of the year business areas Commercial and Industrial were mostly running on one Nordic production system.

If's positive development during the year is also a result of a long-term strategy with consistent focus on underwriting excellence as well as operational efficiency. During the year If's cost ratio decreased further by 0.2 percentage points (excluding non-recurring items) which is a result of If's continuous work to improve processes.

Solvency II regulation came into effect on 1 January 2016. If applies Solvency II principles in the regulatory solvency calculations. During the year, the Swedish Financial Supervisory Authority approved If's internal capital model for the Swedish legal entity. If has a strong capital base, good systems for reporting and internal control as well as a risk-based management model. In 2016, Standard & Poor's strengthened If's rating to A+ with a stable outlook.

Online Sales by Country
If P&C, 2016



Nordea

2016 was probably the most eventful year in the history of Nordea. Continued negative interest rates, regulatory uncertainty and digital transformation were in focus for the banking sector, alongside with unexpected political events and geopolitical uncertainties.

In addition, Nordea has started a significant transformational change agenda, including investments in a new core banking platform, a new legal structure, investments in compliance functions and implementing a new business culture. Two major achievements have been to create a new legal structure and launch a term-deposit product on the new core banking platform.

Under these market conditions, Nordea showed 3 per cent increase in net profit, solid credit quality and a return on equity of 11.5 per cent.

The Retail Banking business area was divided into two new business areas, Personal Banking and Commercial & Business Banking to adjust the organisation more clearly according to the different customer needs. Digitalisation continued to be a main driver within the business areas and the customers' usage of online and mobile solutions is growing rapidly. The eBranches and remote meetings are key initiatives to improve customer accessibility.

In Wholesale Banking, the successful trends over the last years have continued. In 2016, the leading position in corporate advisory services in the Nordics was confirmed. In terms of deal value, Nordea ranked number two in Europe and the clear number one in the Nordics as global co-ordinator of IPO's. During the year, Nordea received several number one rankings in customer surveys and leading league table positions.

In Wealth Management, total assets under management grew to an all-time high of above EUR 300 billion and Nordea is by far the largest wealth manager in the Nordics. Nordea also continued to be successful in the European fund markets, marketing financial services outside the Nordics. During the main part of 2016, Nordea Asset Management was the most popular fund provider in Europe, attracting the highest amount of net inflow to its funds.

On 2 January, 2017, the cross border mergers between Nordea Bank AB (publ) and its subsidiary banks in Denmark, Finland and Norway were executed. As a result, all assets and liabilities of the subsidiary banks have been transferred to Nordea Bank AB (publ) and the subsidiaries have been dissolved. The banking business in Denmark, Finland and Norway is now carried out in branches of Nordea Bank AB (publ).

Nordea's strategic direction, strong balance sheet and robust business model enable a further transformation of the bank. The focus areas will continue to be to create a fully digital platform, improve customer satisfaction and transform the organisation to be best in class in compliance with a strong ethics and value culture that can fulfil the obligations to the society and deliver value to our customers and shareholders.

Mandatum Life

Year 2016 proved to be good for Mandatum Life in many ways, especially thanks to a very strong fourth quarter. Despite the challenging market conditions early in the year, Mandatum Life's unit-linked premium income reached a record-high level, as in previous years, largely thanks to successful wealth management during the latter part of the year.

In terms of premium income, the year was twofold: As a result of stock market volatility, the early part of the year was weak, but as the year progressed, sales volumes developed very favourably, especially for Mandatum Life's own sales channels. Mandatum Life's unit-linked premium income once again reached an all-time high. Mandatum Life's wealth management achieved by far the highest premium income ever, bolstered especially by alternative investment products, which got off to an excellent start.

Mandatum Life's investment returns exceeded the return requirement for technical provisions, especially due to the excellent return on equity investments. Low-risk, long-term interest rates remained at a low level, which means maturing fixed income investments continue to present a considerable re-investment risk, as in previous years. As a result of the low interest rate levels, the company continued to supplement the reserves for decreased discount rates. Consequently, the return requirement on technical provisions for 2017–2019 has been substantially lowered.

More than ten years ago, Mandatum Life set unit-linked insurance and personal risk insurance as its core business areas in terms of new business. Back then, the company's technical provisions were almost exclusively related to with profit products and the share of the with profit portfolio with particularly high (3.5 per cent and 4.5 per cent) guarantees of the total technical provisions was close to 90 per cent. The with profit portfolio with high guarantees only constitutes less than 30 per cent of the company's technical provisions. Unit-linked technical provisions rose to EUR 6.4 billion (5.9) – the highest ever in the company's history.

At the end of the year, Mandatum Life announced that its long-standing distribution co-operation with Danske Bank would come to an end and that the company would exercise its right to sell the insurance portfolio, consisting of private customers' insurance policies generated through the co-operation, to Danske Bank. The portfolio transfer involves approximately 150,000 policies, unit-linked insurance savings of around EUR 3 billion and with profit insurance savings of some EUR 0.2 billion. The portfolio transfer is expected to be completed at the earliest at the end of 2017. Mandatum Life and Danske Bank have agreed to continue fund management co-operation during a transitional period which will last at least until the end of 2017 in order to ensure that the transition from Mandatum Life to Danske Bank will be as smooth as possible. From the customers' perspective, the services will remain unchanged.

During the latter part of the year, Mandatum Life implemented organisational changes to increase the efficiency of the company's operations in the Baltic countries. A special focus area in operations is increasing sales and profitability.

Personnel

Value creation in the financial industry rests on operational excellence, continuous renewal and highly skilled employees. The dedicated employees of Sampo Group are building trust through operational excellence and deliver a first class customer experience every day.

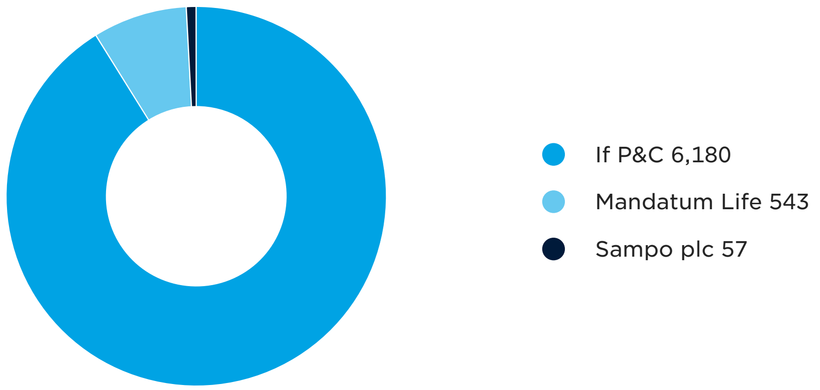
Sampo Group offers a work environment that supports the commitment of all employees. The continuous high results of regular employee satisfaction surveys show that Sampo has succeeded well in inspiring and engaging its employees.

The total reward package of Sampo Group also encompasses competitive remuneration and benefits such as private health care and broad insurance coverage, in addition to extensive competence development and sound corporate responsibility principles.

Sampo Group values the competence of its employees and strives to offer possibilities to learn new skills and grow professionally. Sampo Group is a stable and trusted employer and the international career opportunities attract new employees. Future leaders grow from within Sampo Group and are offered challenging positions and projects and supported with mentoring programs.

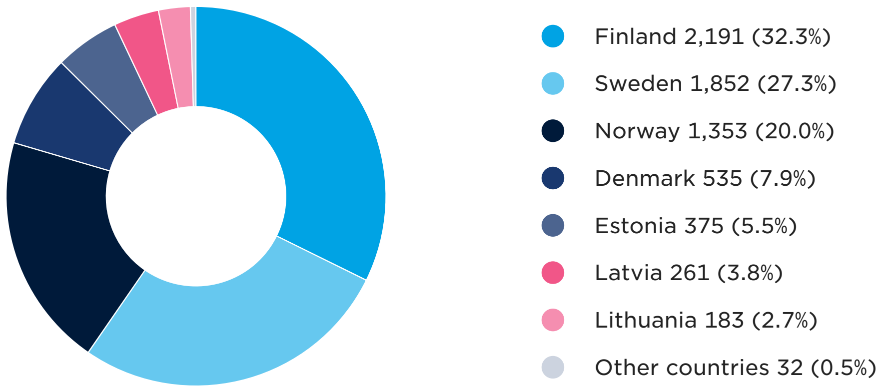
In 2016 Sampo Group employed on average 6,780 people (6,755). P&C insurance is the Group's largest business area, If P&C employees comprising 91 per cent of the Group personnel (6,180 employees). 8 per cent of the employees worked in life insurance and 1 per cent in the parent company Sampo plc.

Average Personnel by Company
Sampo Group, 2016

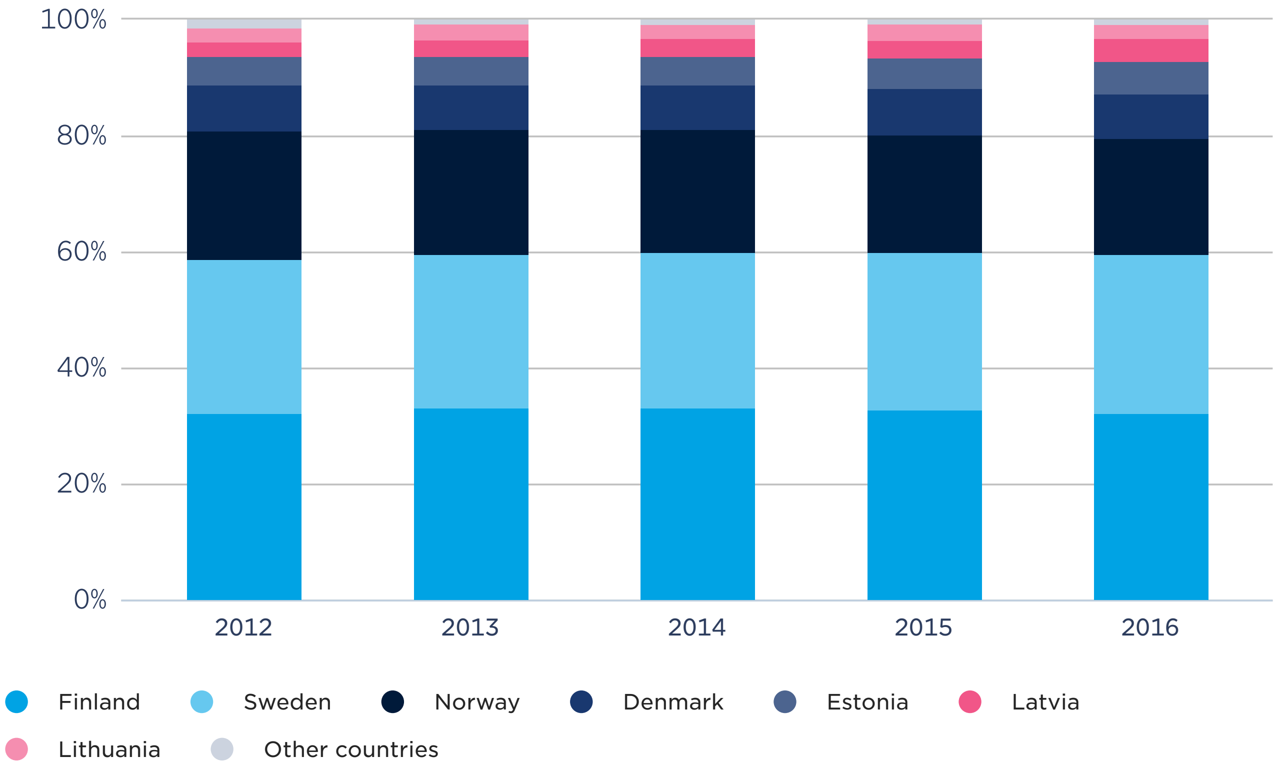


In geographical terms, 32 per cent of the personnel worked in Finland, 27 per cent in Sweden and 20 per cent in Norway. The Baltic countries, Denmark and other countries employed 21 per cent of the personnel.

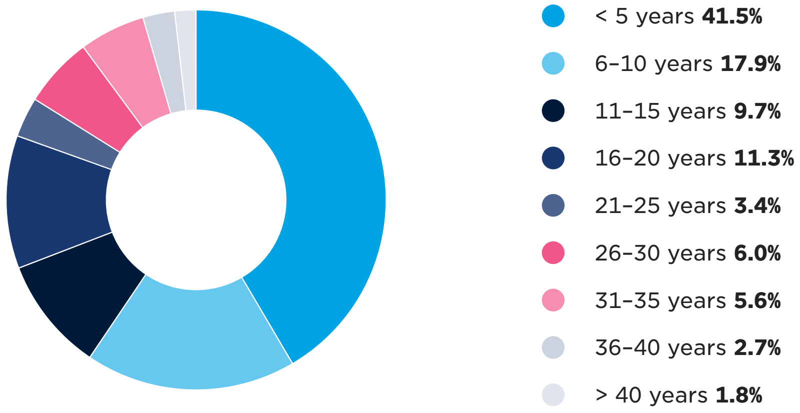
Average Personnel by Country
Sampo Group, 2016



Annual Distribution of Personnel by Country (FTE Average)
Sampo Group, 2012–2016



Years of Employment
Sampo Group, 2016



Personnel at If P&C

If P&C has more than 3 million customers. If P&C sells and renews close to 8 million insurances annually and handles 1.5 million claims. If P&C's success is entirely dependent on how well the company does in all of these customer interactions. First class customer focus through dedicated employees with professional insurance competence is therefore the main determinant of success.

The cornerstones of If P&C's HR Strategy are; Competence Development & Innovation, Right Person in the Right Place, Leadership the If way, and Employeeship & Performance Culture. HR plays a key role in ensuring that If P&C can attract the best employees, that competence building is strong and that both leadership and employeeship are first class. Employeeship refers to the employees' own responsibility for their development, customer service, and performance.

Competence Development and Right Person in the Right Place

In the mature insurance industry, having the industry's most competent employees is the main source of sustainable competitive advantage. If P&C's competence development unit – If Academy – supports the business units and ensures efficient planning and delivery of competence development across the company. During 2016 If Academy began a journey to ensure that all training activities derive from prioritized business goals. Senior competence partners have been appointed and are working in close cooperation with business leaders in setting the competence development agenda. To increase efficiency, If Academy is centralizing its digital activities to a common hub where trainings for all of If P&C will be created.

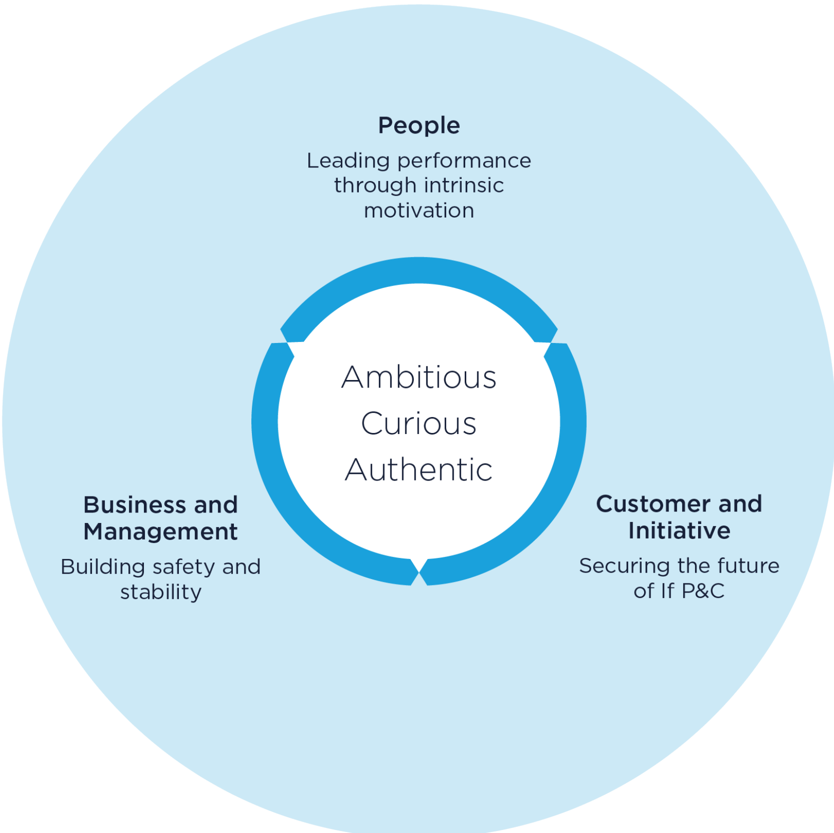
Another key factor in ensuring the industry's most competent employees is recruitment. Recruiting employees with both the right skill set and the right motivation and attitude is essential. During 2016 HR has strengthened the emphasis on attitude, motivation and cultural fit in If P&C's recruitment processes.

Leadership

In contemporary business, leadership is multifaceted. Strong skills in traditional management must be complemented by abilities to help highly skilled specialists reach their full potential through nurturing their own motivation. Over the years, If P&C's leadership model has been developed to better reflect the increased importance of intrinsic motivation, where performance is based on the inner drive, motivation and commitment of the individual employee. In 2016, around 50 leaders attended more extensive Nordic leadership programs. This type of holistic leadership thinking can also be seen in the big drive to develop front line leadership in light of If P&C's strong focus on a first class customer orientation. During 2016 significant changes to front line leadership were discussed and implemented. The emphasis is on achieving a great holistic customer experience rather than certain sales targets. If Academy has designed development programs for leaders to support a customer focused mindset and offered workshops where leaders have been able to develop crucial skills. Front line leaders are being taught to adopt a more coaching leadership style.

During 2016 a large number of strategic people development processes were initiated and HR was highly involved in supporting the business areas. Leaders were trained in driving change processes. Furthermore training programs for presentation techniques and sales coaching were delivered. In a development program aimed at customer centers, participants created a toolbox to support team leaders in creating a purpose-driven culture. Nearly 140 leaders have participated in change processes where leadership development has been a central part.

Leadership Model
If P&C



Employeeship

Great leadership is essential, but it is not enough. A modern, complex service organization like If P&C with competent and highly trained staff increasingly requires that individual employees take full responsibility for their own performance and development. At If P&C this is called Employeeship.

Implementing Employeeship in If P&C and making it a cornerstone of the company's culture is a key priority. To support this effort If P&C has developed an Employeeship Model based on the If leadership model and is implementing it in the organization via intranet articles, workshops and presentations and also in development discussions, appraisals and employee surveys.

Case: Employeeship in If P&C Finland in 2016

In Finland, HR has promoted Employeeship through workshops held in several units. These workshops aimed at establishing a framework for the employees' responsibility for their own development and motivation. In the workshops, feedback culture was promoted by feedback exercises and self-reflection.

- One of the Employeeship themes has been an initiative called Always the Right Age. HR has promoted that employees should not be seen, or see themselves, differently based on their age and that everyone is capable of taking responsibility for their own competence and motivation. All employees should be treated equally regardless of their age and supported throughout their careers. Everyone should be given the opportunity to work with full capacity until the pension age. The company needs to recognize the different phases of the working life and support employees where needed.
- In 2016, Always the Right Age has been supported with a series of intranet articles presenting role models of different age and in different phases of their employment life (e.g. starting your career, changing position, taking care of children or parents, recovering from sickness, retiring).
- HR has conducted a survey regarding age-related myths. The results were presented on the intranet in order to start a discussion and to dispel myths around age.
- HR has also arranged seminars and workshops on intrinsic motivation for employees and leaders.

Well-Being and Equality

During 2016 HR has continued to work extensively with promoting health and reducing sick leave. During the year, If P&C's sick leave situation has been stable. Strong actions in Denmark have led to a clear improvement, while the situation in Sweden and Finland has deteriorated somewhat compared to 2015. Also in Norway, sickness absences have increased compared to 2015, but the situation has improved significantly compared to earlier years. In the Baltic countries, the number of sick leave days is very low, but there are signs of increase, something that needs close observation in the future.

During the year If P&C has also focused on Gender Equality. The Equal Opportunites Advisory Board, started in 2015, has been active in hosting workshops in management teams and has proposed strengthening HR processes such as recruitment, succession planning and leader evaluation to further secure gender equality in the company.

Sickness Absences
If P&C, 2016

	2016	Change compared to previous year (in percentage points)
Norway	4.7%	0.2%
Sweden	4.0%	0.1%
Finland	3.3%	0.4%
Denmark	2.7%	-0.7%
Estonia	2.6%	0.6%
Latvia	2.6%	0.5%
Lithuania	1.4%	0.6%

Sickness statistics are based on If P&C's internal reporting standards and may deviate from locally published statistics.

Case: Health Leadership in If P&C in 2016

In Denmark, management teams, union, and HR have cooperated closely around promoting health. Dialogue and closer follow up around the topic have resulted in clear improvements. In Sweden, a well-being pilot project was run in Business Area Private in 2016 and HR has also run mandatory training sessions to implement the new occupational health laws. In Norway, HR has been part of arranging "Health Days", where lectures on life style change, how to deal with addiction, and mini health checks were appreciated. In Finland, HR has utilized modern tools and ways of working, e.g. moved from physical age group health checks to digital surveys. Based on the surveys, HR has been able to allocate needed actions more efficiently and coach employees where needed.

Personnel Structure

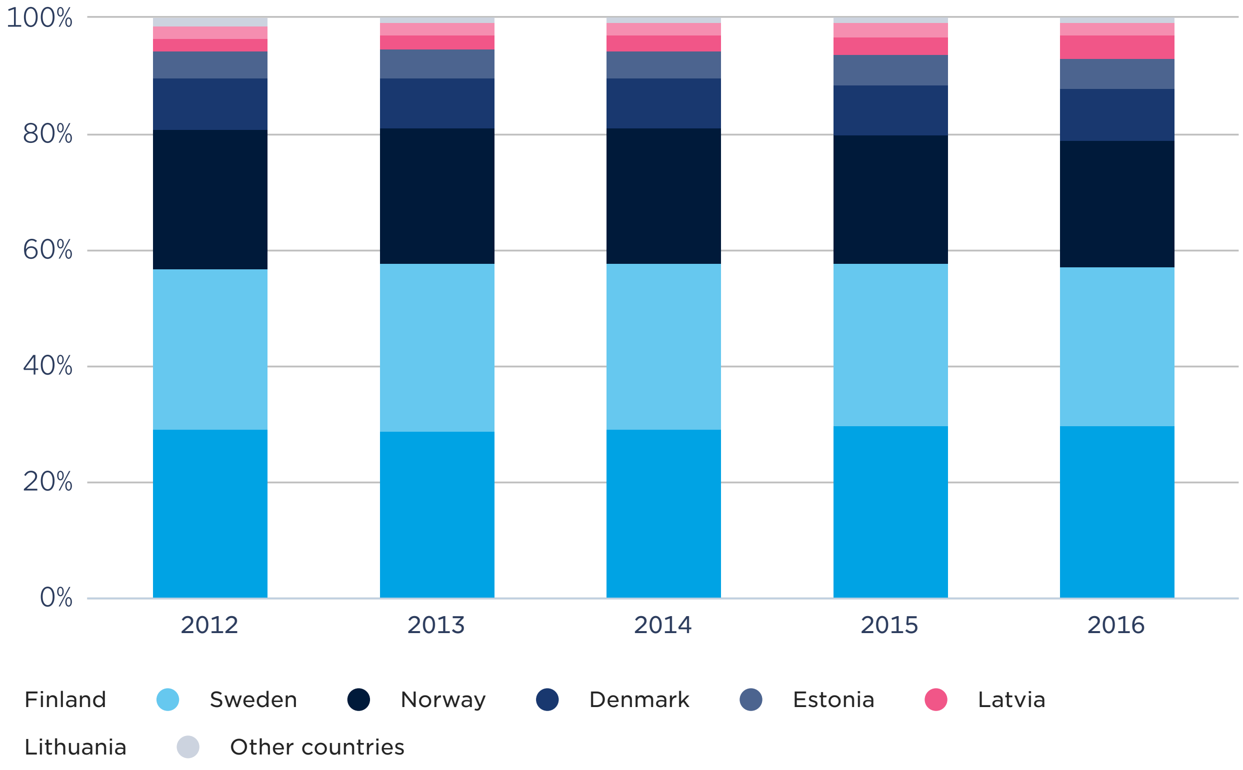
If P&C's number of personnel is virtually unchanged compared to 2015. Underneath the aggregate figure some changes to personnel structure can, however, be seen. As a result of strategic initiatives in Business Area Private, the number of employees in central Flagship Offices is growing and the number of employees in small branch offices is shrinking. Off-shoring of support services and IT development to the Baltics is also showing up as increased personnel in the Baltic countries. During previous years the off-shoring has mainly concerned back office jobs, but in 2016 customer fronting roles have been added.

The increased focus on digitalization and on how to serve customers better is leading to major change initiatives in the business areas. HR is supporting in reorganizations, the building of Flagship Offices, the set-up of new units, the development of training activities and the design of remuneration systems.

Number of Personnel
If P&C, 2015–2016

	31 Dec 2016		31 Dec 2015	
	FTE	of which temporary employees	FTE	of which temporary employees
Sweden	1,867	4.6%	1,845	5.7%
Finland	1,663	2.9%	1,734	3.4%
Norway	1,348	0.7%	1,366	1.1%
Denmark	547	1.6%	537	2.2%
Estonia	344	0.0%	323	0.0%
Latvia	250	3.5%	210	2.4%
Lithuania	155	8.4%	143	2.7%
Other countries	24	0.0%	41	2.4%
Total	**6,200**	**2.8%**	**6,199**	**3.2%**

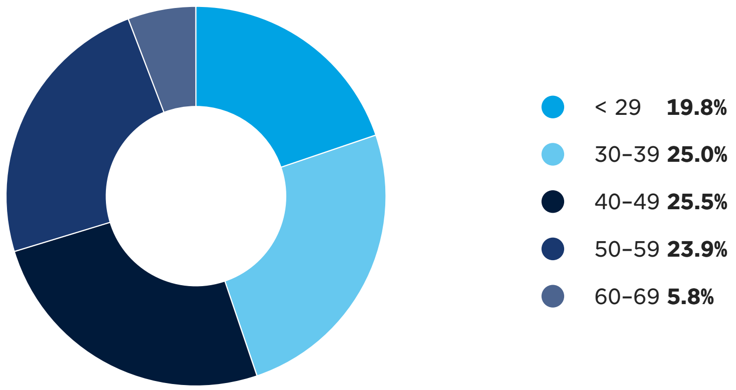
Annual Distribution of Personnel by Country (FTE Average)
If P&C, 2012–2016

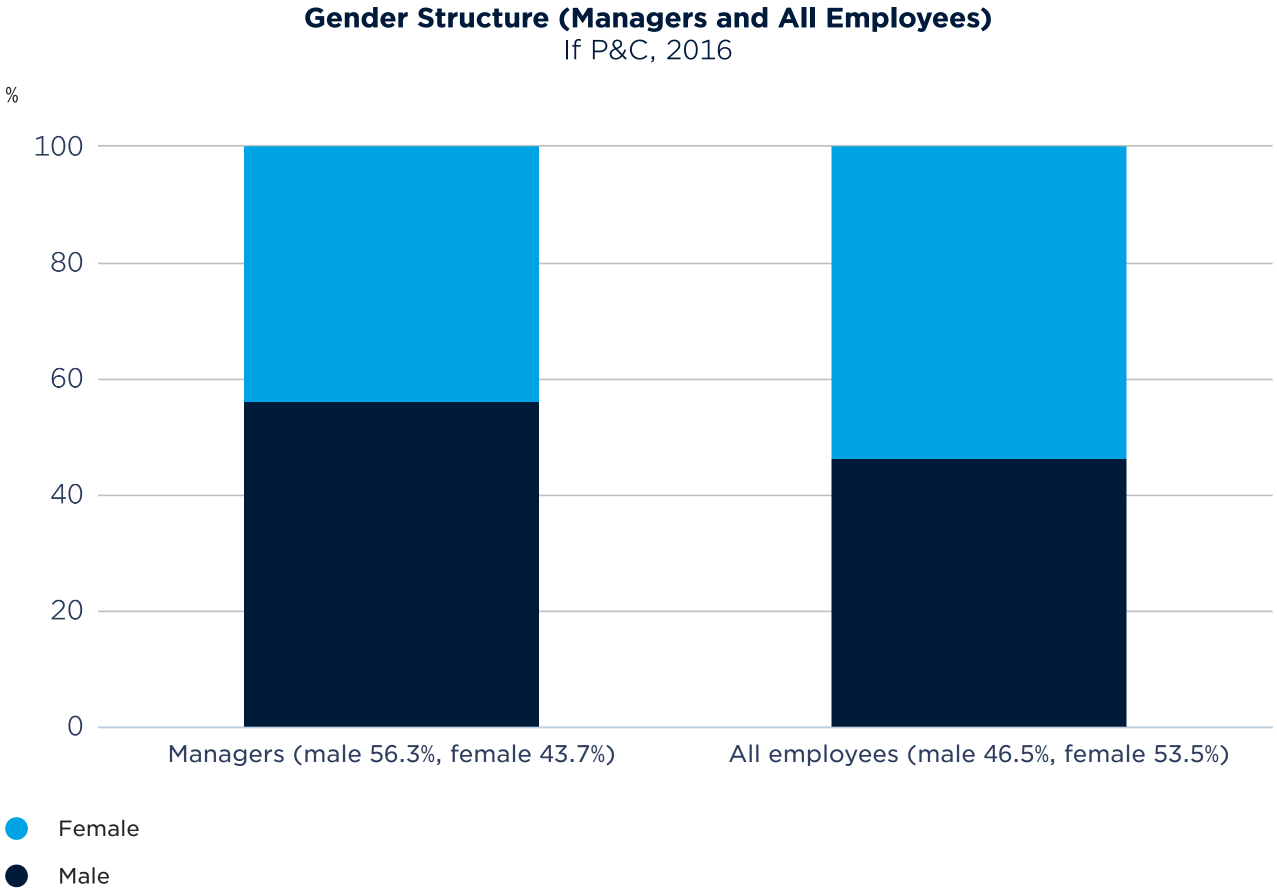


Personnel Turnover
If P&C, 2015–2016

	2016	2015
Latvia	17.1%	12.8%
Estonia	13.3%	18.5%
Sweden	12.3%	8.9%
Norway	11.1%	8.4%
Finland	10.9%	10.7%
Denmark	9.6%	9.3%
Lithuania	8.1%	7.4%
Total	**11.7%**	**9.9%**

Age Structure
If P&C, 2016





Improved HR Services

HR strives to provide the leaders and employees of If P&C with great service. During 2016 HR invested in the implementation of a modern, fully integrated HR system that will improve service to the employees and leaders of If P&C through harmonized HR processes across country borders, better onboarding and learning management, facilitated feedback discussions, improved compliance work, and enhanced work force analytics. During 2016 the new HR system went live in Finland, Norway and Sweden. Managers and employees are very satisfied.

Personnel at Mandatum Life

Mandatum Life's business involves improving its customers' financial security, growing its customers' wealth, supporting the success of Finnish companies and providing protection against entrepreneurs' and companies' personal risks. Mandatum Life is a financial services provider with more than 500 employees in Finland and the Baltic countries. The satisfaction and well-being of employees and the development of their competence are investments that reflect the company's values and make good business sense.

Mandatum Life's Objective in the Long Run

Employee satisfaction is one of Mandatum Life's strategic targets. The objective is to build a work culture where having the right people in the right places results in the highest quality of service for the company's customers. Mandatum Life believes that a positive employee experience leads to a good customer experience.

The company measures its employee satisfaction every year through the Great Place to Work Finland survey. The goal is that 90 per cent of Mandatum Life's personnel feel they are employed in a very good workplace. The company's focus on well-being at work has paid off. In 2016, the target was exceeded for the second time in a row and was 92 per cent (92).

Mandatum Life has been selected as one of the best workplaces in Finland for seven consecutive years.

Developing Competence

Placing value on and fostering expertise has been recognized as a prerequisite for future success. The competition for top talent is heating up, which is why Mandatum Life is proactive in identifying and fostering the growing potential that lies within the company and in ensuring that the company is a challenging and interesting workplace for new talent. An important part of developing competence is to create a work culture and operating environment that promotes expertise and creativity for the long term. This requires a culture with a low hierarchy, confidence-building, engagement and encouraging new ideas. As much as 90 per cent of Mandatum Life's personnel consider management easy to approach, and 93 per cent believe management has faith in the employees' ability to perform their work well without the need for monitoring.

Mandatum Life believes in the 70–20–10 model of learning and development. According to the model, 70 per cent of learning takes place at the workplace through interesting and challenging assignments. The goal is for every Mandatum Life employee to be able to develop their personal competence at work. Learning at work is encouraged by opportunities to take part in development projects and working groups that cross unit boundaries. Temporary open positions, e.g. parental leave vacancies, may be filled through internal job rotation.

Feedback and learning from other members of the work community forms the basis for 20 per cent of learning. This area of learning is supported by, for instance, the company's internal mentoring program, which was arranged in 2016 for the fifth time. The program is open to all Mandatum Life employees, and the mentors are typically members of the company's management team.

Ten per cent of competence development stems from training programs. In 2016, Mandatum Life focused particularly on developing business competence. In collaboration with Hanken & SSE, the company launched the Mandatum Life Business School under the theme of Turning Expertise into Business. The program was aimed at specialists and supervisors who hold a leadership role. Its objective was to develop competence in the insurance & finance business, in the latest trends and in changes in customer behavior, and to give the participants tools for network management.

Leadership

Mandatum Life develops leadership for the long run by focusing on supervisory work and by regularly measuring the development of management and well-being. The starting point is that those who hold a managerial position are among the company's key personnel.

In their first year of working for the company, all new managers participate in the Mandatum Life Management School – a coaching program that aims to examine the role and tools of managers, as well as interaction in situations involving managerial work. The coaching provides a foundation for analyzing and developing one's own supervisory work and for managing the team's activities. The goal is to build and maintain a consistent leadership culture at Mandatum Life. The program was arranged for the sixth time in 2016, and more than 95 per cent of the company's 75 managers have taken part in it. The program includes a manager profile assessment, which helps the manager to develop in his/her work. In addition, leadership in the company was developed during 2016 using various evaluation tools.

All Mandatum Life supervisors also receive feedback on their interaction skills through 360-degree evaluations every two years. Feedback is given by the employees who work under the supervisor, by colleagues and by the supervisor's manager. The Great Place to Work Finland study is also an important measure of a supervisor's success, as it provides not only company-specific results, but also team-level results.

Rewarding by Example

Among Mandatum Life's goals is to offer its customers quality employee reward solutions. We also want to offer our personnel the same services. As the company places great importance on the future and preparing for retirement, performance bonuses are paid into the personnel's Sesam group pension insurance annually in accordance with the company's realized financial result.

The employees are additionally given the opportunity to fund part of their personal performance bonuses. The Personnel Fund was introduced in 2014. In 2016, close to 90 per cent of Mandatum Life's entire personnel took advantage of the fund.

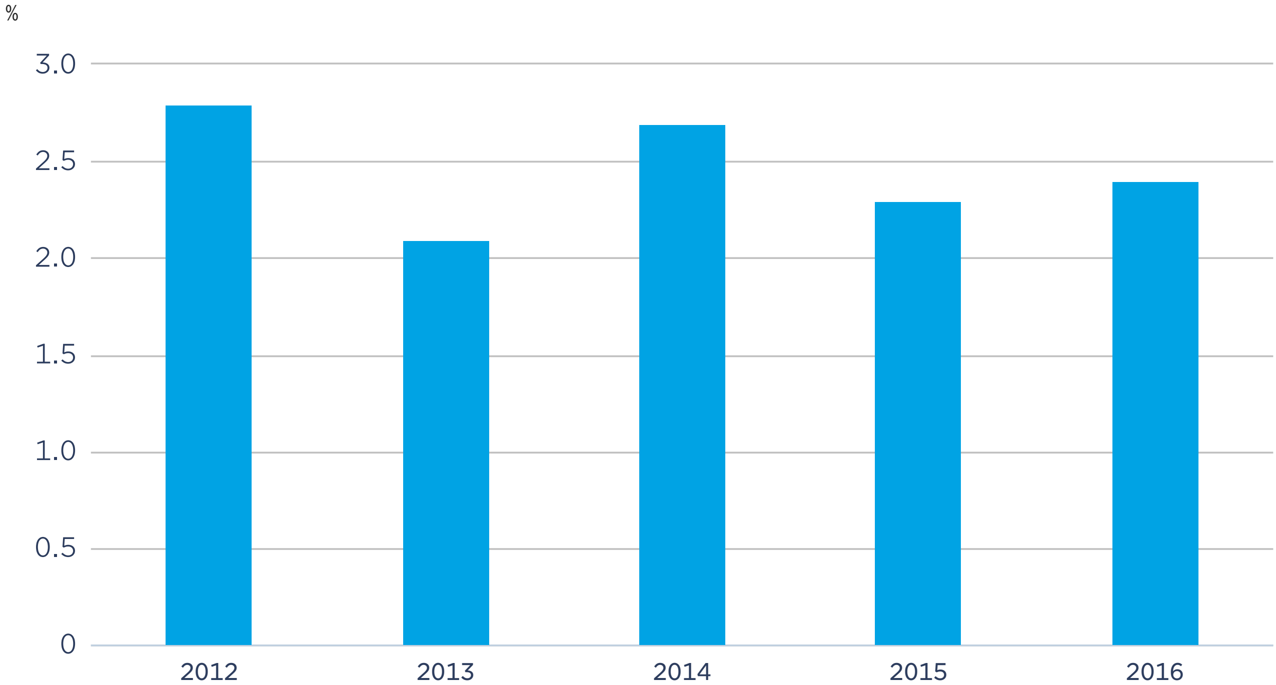
Mandatum Life strives for an effective and agile reward system for its personnel. That also means being prepared to make changes. The company continuously learns from the feedback of its personnel in order to find the best employee reward practices. Tried and tested practices are also made available to customers. Likewise, the company learns from its customers' successful reward schemes.

Well-functioning and effective employee rewards are a success factor for Finnish companies. It is a matter that Mandatum Life is passionate about. A successful company knows what to pay its employees and why. The most important consideration is that the rewards are perceived as fair. An effective reward scheme calls for clear communication.

Developing Well-Being and Equality

At Mandatum Life, the main focus of occupational health is preventive well-being-at-work measures. The sick-leave rate has declined since 2011 and is at a very low level in the company. The sick-leave rate in 2016 was 2.4 per cent (2.3).

Sick-leave Rate
Mandatum Life, 2012–2016



Sick-leace statistics are based on Mandatum Life's internal reporting standards and may deviate from locally published statistics. Until 2014 the figures do not include Innova or Kaleva. Since 2015 figures include Innova but not Kaleva.

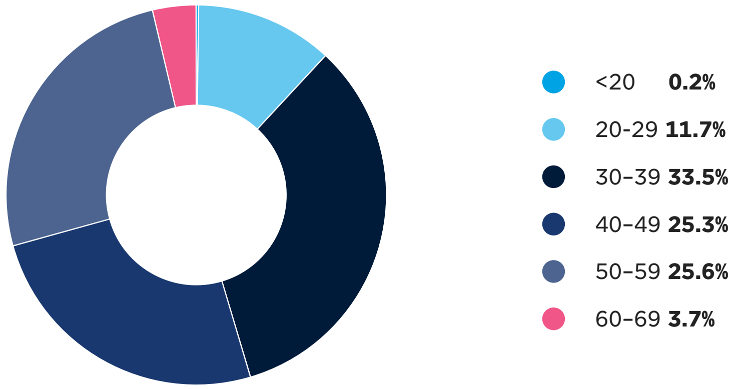
In the results of the Great Place to Work Finland study, which measures well-being at work, Mandatum Life's Finnish operations received an overall rating of 85 per cent in 2016. The result improved by one percentage point compared to the previous year. A particular improvement was seen in the claims *Management delivers on its promises* 88 per cent (84) and *New employees feel welcomed into the organization* 93 per cent (89). The response rate for the survey was 91 per cent (90).

Mandatum Life strives to promote gender equality and equality between all employee groups. In terms of gender distribution, equality among the employees is at a very good level, with men (51 per cent) and women (49 per cent) being almost equally represented among personnel. Women are also represented in the company's management team.

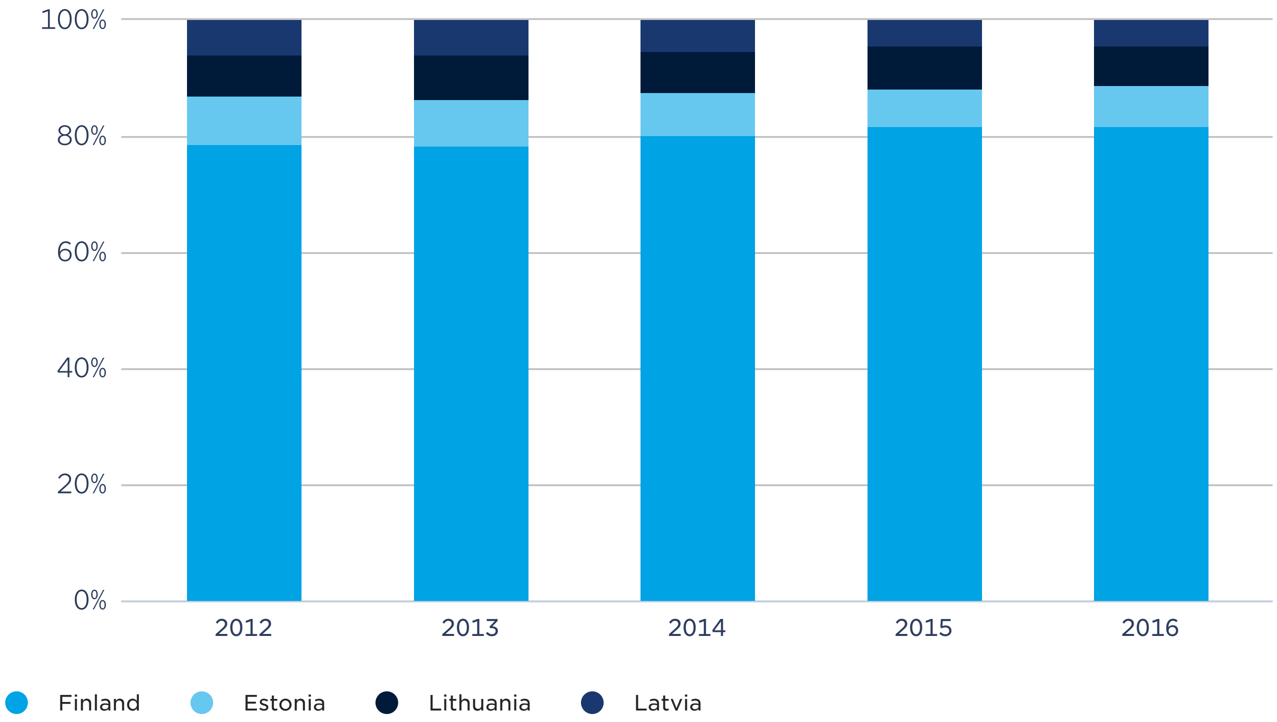
Personnel by Country (FTE)
Mandatum Life, 2015–2016

	31 Dec 2016	31 Dec 2015
Finland	443	431
Estonia	38	35
Lithuania	38	38
Latvia	23	23
Total	**542**	**527**

Age Structure of Personnel in Finland
Mandatum Life, 2016



Annual Distribution of Personnel by Country (FTE Average)
Mandatum Life, 2012–2016



Case: Refinery to Help Personnel Brainstorm New Ideas

In spring 2016, Mandatum Life adopted a tool to make it easier and more efficient to come up with ideas. The introduction of the tool was business-based: the goal is to increase Mandatum Life's ability to innovate and to cultivate ideas into business.

In the Refinery, the employees can create their own profile and thereafter share an idea or inspiration or present a problem to be solved by the work community. During the brainstorming stage, key words that are linked to the company's long-term targets are used. Thus, for every idea, the building of a business perspective is encouraged already at the brainstorming stage. In the Refinery, ideas are discussed and commented on with the goal of developing them into viable solutions. After they are collectively worked on, the ideas proceed to the experts that are responsible for the matter or to individuals who are interested in promoting the matter.

Between May and the end of 2016, 45 ideas and 9 inspirations were created, 8 challenges were presented to be solved, and the number of people using the tool increased by more than 200 during the period. The best Refinery ideas were awarded with tickets to the Nordic Business Forum.

Corporate Responsibility

Most of Sampo Group's corporate responsibility work continues to be on the subsidiary level, since that is where the customers and most of the personnel are. The operations of Sampo Group's insurance subsidiaries If P&C Insurance and Mandatum Life differ significantly from each other and, therefore, the nature of their corporate responsibility activities also differs to a great extent. The subsidiaries have their own models of corporate responsibility reporting reflecting the special features of their businesses.

On a Group level Sampo continued to develop the non-financial reporting. The three main focus areas during 2016 were to develop a corporate responsibility organization within the Group, to outline the content of the actual Corporate Responsibility Report and to identify the most relevant corporate responsibility themes for Sampo. The main goal for the future is to publish Sampo Group's first Corporate Responsibility Report in 2018.

Corporate Responsibility at If P&C Insurance

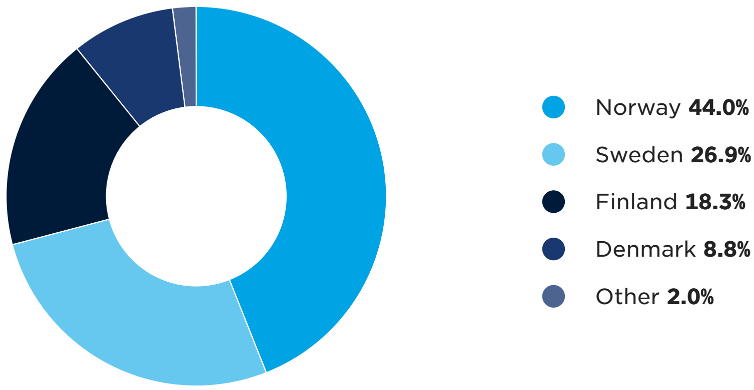
If P&C is committed to promoting safety and economic security in society. In 2016 If P&C dealt with more than 1.8 million insurance claims covering a huge range of events from minor water damages to traffic accidents and earthquake damages faced by companies. Half of the claims are processed within 24 hours. The company paid out almost EUR 3 billion in claims over the past year.

Environmental issues are of critical importance and often have a direct impact on the operations of P&C insurance companies. All of If P&C's operations are governed by a strict environmental policy. The essence of this policy is that the most environmentally viable solution for clients, suppliers and partners, as well as the company itself, will always be looked for.

If P&C wants to contribute to a sustainable environment. It has been a climate-neutral company since 2011 and it compensates its emissions through various projects. If actively takes part in public discussions and increases the awareness of decision makers when it comes to security and safety related topics. One important topic for If P&C is traffic safety. If P&C's researchers analyze the company's extensive injury statistics and publish the information for use in order to increase traffic safety for motorists, cyclists and pedestrians alike.

If P&C is also a significant tax payer in the Nordic countries, having paid more than EUR 157 million in corporate taxes in 2015.

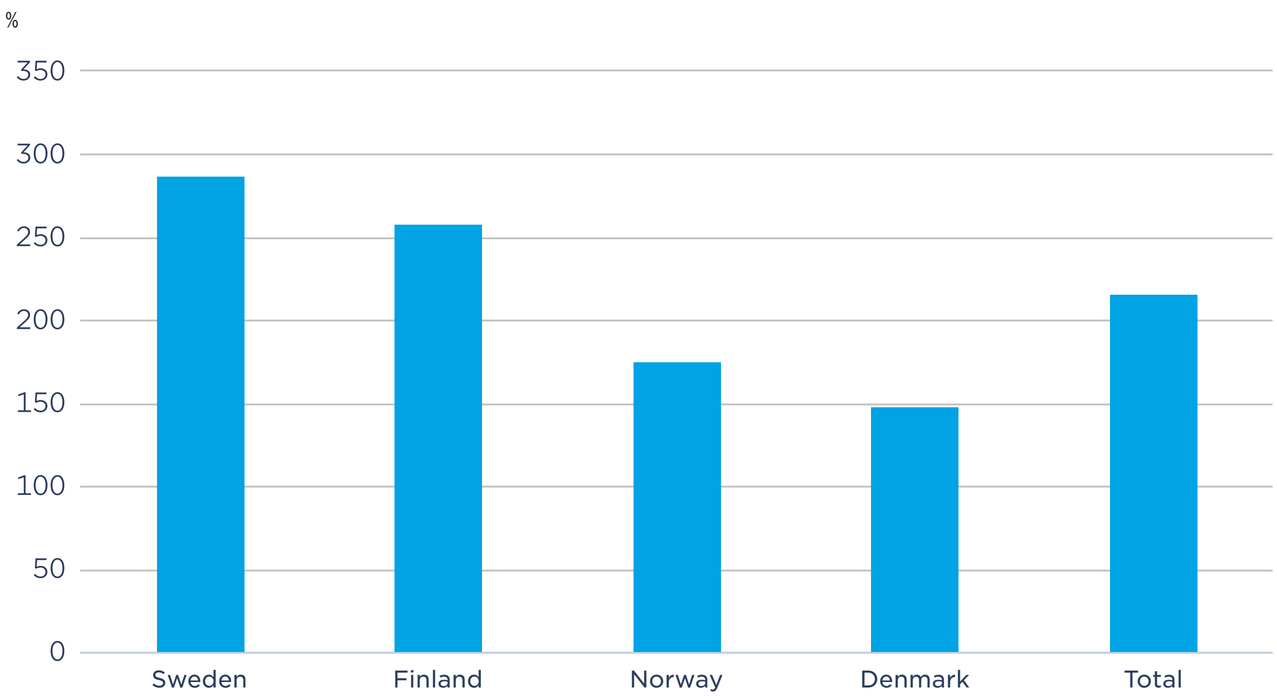
Corporate Taxes for the Year 2015
If P&C, more than EUR 157 million in total



Key Environmental Issues for If P&C

Digitalization and e-insurance services: The e-insurance services combine environmental thinking with a modern customer communication. If P&C has been using e-invoices since 2001 and sending offers via e-mail to its customers since 2004. Since the fall of 2011, If P&C has been providing online services to its private customers. The number of eCustomers in the Business Area Private increased by 217 per cent during the period 2014–2016.

Increase in the Number of Private eCustomers during 2014–2016 on a Nordic Level
If P&C



Business Area Private has made an electronic customer account the default for all new customers, and also continues to make it easier for existing customers to move towards electronic communication. One challenge regarding this is that several markets require certain written contracts with customers, or a strong consent to communicate electronically.

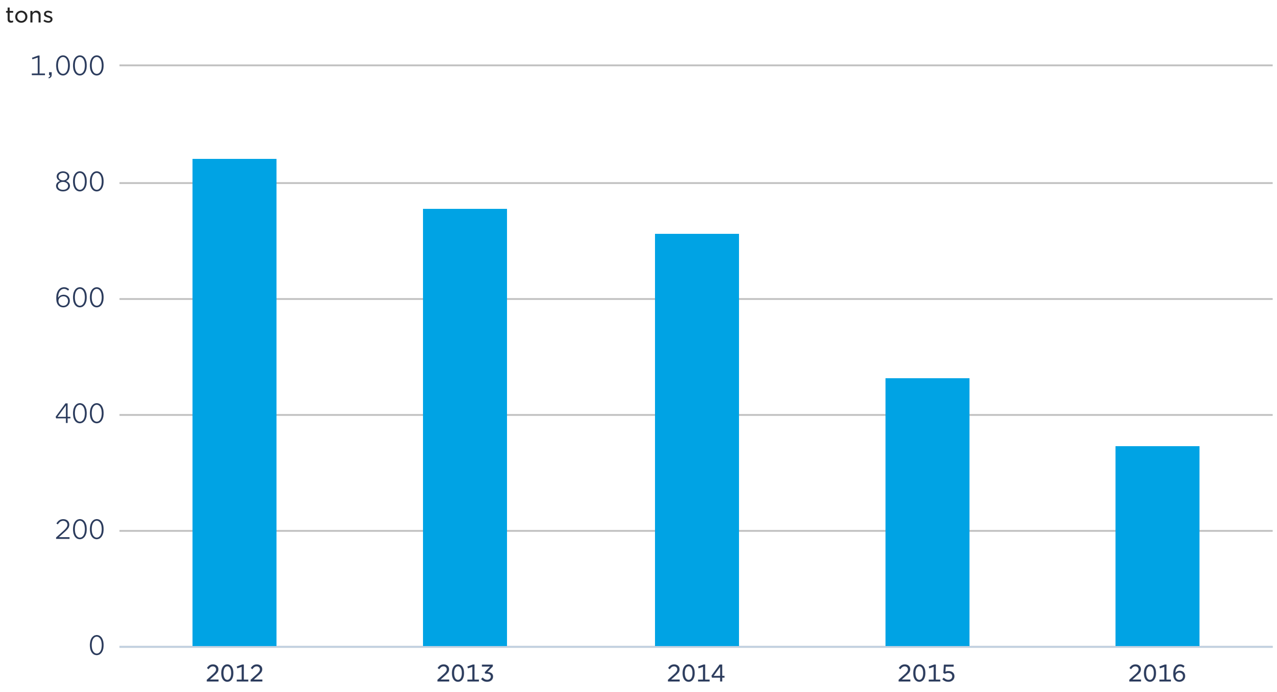
E-insurance services help to cut down on paper consumption and enable customers to access their documents with their laptops and smartphones. They can also order e-invoices, adjust payment preferences and sign new agreements online.

As an impact of the increase in digital customers, paper consumption has decreased by 51 per cent from 2014 to 2016.

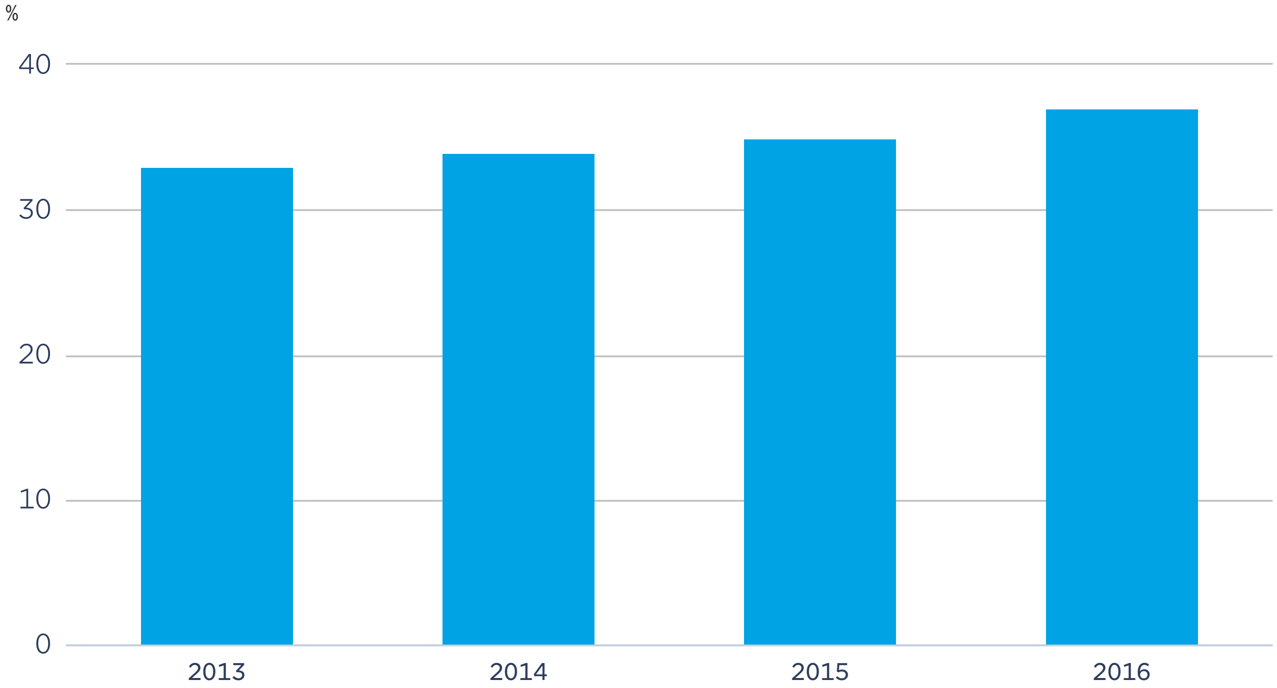
Since 2016, part of the Business Area Commercial customers have also been able to obtain insurance documents in a digital format. Early indications show that Commercial customers prefer digital communication to communication by paper. If P&C will offer e-documents on a wider scale during 2017 to its Commercial customers.

As part of If P&C's overall digitalization of communication, If Denmark uses E-box as an electronic postbox to communicate with its customers. The plan is to further increase electronic communication in all the Nordic countries.

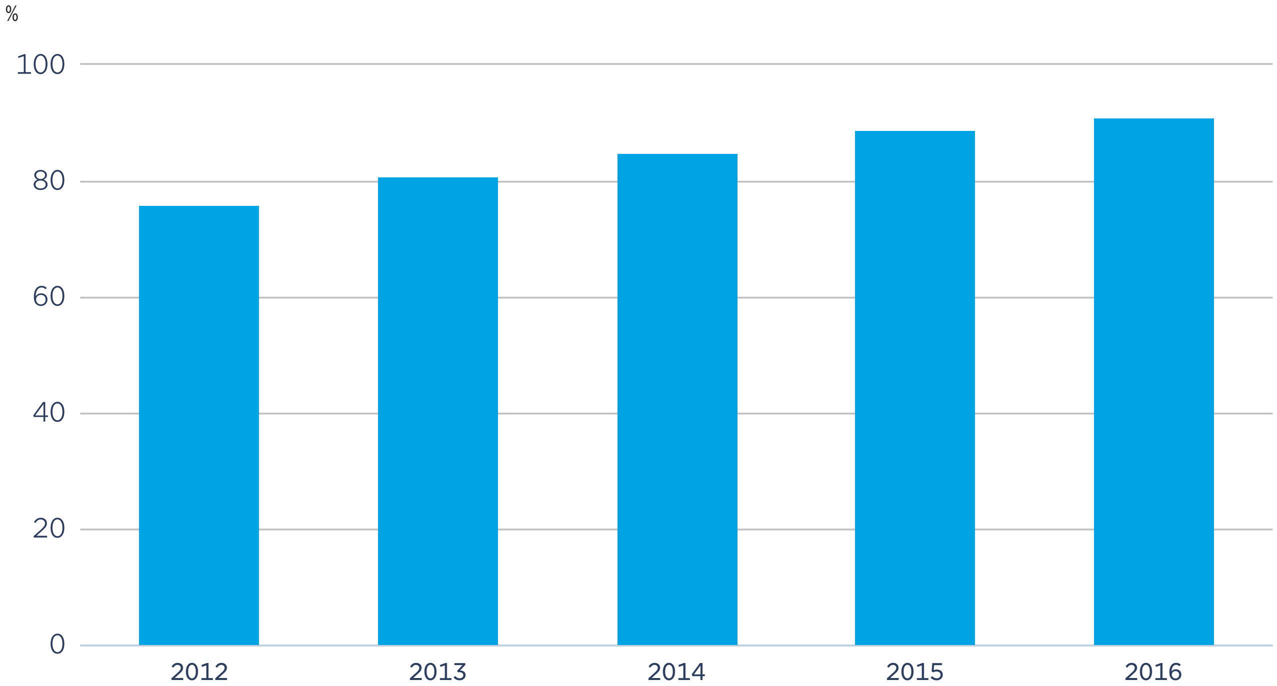
Total Paper Consumption
If P&C, 2012–2016



Share of Online Claim Reports from Business Area Private on a Nordic Level
If P&C, 2013–2016



Share of E-invoices in Vehicle Claims on a Nordic Level
If P&C, 2012–2016



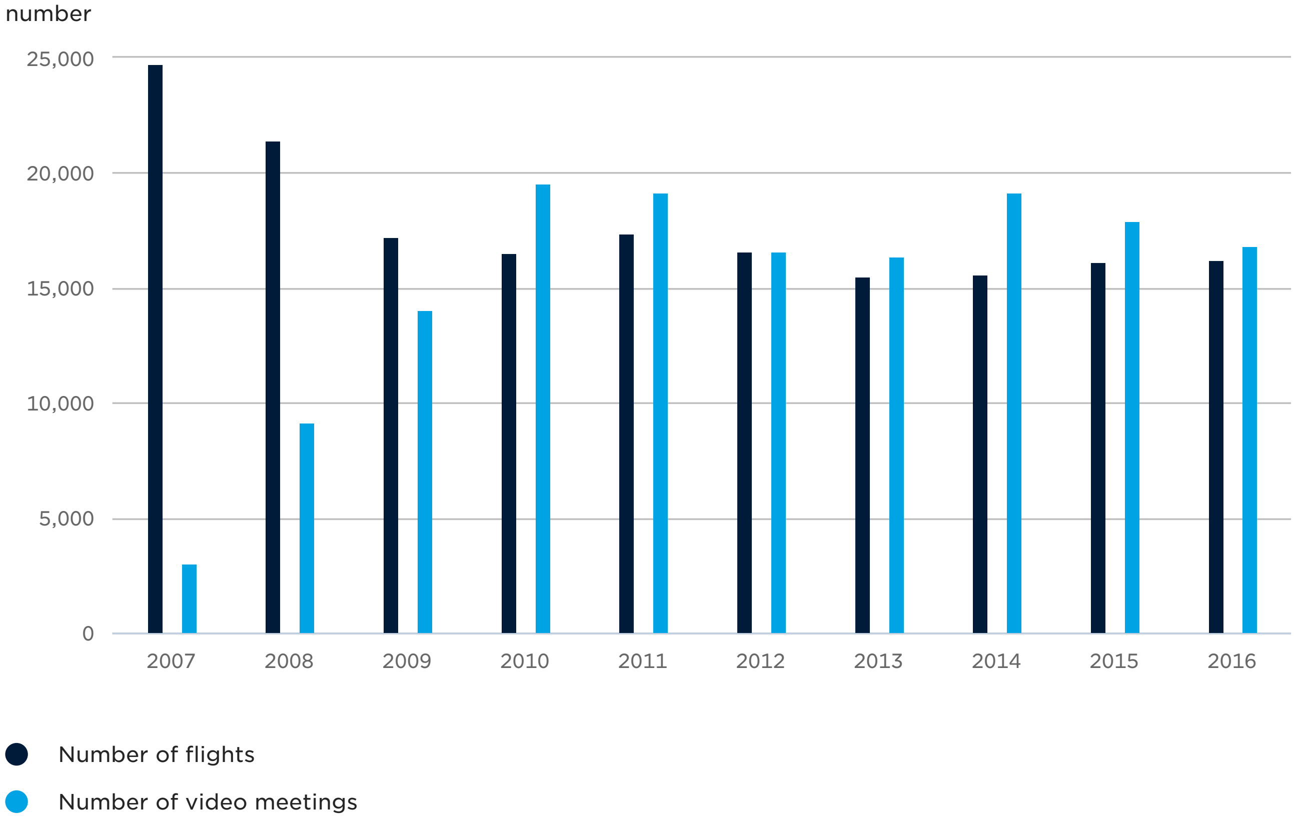
Claims handling: In 2016, If P&C handled around 950,000 claims for damaged cars and properties. The correct processing of damaged materials is a key environmental issue. The goal is to reuse undamaged parts and increase recycling. As a step towards achieving this, If P&C has implemented stringent environmental standards for its suppliers.

Online filing of claims is becoming more common and represents a more environmentally responsible choice than traditional filing methods. The number of claims filed online increased by 6 per cent in 2016, and more than 37 per cent of all claims are filed online today.

Meetings and travel: The interest in video meetings has grown rapidly since their introduction in If P&C in 2003. Today, If P&C's Nordic offices have 95 rooms with video meeting facilities. User friendliness, clear guidelines, and video support have contributed to the success. Almost 1,500 video meetings are held every month. All employees have Skype on their computer for instant messaging and virtual meetings. Being able to simultaneously converse and share documents makes online meetings a viable alternative to physical meetings.

The number of flights has decreased by 34 per cent between 2007 and 2016. The decrease in air travel is an important factor in If P&C's significant reduction of CO_2 emissions. If P&C operates in all the Nordic countries and in the Baltics and therefore a certain amount of air travel has to be accepted.

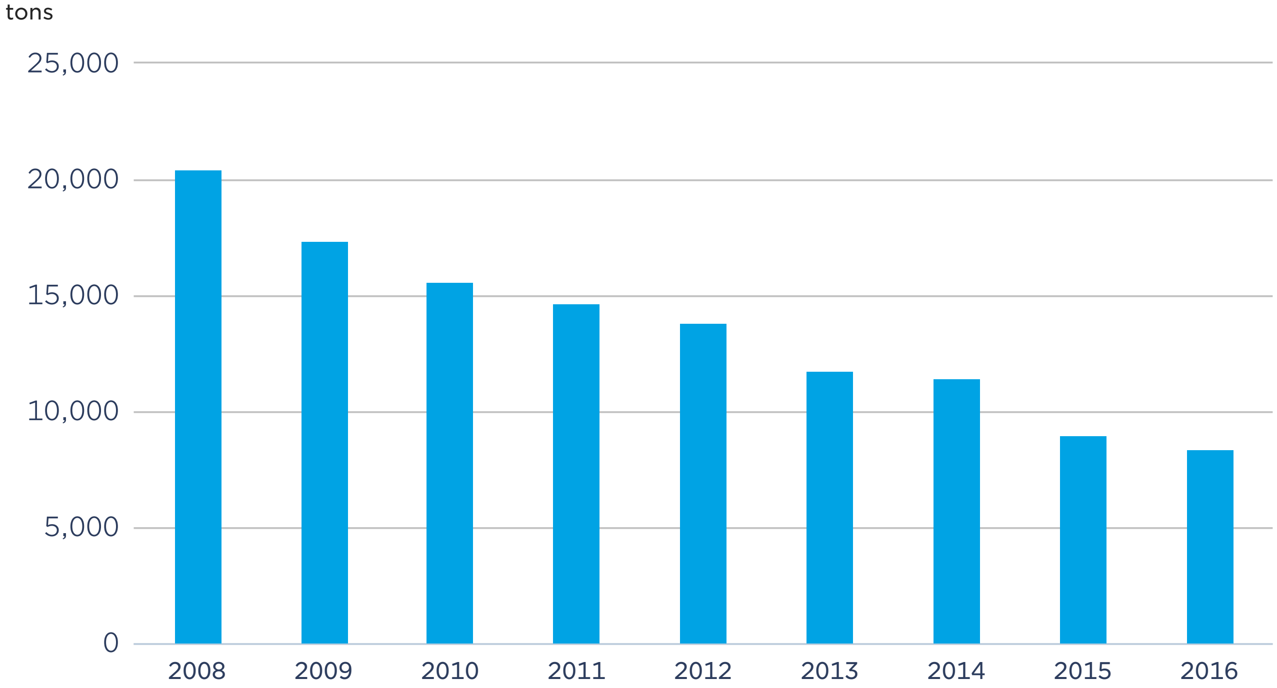
Development of Flight Travel and Video Meetings
If P&C, 2007–2016



Climate: If P&C's carbon dioxide emissions continued to decrease in 2016. In 2011, the company 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. In 2015, the target country changed from India to Tanzania. 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. If P&C will be continuing with this offsetting program in 2017.

The total amount of direct and indirect carbon dioxide emissions from Nordic operations in 2016 was 8,389 tons. This is 59 per cent lower than in 2008, when the measurements were first taken. Purchased energy contributes 13 per cent and business travel (air, train and car) 85 per cent of the total. The total emissions from business travel were 7,131 tons. Of all the means of transportation used, air travel has the greatest impact per travelled kilometer, which makes it the most significant source of emissions. The carbon dioxide reduction is mainly due to a 34 per cent decrease in air travel and because the company now purchases 100 per cent of its electricity from renewable sources.

Development of Carbon Dioxide Emissions
If P&C, 2008–2016



If P&C's CO_2 emissions have been offset through a Gold Standard VER project

Environmental Policy

If P&C must take substantial measures to improve the environment on a daily basis:

- We always endeavor to find the best possible environmental solution – for our customers, suppliers, partners and our company.
- 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 give our staff the opportunity to act in an environmentally-friendly way through the provision of guidelines and support.
- We must always provide information about environmental risks and participate actively in the public debate concerning climate change.

Structure of the Environmental Program

If P&C's environmental program has three levels:

- A governance group, led by a member of If P&C's executive board, establishes and upholds the 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 P&C'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 at Mandatum Life

Mandatum Life's corporate responsibility is based on the cornerstones of its business operations: increasing and securing the financial welfare of its customers and safeguarding against financial risks. In Mandatum Life's view, sustainable business attracts customers, long-term investors and motivated employees. Corporate responsibility, which has been linked to the strategy, is a sustainable part of the company's day-to-day operations. Mandatum Life strives to generate well-being in the surrounding society through its services and investment activities and as an employer.

Mandatum Life has identified three main themes for its corporate responsibility: responsible investment, promoting responsible personnel practices in working life and implementing them in Mandatum Life's own work community. Financial responsibility – which means ensuring the continuity, profitability, earnings power and solvency of the company's operations in all market situations – is a prerequisite for business.

Ensuring continuity lays the foundation for the sustainable management of customers' insurance-related liabilities and customers' investments and pensions over the decades.

During 2016, Mandatum Life's corporate responsibility work mainly focused on fostering responsible investment. Towards the end of the year, Mandatum Life Investment Services Ltd. measured the carbon footprint of the unit-linked equity and fixed income investment baskets under its management and its full-mandate wealth management.

Responsible Investment: Money Is a Driver of Change

Investors have an influential role in solving societal challenges and mitigating climate change. The investment assets flowing into more responsible companies put these companies in a better position to succeed, while other companies feel the pressure to improve their ways of operating. Due to the rising cost of and limited access to financing, companies with less responsible operations have weaker long-term growth opportunities. This trend will further strengthen as investors are increasingly paying attention to sustainability issues.

Companies play a key role in achieving the goals of sustainable development. That is why promoting responsible investing and the sustainability of its own investment activities are at the heart of Mandatum Life's corporate responsibility actions.

Promoting Responsible Investing

One of Mandatum Life's goals is to increase investors' awareness of the opportunities offered by responsible investing and the risks of ignoring them. In September 2015, Mandatum Life Investment Services Ltd. joined the international Portfolio Decarbonization Coalition in order to reduce the carbon footprint of investments worldwide and to increase investors' awareness and their opportunities to invest in companies with a smaller carbon footprint. In late 2016, the company joined the UN's Montréal Pledge and will disclose the carbon footprint of its investments on an annual basis.

In the lead-up to the Paris Climate Change Conference in autumn 2015, Mandatum Life launched an annual seminar on responsible investment, which brings together opinion leaders in the sector from Finland and abroad to discuss the risks caused by climate change to investors. A total of around 150 opinion leaders from the business world and society participated in the event in 2015 and 2016. The speakers included institutional investors, major international asset management firms (Amundi, BlackRock) and international organizations, such as WWF and BSAG.

In 2016, Mandatum Life campaigned for a cleaner Baltic Sea jointly with the Baltic Sea Action Group (BSAG). As a result of the campaign, Mandatum Life donated 0.5 per cent of the amount invested in the ML Future Climate investment basket between June and the end of the year, i.e. a total of more than EUR 4,000, to BSAG.

In-House Investment Operations

Responsible investment at Mandatum Life means taking into account environmental, social and governance (ESG) issues in its investment decisions. Mandatum Life's Wealth Management signed the UN's Principles for Responsible Investment (UN PRI) in 2011. Mandatum Life is also a member of FINSIF (Finland's Sustainable Investment Forum). Investment operations linked to the management of customers' wealth are implemented according to these principles. ESG issues have been incorporated into the investment process, backed by a dialogue with operators, companies and co-operation partners in the sector.

Mandatum Life's responsible investment strategy is to favor, for the long term, the best companies in each sector while taking into account the return expectation. Favoring the most responsible companies in each sector is impactful investing, as it puts responsible companies in a better position to succeed.

ML Future Climate, the first product in the Future product family launched by Mandatum Life in 2015, steers investment assets to companies with a smaller carbon footprint. The ML Future Quality Equity established in 2016 invests in high-quality, responsibly operating companies with higher-than-average performance stability, profitable business and moderate valuation. The investment basket includes companies that have received the best ESG scores in their sector. The analytics provider is Sustainalytics, which is specialized in sustainability data.

Measuring and Reducing the Carbon Footprint of Investments

Mandatum Life Investment Services Ltd. has measured the carbon footprint of the unit-linked equity and fixed income investment baskets under its management and its full-mandate wealth management. The annual carbon footprint of the investments was 1,399,896 CO_2 tons (tCO_2), which is 22 per cent compared to the benchmarks. The result is positively impacted by the relatively small carbon footprint of fixed income investments in relation to the benchmarks. The combined carbon footprint of equity investments was 62 per cent in relation to the benchmarks. The measurement was carried out jointly with South Pole Group and it covered approximately 80 per cent of the investment assets managed by Mandatum Life Investment Services Ltd. as per 30 September 2016. The carbon footprint of the investee companies is based on South Pole Group's data as per the end of 2015. Consultative wealth management or index investment baskets were not taken into account in the measurement. Going forward, Mandatum Life Investment Services Ltd. will measure its carbon footprint on an annual basis to monitor the carbon risk of its investments more comprehensively.

Mandatum Life created the Future Climate investment basket to offer its customers an effective means of more strongly cutting the carbon dioxide emissions of investments. The goal of ML Future Climate is to achieve the global general equity market return with a 50-per-cent smaller carbon footprint. The cuts in the carbon footprint have been made by excluding the largest polluters in each sector.

Since inception, ML Future Climate has exceeded The MSCI World by 0.6 percentage points (31 August 2015 – 31 December 2016). The MSCI World Low Carbon Leaders index, which the product tracks, has outperformed the general equity market (MSCI World) return by as much as 4 percentage points since November 2010. Although this is no guarantee for the upcoming years, it does suggest that responsible investment is not just about fighting for a good cause, but also about profitable investment operations.

Social Responsibility: Securing Financial Welfare and Pioneering Good Working Life

Mandatum Life wishes to ensure the financial security of its customers through voluntary risk insurance policies, by growing their wealth, securing entrepreneurship, supplementing pension cover and securing the competitiveness of Finnish companies. Well-managed business creates well-being in the surrounding society, while at the same time strengthening competitiveness.

Employees that thrive in their jobs create the foundation for the achievement of Mandatum Life's long-term goals. That is why employee satisfaction is one of Mandatum Life's strategic targets. In 2015 and 2016, work satisfaction reached the company's long-term target level: 92 per cent of employees find Mandatum Life a very good workplace.

It All Comes Down to People

Mandatum Life offers companies tools for good leadership and reward solutions, as well as a means of monitoring and assessing the employees' impact on the company's financial success and work satisfaction. Mandatum Life fosters good employee practices that benefit the company and personnel alike and makes use of the same solutions it offers its customers.

Employee well-being manifests itself as enthusiasm, caring and satisfaction and, in the longer term, as productive careers. Mandatum Life expects the importance of corporate culture in the company's future success to further increase. When coupled with good leadership and effective rewards, the entire personnel's motivation and enthusiasm have a quantifiable impact on the company's earnings power.

Efficient Rewards

Companies can improve their competitiveness through fair and effective personnel reward solutions. A successful reward system also helps the company stand out from the competition and attract new employees. Mandatum Life offers companies expert reward services ranging from designing reward systems to implementing and measuring them. Mandatum Life implements reward solutions aimed at the entire personnel and at selected personnel groups and helps companies in preparing for personnel risks.

A good reward solution supports the company's strategy and business goals while at the same time motivating employees. It all starts with job grading, the determination of basic salary and the other components of pay in relation to roles and competitors, and with the setting of performance indicators. It also includes transparency and high-quality communication to personnel, which is paramount in order for the system to be perceived as fair. If rewards are not managed effectively they become nothing more than a significant cost item to the company. Efficient indicators are at the heart of an effective reward system. They guide employees to do the right things and increase the bottom line.

Fair rewards also play an important role in risk management. Unfair dispersion and disparity in pay within the organization may present a legal risk to the employer. Mandatum Life offers companies the Pay Scale tool to assess the organization's pay structure, competitiveness and fairness.

Taking Care of Employees' Financial Security During and After Their Career

Mandatum Life offers companies assistance in managing the risks related to the health and work ability of their employees through personal insurance. Risks pertaining to health and work ability can occur throughout the lifecycle of an employment relationship, from recruitment to retirement. The insurance also secures the livelihood of the employee's family if worse comes to worst.

A Growing Number of People Wish to Supplement Their Statutory Social Security

A growing number of Finns are concerned about their income in the face of financial adversity. According to the Insurance Survey series of the Federation of Finnish Financial Services, in 2016 only about a quarter of the respondents believed social security to be sufficient. According to the survey, a long-term illness, accidents, unemployment, temporary lay-offs and responsibility for taking care of a family member are considered to be the largest threats to financial welfare (Insurance Survey, Federation of Finnish Financial Services 2016).

Mandatum Life's risk insurance increases customers' and their families' financial security in case of serious illness, disability or death. The insurance helps to cover losses in income resulting from an illness. One out of five Finns falls seriously ill before the age of 65. In 2016 Mandatum Life commissioned a survey to determine what kind of risk takers Finns consider themselves to be, what risks they think about most and what they believe poses the biggest risks to their own finances. A total of 1,005 Finns aged between 15 and 79 responded to the survey.

When asked what kind of risks they think about most, 28 per cent of the respondents mentioned their own health. Finns also estimated their own serious illness to pose the biggest risk to their finances (28 per cent of all respondents). This was followed by the serious illness, death, accident or injury of their spouse (21 per cent). Fifteen per cent of all respondents cited a serious accident or injury that might happen to them, and 13 per cent mentioned their own or their spouse's unemployment. According to Mandatum Life, Finns' awareness of the risks related to their own finances should be further increased.

Supplementing Pension Cover Increasingly Important

Mandatum Life wishes to increase Finns' awareness and their possibilities to influence the sufficiency of their income during retirement. Earlier retirement could lead to insufficient pension cover for entrepreneurs, for example, if they have not prepared themselves. The most cost-effective way to save is through a group pension insurance policy provided by the employer. Pension cover that is supplemented by the employer guarantees a better income level during retirement and reduces the need for employees to prepare themselves. Maintaining employees' work ability and well-being, ability to cope at work and motivation also require companies to make plans at an increasingly earlier stage.

Employers should prepare for the ageing and retirement of their personnel. A company can devise a pension strategy which creates models for ensuring the employees' and management's ability and willingness to work. At the same time, this provides the company with a foundation for knowledge transfer and for making positive use of senior employees' experience. A thoughtfully built model improves the company's business through more productive careers and makes it a more responsible employer.

Providing Security to Entrepreneurs Fosters Entrepreneurship

Mandatum Life's services for entrepreneurs secure the continuity of their business and supplement the statutory cover of the entrepreneurs and their families.

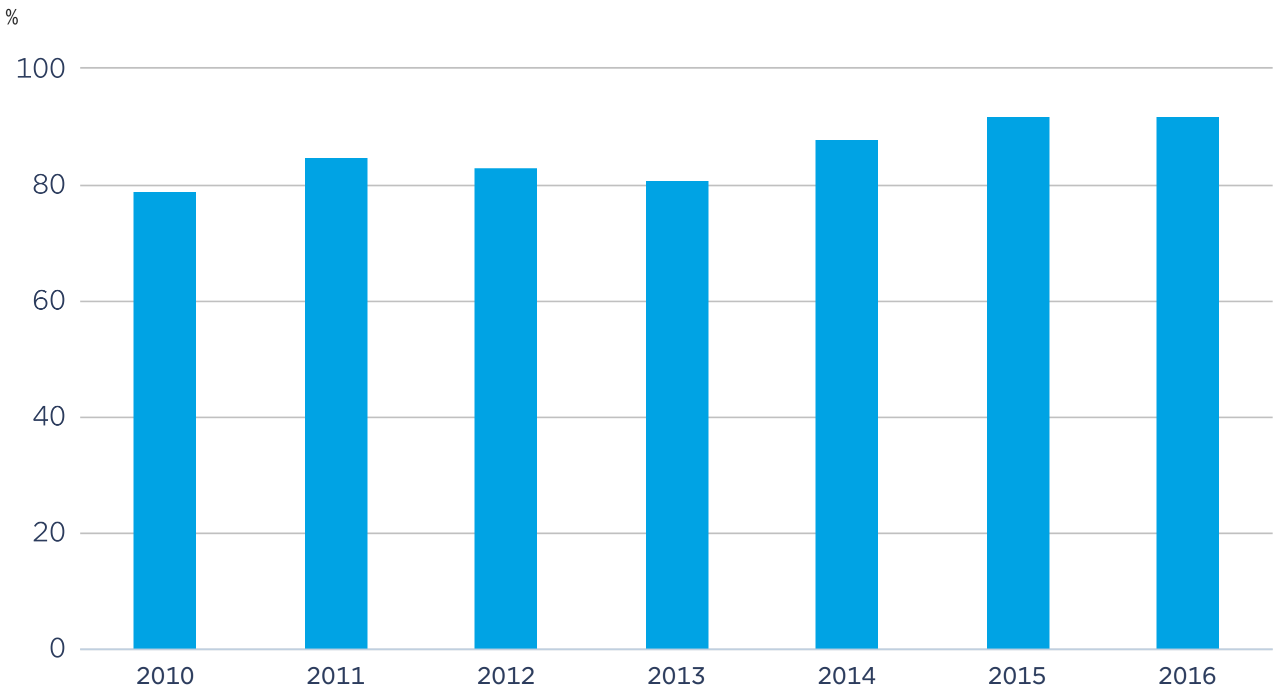
When faced with a serious illness or short period of disability, an entrepreneur might have to take care of securing the continuity of his or her business in addition to getting better. Thanks to the insurance, the entrepreneur can focus on recovering, while in cases of death or permanent disability the entrepreneur, his or her family or possible other owner will receive financial assistance during a difficult time.

Entrepreneurs must put more planning into preparing for their retirement and any health and financial problems. They pay their whole pension themselves through YEL insurance. Mandatum Life helps entrepreneurs to identify this security deficit and to solve it using a combination of YEL contributions and voluntary preparations according to their specific needs. The need for entrepreneurs to prepare themselves will further increase as a result of the Finnish pension reform that entered in force as of the beginning of 2017 and the insufficient preparedness for changes in ownership which are estimated to gain momentum in the coming years.

Mandatum Life's Responsibility for Its Personnel Ensures Successful Business

The well-being of its personnel is one of Mandatum Life's strategic targets. Mandatum Life has been selected as one of the best workplaces in Finland for six consecutive years. The company's HR policy is based on the belief that taking care of personnel ensures customer satisfaction and puts the company in an even better position to achieve success. Mandatum Life's responsibility for its personnel also means providing security for employees and their families in case of financial risks. Mandatum Life also invests in a motivating work environment.

Claim: Overall, this is a great place to work
Great Place to Work Survey, 2010–2016



Mandatum Life influences the financial well-being of its employees by supplementing their pension cover and offering them smart ways to save and grow their wealth.

- The benefits of group pension insurance for employees are concrete: supplementing pension insurance guarantees a better income level during retirement.
- Comprehensive insurance has been taken out for the entire personnel, not only against work injuries, but also against off-working-hours injuries. This protects the employees and their families in the case of a permanent injury or death caused by an accident. In addition, a significant proportion of personnel has disability and life insurance.
- A personnel fund offers employees the opportunity for long-term saving in a smart way and through professional investment activities. The personnel fund is an open, transparent and fair solution that aims at long-term benefits. The company encourages long-term saving by paying an additional 20 per cent bonus to employees who decide to fund their bonuses. A total of 88 per cent of personnel chose to do so in 2016.

Leading by Example: A Good Corporate Culture Based on Engagement, Trust and Good Leadership

At Mandatum Life, focusing on the corporate culture not only reflects the company's values, but is also part of its business, as Mandatum Life offers employee reward solutions to its customers as well. The well-being of its personnel is one of Mandatum Life's strategic long-term targets.

The future goal is to make even more effective use of employees' competence and enthusiasm in developing Mandatum Life's business. *Leading by example* is Mandatum Life's vision for its responsibility in personnel matters, according to which the organizations that are able to make full use of their employees' competence will be winners in the future. The flat hierarchy in the organization is also reflected in the results of the Great Place to Work survey: up to 90 per cent (88) of Mandatum Life employees feel that the management is easy to approach.

Mandatum Life monitors the employees' perception of the achievement of equality. Eighty-nine per cent (87) of personnel feel that people are treated equally at Mandatum Life, regardless of gender.

Focus on the Well-Being of Personnel

Mandatum Life pays particular attention to the benefits linked to work ability management and employee well-being. These long-term efforts have paid off: the sick-leave rate has been kept low for years by investing regularly in both preventive occupational health care and work atmosphere and supervisory work.

Preventive measures are important. The company offers comprehensive occupational health care services that include, among other things, consultations with a work psychologist, regular ergonomic visits to the workplace, specialist services and examinations related to women's/men's illnesses. Among the practices in place are support for returning to work following a long illness, and the preventive early intervention model. Co-operation with the occupational health care service provider is close.

Mandatum Life supports also various forms of physical exercise and different work patterns and practices that facilitate daily work by offering, for example, possibilities for remote work and free assistance in caring for a sick child for three weekdays.

Financial Responsibility: Continuity Is Being Secured in All Market Situations

Financial responsibility at Mandatum Life means ensuring the continuity, profitability, earnings power and solvency of operations in all market situations. Ensuring continuity creates the foundation for the sustainable and responsible management of customers' insurance-related liabilities and customers' investments and pensions over the decades. That is why risk management is a key component of Mandatum Life's financial responsibility. The most important goals of the risk management process are to ensure the sufficiency of capital in relation to business risks and to curb variations in financial performance in the long run. Sufficient capitalization and well-functioning risk management processes safeguard the company's ability to take care of its customers' pensions and compensations, whatever the situation or economic environment.

In 2016, Mandatum Life paid out a total of EUR 418 million in pensions to 68,000 pensioners, as well as other indemnities for death, accidents, serious illness and disability, totaling some EUR 88 million. Responsibility towards shareholders is reflected in the company's goal of ensuring a steady dividend stream.

Mandatum Life is also a key societal contributor and employer. The company employs more than 500 people in Finland and the Baltic countries. Mandatum Life has been one of Finland's largest tax payers for many years, bearing its responsibility towards society. In 2015, Mandatum Life was the 48th largest corporate tax payer in Finland, paying more than EUR 9 million in taxes.

Mandatum Life also provides financial support for third-sector activities. In 2014, the company started co-operation with the Tukikummit foundation, whose objective is to prevent marginalization by providing financial support to youth at risk of exclusion. Mandatum Life participates in the foundation's activities by donating accident insurance policies to children whose families are in need. Since the start of the co-operation, more than 1,600 children have benefited from a donated accident insurance policy.

Mandatum Life's Environmental Responsibility is Based on Promoting Responsible Investment

Mandatum Life's business operations do not give rise to significant direct emissions, which is why the company has identified the promotion of responsible investment as the best opportunity to engage in environmental responsibility. As a major investor, the company has a responsibility to contribute to reducing the carbon footprint of investments. Read more about our measures in the section 'Responsible investment'.

Mandatum Life contributes to solving environmental challenges that are of crucial importance to Finland by supporting the ecological restoration of the Baltic Sea. The Baltic Sea is one of the most polluted seas in the world. Finland's annual average temperature is rising close to twice as fast as that of the whole planet (Finnish Meteorological Institute 2016). The warming of Finland's climate also affects the state of the Baltic Sea. One of the most serious problems is eutrophication. Climate change increases precipitation, which increases the quantity of eutrophying nutrients flowing into the sea and accelerates the growth of algal blooms. The increase of carbon dioxide in the air acidifies the Baltic Sea, posing a threat to its species.

Mandatum Life has made a five-year commitment to the Baltic Sea Action Group (BSAG) to promote the protection of the Baltic Sea. The commitment involves supporting the action group's work through annual donations and promoting responsible investment operations among its stakeholders. BSAG is a non-profit foundation that co-operates with state heads, authorities and the private sector. In 2016, BSAG was the beneficiary of Mandatum Life's Christmas donation, which totaled EUR 10,000.

The company strives to reduce the negative environmental impacts of its operations by, among other measures, developing its digital services and by reducing the use of paper in its customer communications. Mandatum Life uses the Baltic Sea -friendly DROPP spring water at its events and in its offices. The company favors locally produced food at its close to a hundred annual stakeholder events.

Governance

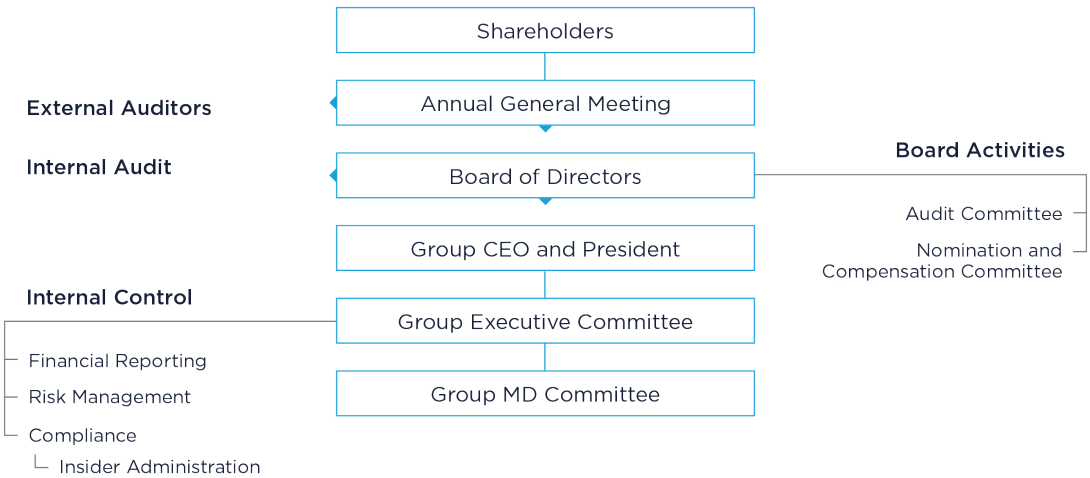
Corporate Governance Statement

During 2016 Sampo complied in full with the Finnish Corporate Governance Code issued 1 October 2015 by the Securities Market Association, effective from 1 January 2016.

Acting in compliance with 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/statement)

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.

Björn Wahlroos

Chairman of the Board
Born 1952

Positions of Trust 12/31/2016
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;*
Several other charitable institutions

Member of the Board of Directors of Sampo plc since on 5 April 2001. Wahlroos holds 11,865,481 Sampo plc shares directly or through a controlled company.

Wahlroos has been determined by Sampo's Board of Directors to be independent of the company and of major shareholders under the rules on Finnish Corporate Governance Code.

Eira Palin-Lehtinen

Vice Chairperson of the Board
Born 1950

Positions of Trust 12/31/2016
Sigrid Jusélius Foundation, *Deputy Board Member and Member of the Finance Committee;*
The Finnish Foundation for Share Promotion, *Chairman of the Board*

Member of the Board of Directors of Sampo plc since 15 April 2008. Palin-Lehtinen holds 5,075 Sampo plc shares directly or through a controlled company.

Palin-Lehtinen has been determined by Sampo's Board of Directors to be independent of the company and of major shareholders under the rules on Finnish Corporate Governance Code.

Christian Clausen

Senior Advisor, Nordea Bank AB (publ) until 12/31/2016
Chairman for the Nordics, BlackRock Inc. 01/01/2017–
Born 1955

Positions of Trust 12/31/2016
BW Group, *Board Member*

Member of the Board of Directors of Sampo plc since 21 April 2016. Clausen holds 448 Sampo plc shares directly or through a controlled company.

Clausen has been determined by Sampo's Board of Directors to be independent of the company and of major shareholders under the rules on Finnish Corporate Governance Code.

Jannica Fagerholm

Managing Director, Signe and Ane Gyllenberg Foundation
Born 1961

Positions of Trust 12/31/2016
Kesko Corporation, *Board Member;*
Teleste Corporation, *Board Member;*
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 in Finland, *Board Member*

Member of the Board of Directors of Sampo plc since 18 April 2013. Fagerholm holds 2,167 Sampo plc shares directly or through a controlled company.

Fagerholm has been determined by Sampo's Board of Directors to be independent of the company and of major shareholders under the rules on Finnish Corporate Governance Code.

Adine Grate Axén

CEO of Adine Grate AB
Born 1961

Positions of Trust 12/31/2016
3 Scandinavia, *Advisor and Executive Board Member;*
Nasdaq Stockholm, *Chairman of the Swedish Listing Committee;*
Swedavia AB, *Board Member;*
AP 7, *Vice Chairman of the Board;*
Madrague Capital Partners AB, *Board Member;*
Alhanko & Johnson AB (BASE 23), *Chairman of the Board;*
Sky, *Board Member*

Member of the Board of Directors of Sampo plc since 14 April 2011. Grate Axén holds 4,962 Sampo plc shares directly or through a controlled company.

Grate Axén has been determined by Sampo's Board of Directors to be independent of the company and of major shareholders under the rules on Finnish Corporate Governance Code.

Veli-Matti Mattila

President and CEO of Elisa Corporation
Born 1961

Positions of Trust 12/31/2016
The Finnish Fair Association, *Member of the Supervisory Board;*
Confederation of Finnish Industries EK, *Board Member (Chairman of the Board 01/01/2017–) and Member of Representative Assembly;*
Service Sector Employers PALTA, *Chairman of the Board;*
The National Emergency Supply Council, *Member;*
FiCom, *Chairman of the Board*

Member of the Board of Directors of Sampo plc since 7 April 2009. Mattila holds 5,155 Sampo plc shares directly or through a controlled company.

Mattila has been determined by Sampo's Board of Directors to be independent of the company and of major shareholders under the rules on Finnish Corporate Governance Code.

Risto Murto

Chief Executive Officer and President, Varma Mutual Pension Insurance Company
Born 1963

Positions of Trust 12/31/2016
Wärtsilä Corporation, *Board Member;*
Federation of Finnish Financial Services, *Board Member (until 12/31/2016);*
The Finnish Pension Alliance TELA, *I Vice Chairman of the Board;*
University of Oulu, *Chairman of the Board;*
Finnish National Opera and Ballet, *Member of the Supervisory Board*

Member of the Board of Directors of Sampo plc since 16 April 2015. Murto holds 883 Sampo plc shares directly or through a controlled company.

Murto has been determined by Sampo's Board of Directors to be independent of the company and of major shareholders under the rules on Finnish Corporate Governance Code.

Per Arthur Sørlie

President & CEO, Borregaard ASA
Born 1957

Positions of Trust 12/31/2016
Umkomaas Lignin (Pty) Ltd, *Chairman of the Board;*
Inspiria Science Center, *Board Member*

Member of the Board of Directors of Sampo plc since 12 April 2012. Sørlie holds 3,237 Sampo plc shares directly or through a controlled company.

Sørlie has been determined by Sampo's Board of Directors to be independent of the company and of major shareholders under the rules on Finnish Corporate Governance Code.

Anne Brunila, born 1957
Member of the Board of Directors of Sampo plc from 9 April 2003 to 21 April 2016.

When elected, all Board members were independent both of company's major shareholders and of the company. Information as of 31 December 2016, 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.

The Board of Directors decides, among other things, on Sampo Group's strategy and approves the principles governing the Group's risk management, remuneration, compliance and internal control. It also 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").

On 10 February 2016 Sampo plc's Board of Directors updated Sampo's Policy on Diversity as regards the Board of Directors of Sampo. According to the Policy, when electing the Board of Directors the aim is to ensure that the Board as a whole for the purpose of its work possesses the requisite knowledge of and expertise in the social, business and cultural conditions of the regions and markets in which the main activities of the Group are carried out. A broad set of qualities and competences, diversity, including age, gender, geographical provenance and educational and professional background, is an important factor to take into consideration. According to the Policy on Diversity, and in compliance with the Corporate Governance Code, it is also important that the person to be elected to the Board shall have the qualifications required for the duties and the possibility to devote a sufficient amount of time to the work.

The number of the Directors and the composition of the Board shall be such that they enable the Board of Directors to see its duties efficiently. Both genders shall be represented in the Board of Directors and the target is a share of at least 37.5 per cent of the total number of members for both genders. During 2016 the representation of both genders in the Board of Directors fulfilled the target.

According to the Policy on Diversity, Sampo's Nomination and Compensation Committee shall identify, review and recommend candidates for the Board. The Nomination and Compensation Committee shall take the following factors into consideration, including such other factors as the Board may determine:

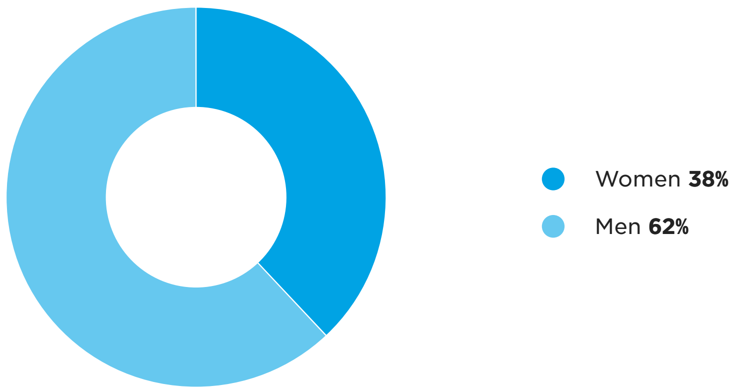
i. Regulatory requirements for the members of the Board;
ii. Overall board composition taking into consideration the appropriate combination of professional experience, skills, knowledge and variety of viewpoints and backgrounds;
iii. The past performance of incumbent members (attendance, staying informed about the company and its business, participation in the meetings, proven interest in the company's business and compliance with applicable company policies and guidelines;
iv. Allocation and sufficiency of time; and
v. Other criteria (e.g. with respect to new Directors, the integrity, judgment and available time).

At the Annual General Meeting the Nomination and Compensation Committee gives an account of how it has conducted its work and explains its proposals.

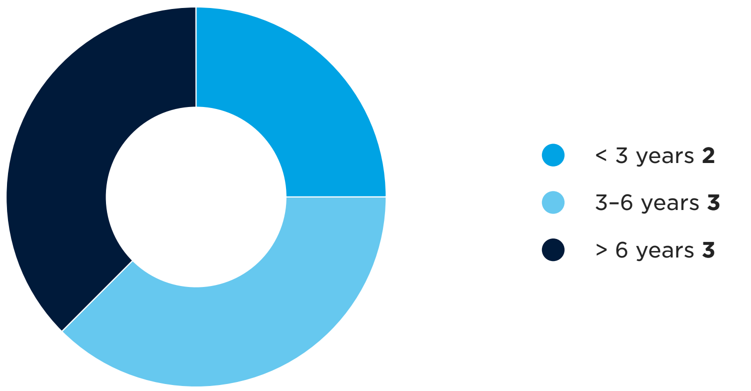
The AGM of 2016 decided that the Board would consist of eight members until the close of the AGM to be held in 2017. The term of office of the Board members ends at the close of the AGM that first follows their election. The members of the Board elect a Chairman and Vice Chairman from among their members at their first meeting following the AGM.

The Board convened 9 times in 2016. Christian Clausen was prevented from attending one meeting. Other Board members attended all meetings and, accordingly, the attendance of Board members at meetings was 98.6 per cent.

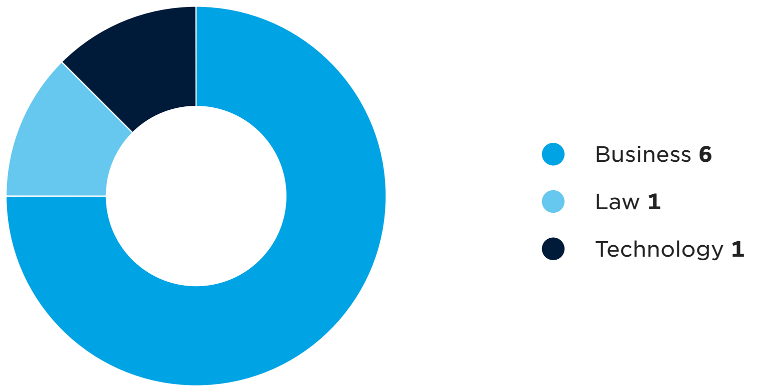
Gender Diversity of the Board



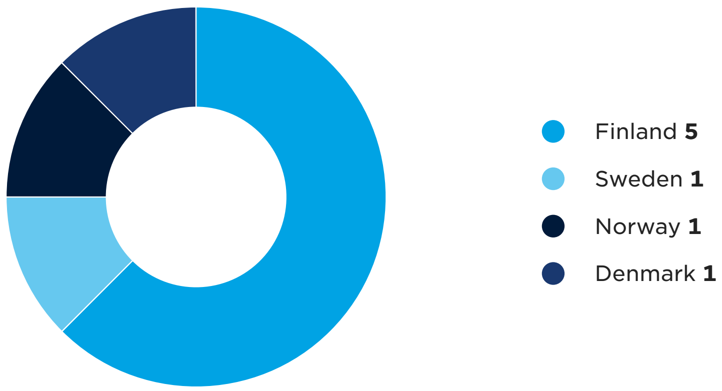
Length of Tenure of the Board Members



Educational Background of the Board Members



Geographical Mix of the Board Members



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.

Members of the Committees, 31 December 2016

	Audit Committee	Nomination and Compensation Committee
Björn Wahlroos		Chairman
Eira Palin-Lehtinen		Member
Christian Clausen	Member	
Jannica Fagerholm	Chairman	
Adine Grate Axén	Member	
Veli-Matti Mattila		Member
Risto Murto		Member
Per Arthur Sørlie	Member	

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 and 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 2016, the Chairman of the Audit Committee was **Jannica Fagerholm** (Anne Brunila until 21 April 2016), and the other members were **Christian Clausen** (as of 21 April 2016), **Adine Grate Axén** and **Per Arthur Sørlie**. Also participating in the meetings were the Auditor's representative, Group CEO, Group CFO, CFO of If P&C Holding Ab, Group Chief Risk Officer and Group Chief Audit Executive.

The Audit Committee convened four times in 2016 and the 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 schemes, maximum pay-outs based on short-term incentive programs and long-term incentive schemes 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.

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 2016, 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 two members elected from among the members of the Board.

The Chairman of the Nomination and Compensation Committee in 2016 was **Björn Wahlroos**, and the other members were **Veli-Matti Mattila**, **Eira Palin-Lehtinen** and **Risto Murto**.

The Committee convened four times in 2016. The 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.

Kari Stadigh

Group CEO and President, MD of Sampo plc
Born 1955

Positions of Trust 12/31/2016
Nordea Bank AB (publ), *Board Member, Board Risk Committee, Chairman;*
Nokia Corporation, *Board Member;*
The Federation of Finnish Financial Services, *Board Member (Vice Chairman of the Board 01/01/2017–);*
If P&C Insurance Holding Ltd, *Chairman of the Board;*
Mandatum Life Insurance Company Limited, *Chairman of the Board;*
Niilo Helander Foundation, *Board Member;*
Waypoint Group Holdings Limited, *Board Member*

Member of Sampo Group Executive Committee since 2001. Stadigh holds 274,502 Sampo plc shares directly or through controlled companies or persons closely associated with him.

Knut Arne Alsaker

CFO, If P&C Insurance
Born 1973

Positions of Trust 12/31/2016
If P&C Insurance Ltd, *Board Member;*
If Livförsäkring AB, *Board Member;*
If P&C Insurance Company Ltd, *Board Member;*
If P&C Insurance AS, *Board Member;*
CJSC If Insurance, *Board Member*

Member of Sampo Group Executive Committee since 2014. Alsaker holds 23,750 Sampo plc shares directly or through controlled companies or persons closely associated with him.

Peter Johansson

Group CFO
Born 1957

Positions of Trust 12/31/2016
If P&C Insurance Holding Ltd, *Board Member;*
Mandatum Life Insurance Company Limited, *Vice Chairman of the Board*

Member of Sampo Group Executive Committee since 2001. Johansson holds 51,815 Sampo plc shares directly or through controlled companies or persons closely associated with him.

Patrick Lapveteläinen

Group CIO
Born 1966

Positions of Trust 12/31/2016
Asiakastieto Group Plc, *Chairman of the Board;*
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 241,111 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 12/31/2016
If P&C Insurance Ltd, *Chairman of the Board;*
If P&C Insurance Company Ltd, *Chairman of the Board;*
Topdanmark A/S, *Vice President of the Board;*
Swedish Insurance Federation, *Board Member;*
Swedish Insurance Employer Association, *Board Member;*
Insurance Europe, *Vice President*

Member of Sampo Group Executive Committee since 2004. Magnusson holds 27,401 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 12/31/2016
Finance Norway (Finans Norge, FNO), *Board Member*

Member of Sampo Group Executive Committee since 2005. Martinsen holds 43,643 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 12/31/2016
Alma Media Corporation, *Deputy Chairman of the Board;*
BenCo Insurance Holding B.V., *Board Member;*
Federation of Finnish Financial Services, Life Insurance Executive Committee, *Chairman (Member 01/01/2017–);*
Kaleva Mutual Insurance Company, *Chairman of the Board;*
Varma Mutual Pension Insurance Company, *Board Member;*
Finland Chamber of Commerce, *Board Member;*
Confederation of Finnish Industries EK, Finance and Tax Commission, *Chairman (Member 01/01/2017–)*

Member of Sampo Group Executive Committee since 2001. Niemisvirta holds 73,524 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 12/31/2016
Finance Norway (Finans Norge, FNO), *Chairman of the Executive Committee of P&C Insurance*

Member of Sampo Group Executive Committee since 2006. Thorsrud holds 44,160 Sampo plc shares directly or through controlled companies or persons closely associated with him.

Timo Vuorinen

Head of Business Area Baltic; Head of Private (Finland); MD of If P&C Insurance Company (Finland)

Born 1964

Positions of Trust 12/31/2016
If P&C Insurance AS, *Chairman of the Board;*
Kaleva Mutual Insurance Company, *Board Member;*
Federation of Finnish Financial Services, Non-life Executive Committee, *Member (Chairman 01/01/2017-)*

Member of Sampo Group Executive Committee since 2009. Vuorinen holds 35,361 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 12/31/2016
If P&C Insurance Company Ltd, *Board Member;*
If P&C Insurance AS, *Board Member;*
Nobia AB, *Board Member;*
CJSC If Insurance, *Board Member*

Member of Sampo Group Executive Committee since 2005. Wennerklint holds 26,838 Sampo plc shares directly or through controlled companies or persons closely associated with him.

Information as of 31 December 2016, 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 2016, 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.

Kari Stadigh is the Group CEO and President. His Group CEO Contract became effective as of 1 January 2016 and is in force until further notice. Under the terms of the Group CEO contract, the notice period for the Group CEO is six months, from which period the Group CEO is entitled to receive salary. The new contract does not include a 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 guide the design of remuneration systems.

Sampo plc's Board of Directors has established the Sampo Group Remuneration Principles which apply to all companies within Sampo Group.

Remuneration Principles (www.sampo.com/remuneration)

Remuneration Statement

Sampo has published a Remuneration Statement on its website in accordance with the Corporate Governance Code.

Remuneration Statement (www.sampo.com/remunerationstatement)

Remuneration 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 2016, the following annual fees were 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 2017: EUR 160,000 to the Chairman, EUR 100,000 to the Vice Chairman, and EUR 80,000 to the other members of the Board. In accordance with the decision of the Annual General Meeting, the members of the Board were obliged to acquire Sampo plc's A shares at the price paid in public trading for 50 per cent of his/her annual fee excluding taxes and similar payments. The remaining part of the fee was paid in cash. Sampo plc paid the transfer tax related to the acquisition of the shares. In addition, statutory social and pension costs incurring to non-Finnish members according to applicable national legislation were borne by Sampo plc.

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

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

Remuneration of the Group CEO 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 fixed remuneration of the members of the Group Executive Committee, excluding the Group CEO.

The remuneration of the Group CEO, Mr. Kari Stadigh, includes fixed salary, fringe benefits and a defined contribution pension contract, and may also include payments from short-term incentive programs and long-term incentive schemes.

The Group CEO participates in a short-term incentive program, which is decided upon separately each year. The maximum amout that can be paid to the Group CEO from the program corresponds to nine months' fixed salary.

During 2016 the Group CEO participated in the long-term incentive schemes 2011 I and 2014 I for Sampo Group's key employees. The terms of the incentive schemes are available on Sampo's website.

Terms of the Incentive Schemes (www.sampo.com/incentiveterms)

In 2016, the Group CEO was paid EUR 1,108,336 as fixed salary and benefits and EUR 565,441 as short-term incentives (including deferred compensation pertaining to the operative year 2012 and excluding compensation deferred in 2016) and EUR 3,262,000 as long-term incentives, together totaling EUR 4,935,777.

As part of the Group CEO contract which became effective 1 January 2016, Sampo has agreed on a supplementary defined contibution pension contract with the Group CEO. The annual cost of the agreement to Sampo is EUR 400,000.

The remuneration of the Group Executive Committee members includes fixed salary, fringe benefits and a pension contract, and may also include payments from short-term incentive programs and long-term incentive schemes.

The Group Executive Committee members participate in company-specific 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 2016 to members of the Group Executive Committee corresponds to nine months' fixed salary.

During 2016, the members of the Group Executive Committee participated in the long-term incentive schemes 2011 I and 2014 I for Sampo Group's key employees.

Part of the variable compensation payable to the Group CEO and to the members of the Group Executive Committee is deferred 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 of Directors decides whether the deferred variable compensations shall be paid out in full, partly or cancelled in whole.

Under the terms of their employment contracts, the Group Executive Committee members are 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 remuneration in Sampo Group during 2016 is available in the Remuneration Report published by Sampo at www.sampo.com/remunerationreport.

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 has been organized to correspond with the business organization.

Sampo plc's Board of Directors appoints and discharges the Sampo Group Chief Audit Executive and decides on his/her terms of employment and remuneration.

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 separate Guidelines for Insiders that is binding on all persons employed by Sampo Group as well as on members of Sampo's Board of Directors. In addition to current supranational law, such as the market abuse regulation (MAR), applicable national law, including Nasdaq Helsinki's Guidelines for Insiders and the Financial Supervisory Authority's regulations, has been taken into account in compiling the Guidelines for Insiders.

The Group Executive Committee and persons working with interim statements and other financial announcements and persons having access to such documents before publication thereof are under the following restrictions on trading:

- 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,
- persons must not conduct any transactions relating to the financial instruments of Sampo Group during a closed window of 30 calendar days before the announcement of financial report (so called extended closed window), and
- persons are prohibited from having so called short-term positions which refers to a situation where the period between the acquisition and disposal or the disposal and the acquisition of the same shares is less than one month.

In addition to regulatory supervision, compliance with the obligations under the Guidelines for Insiders and the underlying legislation is supervised by Insider Administration, which is a group function centralized in Sampo plc and led by the person in charge of insider matters.

Sampo Group's Guidelines for Insiders is available on the group's website at www.sampo.com/insiders.

External Auditor

Ernst & Young Oy
Authorised Public Accountant

Responsible auditor
Tomi Englund, APA

The total fees paid to the auditor for services rendered and invoiced were EUR 2,673,834. In addition, Ernst & Young Oy were paid fees for non-audit services rendered and invoiced totaling EUR 328,050.

Board of Directors' Report

Sampo Group

Despite the low interest rate environment, 2016 was a very good year for Sampo Group as profit before taxes amounted to EUR 1,871 million (1,888) and the total comprehensive income for the period, taking changes in the market value of assets into account, rose to EUR 1,760 million (1,564).

Earnings per share was almost unchanged at EUR 2.95 (2.96) but mark-to-market earnings per share improved significantly to EUR 3.14 (2.79). Return on equity for the Group amounted to 15.0 per cent (14.0) for 2016. Net asset value per share on 31 December 2016 was EUR 24.86 (23.79).

The Board proposes to the Annual General Meeting to be held on 27 April 2017 a dividend of EUR 2.30 per share (2.15). The proposed dividend payment amounts in total to EUR 1,288 million (1,204).

Profit before taxes for the P&C insurance was EUR 883 million (960). Insurance technical result was excellent and combined ratio for January - December 2016 reached a record of 84.4 per cent (85.4). Even adjusted for non-recurring items the combined ratio for 2016 was still best ever and amounted to 86.1 per cent and 86.5 per cent for 2015. Return on equity was 25.3 per cent (21.5). The contribution of Topdanmark's net profit for 2016 amounted to EUR 65 million (43).

Sampo's share of Nordea's net profit for 2016 amounted to EUR 773 million (751). Nordea's RoE, excluding non-recurring items, amounted to 11.5 per cent (12.3) and core Tier 1 ratio (excluding transition rules) was stronger than ever before at 18.4 per cent (16.5). In segment reporting the share of Nordea's profit is included in the segment 'Holding'. Nordea's Board of Directors proposes to the AGM 2017 a dividend of EUR 0.65 per share (0.64). If the AGM approves the Board's dividend proposal, Sampo plc will receive a dividend of EUR 559 million (551) from Nordea on 27 March 2017.

Profit before taxes in life insurance operations rose to EUR 210 million (181). Return on equity amounted to 15.9 per cent (12.7). Premium income on own account was EUR 1,116 million (1,144) as the premiums in the fourth quarter grew 46 per cent. The discount rates for with profit policies used for 2017, 2018 and 2019 are 0.25 per cent, 0.50 per cent, and 2.25 per cent, respectively. The discount rate reserve reached an all-time high of EUR 273 million.

Sampo Group's total investment assets on 31 December 2016 amounted to EUR 20.7 billion (19.4), of which 79 per cent was invested in fixed income instruments (78), 16 per cent in equities (16) and 4 per cent in other assets (6). If P&C's share of assets was 59 per cent (59), Mandatum Life's 34 per cent (32) and Sampo plc's 7 per cent (9).

Sampo Group's equity as at 31 December 2016 amounted to EUR 11,934 million (11,411). Equity was strengthened mainly by the comprehensive income for the year of EUR 1,760 million and reduced by the EUR 1,204 million of dividends paid. Other changes were insignificant.

Sampo Group's solvency capital calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (2004/699) based on Directive 2002/87/EC of the European Parliament and of the Council exceeded the minimum solvency requirements at the end of 2016 by EUR 3,849 million (3,179) and the conglomerate solvency ratio stood at 154 per cent (145).

Key Figures
Sampo Group, 2016

EURm	2016	2015	Change, %
Profit before taxes	1,871	1,888	-1
P&C Insurance	883	960	-8
Associate (Nordea)	773	751	3
Life Insurance	210	181	16
Holding (excl. Nordea)	6	-1	-
Profit for the period	**1,650**	**1,656**	**0**

	2016	2015	Change
Earnings per share, EUR	2.95	2.96	-0.01
EPS (incl. change in FVR), EUR	3.14	2.79	0.35
NAV per share, EUR	24.86	23.79	1.07
Average number of staff (FTE)	6,780	6,755	25
Group solvency ratio, %	154	145	9
RoE, %	15.0	14.0	1.0

Income statement items are compared on a year-on-year basis and comparison figures for balance sheet items are from 31 December 2015 unless otherwise stated.

Exchange Rates Used in Reporting

	1–12/2016	1–9/2016	1–6/2016	1–3/2016	1–12/2015
EUR 1 = SEK					
Income statement (average)	9.4676	9.3712	9.3023	9.3241	9.3534
Balance sheet (at the end of period)	9.5525	9.6210	9.4242	9.2253	9.1895
DKK 1 = SEK					
Income statement (average)	1.2718	1.2586	1.2486	1.2501	1.2542
Balance sheet (at the end of period)	1.2849	1.2912	1.2668	1.2381	1.2314
NOK 1 = SEK					
Income statement (average)	1.0192	0.9998	0.9875	0.9790	1.0475
Balance sheet (at the end of period)	1.0513	1.0706	1.0133	0.9799	0.9570

Economic Environment

Growth rates in the Nordic countries are converging, as Swedish GDP growth is slowing, while Norway, Denmark and Finland are slowly picking up speed. The Norwegian economy is supported by higher oil price, whereas the consumer sector has been the main driver in Finland and Denmark. The notable depreciation of the Swedish krona has not given a prominent support for exports, the sector causing challenges for Denmark and Finland as well.

Despite the slowdown in growth figures, the Swedish economy is still on a steady growth path. Interest rates are extremely low, which supports lending. Despite slightly lower GDP growth in 2016, employment continued to grow at a healthy clip. Labour shortages, which act as a drag on growth, have emerged in most sectors. It is a special situation when the sector setting the benchmark for pay rises – the export industry – is the sector struggling the most. Consequently, low inflation continues to be a challenge for the Riksbank.

Mainland economic growth has been weak over the past years in Norway, dragged down by a sharp drop in production in the industries delivering to the oil companies. Due to high price growth, real wages have been declining, dampening consumption growth. However, due to low interest rates, housing prices are now rising by a hefty 12 per cent year-on year. Unemployment remains at very low levels. Norges Bank has indicated that the current level of interest rates is appropriate in 2017 as well.

In recent years the Danish economy has been mocked for its low growth and weak productivity improvements. But suddenly this has changed due to major revisions to foreign trade data, lifting the current account surplus by no less than 40 per cent. That also gave a major boost to GDP growth. Over the past couple of years Danish households have benefited from declining interest expenses, rising employment, higher housing prices and positive real wage growth due to the historically low level of inflation. The biggest risk is foreign trade as protectionism and growing political uncertainty can harm Danish exports.

Recent growth figures from Finland have been encouraging and unemployment rate has continued on a steady downward trend. Consumer confidence is high which is supportive for consumption. Construction sector has also performed well in 2016. Exports have been on a declining trend for several years, partly induced by falling prices and the low demand from Russia due to low oil prices. Some budding signs of growth are visible in the export sector as well, however the data is very sporadic.

Global growth continued slightly above 3 per cent in 2016, but global trade barely grew at all. Of major economies, the growth in US and Eurozone is expected to have remained clearly below 2 per cent. Chinese growth reached 6.8 per cent and growth in Japan remained below 1 per cent.

Higher commodity prices started to support commodity-producing countries towards the end of 2016. Despite the increase in commodity prices, low interest rate regime in western countries will persist for a long time, with the exception of the US, which is already in a hiking cycle. The Federal Reserve started raising rates in December 2015 and hiked again in December 2016 while indicating three more 25bp rate hikes for 2017.

However, the year 2016 will be remembered as the year of huge political surprises. First the UK votes to leave the EU. And then Donald Trump is elected to become the next US president. Increasing protectionism continues to be a major theme in the international economy and an important issue for the Nordic countries. The Nordic countries are small open economies, which have been dependent on trade for decades. Globalization and free trade has opened new markets to the Nordics and have been the very basis for increased living standards.

Business Areas

P&C Insurance

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

Results*
P&C Insurance, 2016

EURm	2016	2015	Change, %
Premiums, net	4,292	4,378	-2
Net income from investments	173	304	-43
Other operating income	26	28	-5
Claims incurred	-2,670	-2,894	-8
Change in insurance liabilities	-6	-34	-81
Staff costs	-512	-371	38
Other operating expenses	-472	-477	-1
Finance costs	-13	-16	-20
Share of associates' profit/loss	65	42	54
Profit before taxes	**883**	**960**	**-8**

Key figures	2016	2015	Change
Combined ratio, %	84.4	85.4	-1.0
Risk ratio, %	62.3	66.6	-4.3
Cost ratio, %	22.1	18.8**	3.3
Expense ratio, %	16.6	13.0**	3.6
Return on equity, %	25.3	21.5	3.8
Average number of staff (FTE)	6,180	6,176	4

* Excluding the non-recurring items combined ratio for 2016 would have been 86.1 per cent and 86.5 per cent for 2015.
** Adjusted for non-recurring items the comparison figures for cost and expense ratio would have been 22.3 per cent and 16.6 per cent, respectively.

Profit before taxes for the year 2016 for the P&C insurance segment was EUR 883 million (960). Combined ratio improved to 84.4 per cent (85.4) and risk ratio to 62.3 per cent (66.6). In the first quarter of 2016 EUR 72 million was released from the Swedish MTPL reserves, following a review of mortality tables by the Swedish insurance federation. This improved the combined ratio for the full-year 2016 by 1.7 percentage points. The comparison figure contains two non-recurring items – the reform of the pension system in If Norway and the lowering of the interest rate used in discounting annuities in Finland from 2.0 per cent to 1.5 per cent. Their combined effect on 2015 combined ratio was 1.1 percentage points positive.

EUR 141 million, including the Swedish MTPL release, was released from technical reserves relating to prior year claims in January–December 2016. In the previous year the reserves were strengthened by EUR

61 million mainly explained by the lowering of the interest rate used in discounting annuities in Finland. Return on equity increased to 25.3 per cent (21.5) and the fair value reserve on 31 December 2016 increased to EUR 484 million (391).

Technical result increased to EUR 658 million (657). Insurance margin (technical result in relation to net premiums earned) improved to 15.5 per cent (15.1).

	Combined ratio, %			Risk ratio, %		
	2016	2015	Change	2016	2015	Change
Private	83.2	88.1	-4.9	61.1	65.6	-4.5
Commercial	86.3	89.2	-2.9	63.9	66.3	-2.4
Industrial	88.6	99.4	-10.8	66.3	77.4	-11.1
Baltic	89.8	85.7	4.1	60.4	55.5	4.9
Sweden	83.1	86.8	-3.7	62.5	65.6	-3.1
Norway	84.8	88.0	-3.2	62.0	65.1	-3.1
Finland	82.4	94.9	-12.5	60.6	72.8	-12.2
Denmark	95.4	90.8	4.6	68.0	64.0	4.0

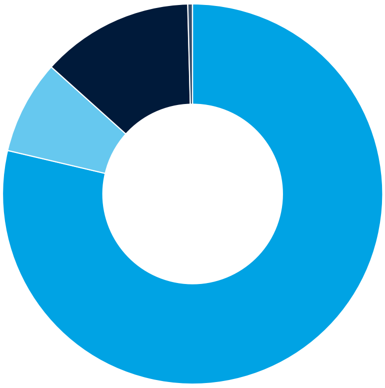
The release from the Swedish MTPL reserves in the first quarter of 2016 affected the full-year 2016 result positively while the comparison figures for the Finnish business are burdened by the change in the Finnish discount rate in the second quarter of 2015. Large claims in BA Industrial were EUR 11 million better than expected in 2016 and the total large claims for If P&C ended up EUR 17 million better than expected for the full-year.

Swedish discount rate used to discount the annuity reserves decreased to -0.03 per cent by the end of December 2016 and had a negative effect of EUR 29 million in the full-year results. The discount rate was 0.41 per cent at the end of 2015. In the fourth quarter of 2016 the effect was EUR 19 million positive. In Finland the discount rate for annuities remained unchanged at 1.5 per cent.

Gross written premiums decreased to EUR 4,458 million (4,559) in 2016. Adjusted for currency, premium growth was flat. Growth was positive in business area Private and negative in business areas Commercial, Industrial and Baltic. Geographically, gross written premiums grew by 4 per cent in Sweden and Denmark, while the growth was negative in Norway and Finland.

Cost ratio was 22.1 per cent (18.8) and expense ratio 16.6 per cent (13.0). The comparison year was impacted by the positive effect of the non-recurring reform of the pension system in If Norway booked in the second quarter of the year. Excluding the non-recurring item the comparison ratios were 22.3 per cent and 16.6 per cent, respectively.

Investment Allocation
If P&C, 31 December 2016, Total EUR 12.2 billion



On 31 December 2016, the total investment assets of If P&C amounted to EUR 12.2 billion (11.4), of which fixed income investments constituted 79 per cent (74), money market 8 per cent (12) and equity 13 per cent (13). Net income from investments amounted to EUR 173 million (304). Investment return marked-to-market for the full-year 2016 increased to 2.9 per cent (1.5). Duration for interest bearing assets was 1.4 years (1.2) and average maturity 2.8 years (2.6). Fixed income running yield as at 31 December 2016 was 1.7 per cent (1.8).

If P&C payed a dividend of SEK 5.8 billion (EUR 586 million) to Sampo plc in December 2016. In addition, If P&C paid an extra SEK 2.8 billion (EUR 293 million) dividend to Sampo plc in September 2016. If P&C's solvency position is described in the section Solvency.

If P&C Insurance Holding AB (publ) sold all of its shares in the Danish insurance company Topdanmark A/S to Sampo plc on 7 September 2016 in conjunction with the mandatory public offer Sampo plc was obliged to make to the other shareholders of Topdanmark after its ownership in the company exceeded one third of all the shares. In Sampo Group's segment reporting Topdanmark holding, 45.7 per cent of all votes in the company, is, however, still included in the P&C insurance segment. In Sampo Group's 2016 accounts the contribution of Topdanmark's net profit amounted to EUR 65 million (43). The sales gain If P&C made by selling Topdanmark shares to Sampo plc is eliminated in the Group accounts.

The mandatory offer made to the shareholders of Topdanmark by Sampo plc commencing on 27 September 2016 and expiring on 25 October 2016 is explained in more detail in the section Mandatory Offer on Topdanmark Shares.

Associated Company Nordea Bank AB

Nordea is among the ten largest universal banks in Europe in terms of market capitalization and has around 11 million customers, 31,500 employees and approximately 600 branch office locations. The Nordea share is listed on the Nasdaq exchanges in Stockholm, Helsinki and Copenhagen. In Sampo Group's reporting Nordea is treated as an associated company and is included in the segment Holding.

On 31 December 2016 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 8.78 per share. The closing price as at 31 December 2016 was EUR 10.60.

Nordea's Board of Directors proposes to the AGM 2017 a dividend of EUR 0.65 per share (0.64). If the AGM approves the Board's dividend proposal, Sampo plc will receive a dividend of EUR 559 million from Nordea on 27 March 2017.

Results
Nordea Bank AB, 2016

EURm	2016	2015	Change, %
Net interest income	4,727	4,963	-5
Total operating income *	9,754	9,964	-2
Profit before loan losses	5,127	5,183	-1
Net loan losses	-502	-479	5
Operating profit *, **	4,366	4,791	-9
Diluted earnings per share, EUR	0.93	0.91	
RoE *,**, %	11.5	12.3	

* Excl. non-recurring items (Q4/2015: gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176 million before tax, Q2/2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151 million net of tax, Q4/2016: additional gain related to Visa of EUR 22 million before tax).
** Excl. non-recurring items (Q4/2015: restructuring charge of EUR 263 million before tax; Q4/2016: gain in staff costs related to change in pension agreement in Norway of EUR 86 million before tax).

The following text is based on Nordea's full-year 2016 result release published on 26 January 2017.

2016 has probably been the most eventful year in the history of Nordea. On top of macro and regulatory challenges for the sector, Nordea has addressed significant media attention and started to implement a profound transformational change agenda. Two major achievement have been the creation of a new legal structure and launching a term deposit product on the new core banking platform. Despite a challenging revenue situation in 2016, Nordea has throughout the year improved its net interest margin; for 2016, the inflow to Assets under Management reached an all-time high, and Nordea has confirmed its leading Nordic position in corporate advisory operations.

Total income was down 1 per cent in local currencies (-2 per cent in EUR) from the prior year and operating profit was down 8 per cent in local currencies (-9 per cent in EUR) from the prior year excluding non-recurring items.

Net interest income was down 3 per cent in local currencies (-5 per cent in EUR) from 2015. Average lending and deposit volumes in business areas in local currencies were unchanged from financial year 2015.

Lending margins were up 2 bps and deposit margins were up 6 bps compared to financial year 2015. Net fee and commission income increased 1 per cent in local currencies (unchanged in EUR) from the previous year.

Net result from items at fair value increased 4 per cent in local currencies (4 per cent in EUR) from 2015.

Cost performance and credit quality are in line with Nordea's guidance. Total expenses were up 5 per cent in local currencies (4 per cent in EUR) from the previous year excluding non-recurring items and amounted to EUR 4,886 million. Staff costs were down 1 per cent in local currencies excluding non-recurring items. The cost/income ratio increased to 50 per cent from 47 per cent.

Net loan loss provisions increased to EUR 502 million, corresponding to a loan loss ratio of 15 bps (14 bps for full-year 2015).

Net profit increased 4 per cent in local currencies (3 per cent in EUR) to EUR 3,766 million.

Currency fluctuations had a reducing effect of 1 per cent on income and expenses and a reducing effect 1 per cent on loan and deposit volumes compared to a year ago.

Nordea Group's Basel III Common equity tier 1 (CET1) capital ratio increased to 18.4 per cent at the end of the fourth quarter 2016 compared to 17.9 per cent at the end of the third quarter 2016. REA decreased EUR 3.0 billion, mainly driven by reduced average risk weight in the corporate portfolio and reduced capital exposures in the CCR portfolio, while CET1 capital increased EUR 0.1 billion driven by continued strong profit generation net dividend and increase in intangible assets.

On 18 December 2016 Finansinspektionen stated that the authority have reached an agreement with the Nordic supervisory authorities and European Central Bank on how to supervise significant branches in Denmark, Finland, Norway and Sweden. On 2 January 2017, cross-border mergers between Nordea Bank AB (publ) and its subsidiary banks in Denmark, Finland and Norway were executed. Consequently, all assets and liabilities of the subsidiary banks have been transferred to Nordea Bank AB (publ), and each of Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA has been dissolved. The banking business in Denmark, Finland and Norway will be conducted in branches of Nordea Bank AB (publ).

For more information on Nordea Bank AB and its results for 2016, see www.nordea.com.

Life Insurance

Mandatum Life Group comprises Mandatum Life Insurance Co. Ltd., a wholly-owned subsidiary of Sampo plc, operating in Finland, and its five subsidiaries. Parent company, Mandatum Life, is responsible for sales functions and all the functions required by the Insurance Companies Act. The subsidiaries are Mandatum Life Services Ltd, Mandatum Life Investment Services Ltd., Mandatum Life Fund Management S.A., Innova Services Ltd. and Mandatum Life Insurance Baltic SE.

Results
Life Insurance, 2016

EURm	2016	2015	Change, %
Premiums written	1,116	1,144	-2
Net income from investments	634	632	0
Other operating income	23	18	29
Claims incurred	-967	-1,023	-5
Change in liabilities for inv. and ins. contracts	-465	-462	1
Staff costs	-46	-47	-2
Other operating expenses	-78	-74	4
Finance costs	-7	-6	10
Profit before taxes	**210**	**181**	**16**

Key Figures	2016	2015	Change
Expense ratio, %	100.5	100.0	0.5
Return on equity, %	15.9	12.7	3.2
Average number of staff (FTE)	543	522	21

Profit before taxes for life insurance operations in 2016 amounted to EUR 210 million (181). The total comprehensive income for the period after tax reflecting the changes in market values of assets increased to EUR 232 million (168). Return on equity (RoE) amounted to 15.9 per cent (12.7).

Net investment income, excluding income on unit-linked contracts, amounted to EUR 356 million (391). Net income from unit-linked contracts was EUR 276 million (239). During 2016 fair value reserve increased to EUR 596 million (532).

Total technical reserves of Mandatum Life Group increased to EUR 11.3 billion (10.9). The unit-linked reserves grew to EUR 6.4 billion (5.9) at the end of 2016, which corresponds to 57 per cent (54) of total technical reserves. With profit reserves continued to decrease as planned during 2016 and amounted to EUR 4.8 billion (5.0) on 31 December 2016. With profit reserves related to the higher guarantees of 4.5 and 3.5 per cent decreased EUR 213 million to EUR 2.9 billion at the end of 2016.

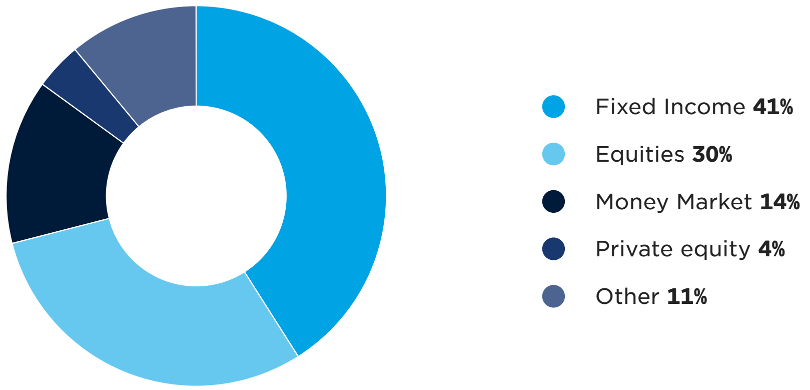
Mandatum Life increased its technical reserves with EUR 28 million due to low level of interest rates in 2016 and the total discount rate reserves amounted to EUR 273 million (244) at the end of 2016, of which EUR 225 million is allocated to years 2017–2019. The figure does not take into account the reserves relating to the segregated fund. The discount rates used for 2017, 2018 and 2019 are 0.25 per cent, 0.50 per cent, and 2.25 per cent, respectively.

Discount rate of segregated liabilities was lowered in November 2016 to 0.50 per cent from 0.75 per cent and discount rate reserve of segregated liabilities increased accordingly to EUR 275 million (257).

At the end of 2016 Mandatum Life Group's investment assets, excluding the assets of EUR 6.5 billion (5.9) covering unit-linked liabilities, amounted to EUR 6.6 billion (6.7) at market values.

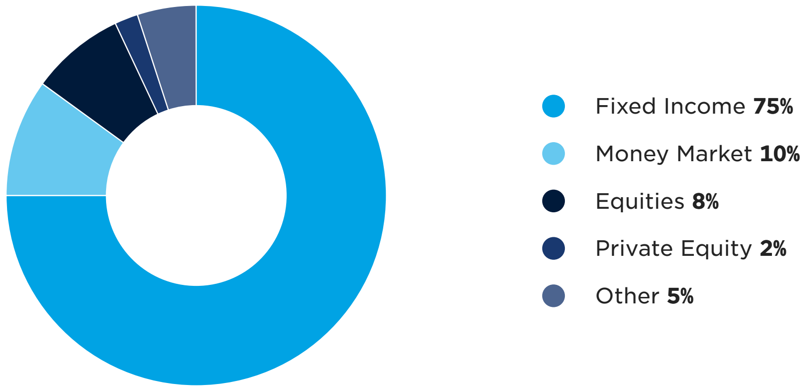
The assets covering Mandatum Life's original with profit liabilities at the end of 2016 amounted to EUR 5.4 billion (5.5) at market values. 41 per cent (47) of the assets are in fixed income instruments, 14 per cent (7) in money market, 30 per cent (29) in equities and 15 per cent (16) in alternative investments. The investment return marked-to-market for 2016 was 7.2 per cent (6.9). The duration of fixed income assets at the end of 2016 was 1.9 years (2.1) and average maturity 2.3 years (2.8). Fixed income running yield was 2.9 per cent (3.2).

Investment Allocation, excl. the Segregated Portfolio
Mandatum Life, 31 December 2016, Total EUR 5.4 billion



The assets covering the segregated fund amounted to EUR 1.2 billion (1.2), of which 75 per cent (71) was in fixed income, 10 per cent (9) in money market, 8 per cent (12) in equities and 7 per cent (8) in alternative investments. Segregated fund's investment return marked-to-market for January–December 2016 was 4.7 per cent (3.8). On 31 December 2016 the duration of fixed income assets was 2.4 years (2.3) and average maturity 3.5 years (3.8). Fixed income running yield was 1.8 per cent (1.4).

Investment Allocation, the Segregated Portfolio
Mandatum Life, 31 December 2016, Total EUR 1.2 billion



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

Risk and expense results remained on a good level. The expense result for life insurance segment amounted to EUR 24 million (25) and risk result to EUR 31 million (33).

Mandatum Life Group's premium income on own account amounted to EUR 1,116 million (1,144). After a sluggish start to the year fourth quarter premiums rose to a record high of EUR 446 million (306). Premiums from unit-linked policies amounted to EUR 973 million (968). Mandatum Life's market share in Finland grew to 24.1 per cent (17.7).

More information on the cooperation between Mandatum Life and Danske Bank is available in section Changes in Group Structure.

Holding

Sampo plc owns and controls its subsidiaries engaged in P&C and life insurance. In addition Sampo plc held on 31 December 2016 approximately 21.2 per cent of the share capital of Nordea, the largest bank in the Nordic countries, and more than 41.7 per cent of the Danish P&C insurer Topdanmark. Nordea and Topdanmark are both associated companies to Sampo plc but Topdanmark's result is reported in the P&C insurance segment.

Results
Holding, 2016

EURm	2016	2015	Change, %
Net investment income	36	76	-53
Other operating income	17	18	-5
Staff costs	-16	-20	-21
Other operating expenses	-18	-12	50
Finance costs	-14	-63	-78
Share of associates' profit	773	751	3
Profit before taxes	**778**	**749**	**4**
			Change
Average number of staff (FTE)	57	57	0

Holding segment's profit before taxes amounted to EUR 778 million (749), of which EUR 773 million (751) relates to Sampo's share of Nordea's 2016 profit. Segment's profit excluding Nordea was EUR 6 million (-1).

The currency effects, particularly strengthening of Swedish krona, increased the investment income by EUR 25 million. The drop in the finance costs is due to lower interest rates and movements in SEK-EUR rates.

Sampo plc's holding in Nordea Bank was booked in the consolidated balance sheet at EUR 7.6 billion. The market value of the holding was EUR 9.1 billion, i.e. EUR 10.60 per share, at 31 December 2016. In addition the assets on Sampo plc's balance sheet included holdings in subsidiaries for EUR 2.4 billion (2.4).

Changes in Group Structure

Mandatory Offer on Topdanmark Shares

Sampo plc announced on 7 September 2016 the obligation to make a mandatory offer to the shareholders of Topdanmark A/S. In the mandatory offer, Sampo offered to acquire all outstanding shares, excluding treasury shares, and other financial instruments, warrants and share options, if applicable, issued by Topdanmark and shares held by Topdanmark shareholders resident in certain restricted jurisdictions. The cash price offered in the mandatory offer was DKK 183 for each share issued by Topdanmark. The offer period commenced on 27 September 2016 and expired on 25 October 2016. As a result of the offer, Sampo plc acquired altogether 7,374,306 Topdanmark shares and held 41.1 per cent of all Topdanmark shares on 26 October 2016.

The mandatory offer was made pursuant to the Danish Takeover Order (no. 562 of 2 June 2014) Section 2(1). The obligation to make the Mandatory Offer arose as a result of Sampo in the period from 6 September 2016 until 7 September 2016 having acquired 200,000 Topdanmark shares in the market with the highest purchase price being DKK 183 and thereby crossing the applicable Danish threshold of one third of the total outstanding voting rights of Topdanmark. In connection herewith, Sampo also acquired 31,476,920 Topdanmark shares at a price of DKK 183 per share, representing approximately 33.13 per cent of the entire issued share capital and of all voting rights of Topdanmark (including treasury shares), from its wholly owned subsidiary If P&C Insurance Holding Ltd. Following Sampo's acquisition of If's shareholding in Topdanmark, If P&C no longer holds any shares in Topdanmark.

Sampo plc's share of Topdanmark's profit will continue to be shown in the P&C insurance segment although Topdanmark is Sampo plc's associate going forward. On 1 February 2017 Sampo plc held 39,579,226 Topdanmark shares corresponding to 41.7 per cent of all shares and 45.7 per cent of votes.

Mandatum Life's Agency Agreement with Danske Bank

In connection with the acquisition of Sampo's banking operations by Danske Bank A/S in early 2007, Sampo Bank plc (now Danske Bank Plc), and Sampo Life Insurance Company Ltd (now Mandatum Life Insurance Company Ltd) signed an agency agreement that guaranteed Sampo Life the exclusive right to sell life and pension insurance products through Sampo Bank's branch network in Finland.

Mandatum Life decided on 20 October 2016 not to prolong the agency agreement as of 31 December 2016. In relation to the agency agreement Mandatum Life has the right to sell the insurance portfolio sold through Danske Bank's branch network in Finland, to Danske Bank. Mandatum Life decided on 27 October 2016 to use this option.

The valuation of the portfolio will be conducted by a third party in accordance with the terms and conditions of the bank transaction agreement referred to above. The valuation is estimated to take until the summer of 2017 and the transfer of the portfolio is estimated to take place during the fourth quarter of 2017 at the earliest. The transfer is subject to regulatory approvals.

The portfolio consists of more than 150,000 policies and the technical reserves related to the portfolio amounted to EUR 3,202 million at the end of 2016. The portfolio contains almost exclusively unit linked and loan insurance products. The amount of with profit technical reserves is EUR 210 million. The portfolio is treated as Assets held for sale in the balance sheet for 2016.

Governance

In 2016 Sampo complied in full with the Finnish Corporate Governance Code issued 1 October 2015 by the Securities Market Association and effective from 1 January 2016.

Acting in compliance with 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.

The statement is available at www.sampo.com/statement. The Governance section of this Annual Report also contains a more detailed description of the Group's governance system.

Annual General Meeting

The Annual General Meeting of Sampo plc, held on 21 April 2016, decided to distribute a dividend of EUR 2.15 per share for 2015. The dividend was paid on 3 May 2016. The Annual General Meeting adopted the financial accounts for 2015 and discharged the Board of Directors and the Group CEO and President from liability for the financial year.

The Annual General Meeting elected eight members to the Board of Directors. The following members were re-elected to the Board: Jannica Fagerholm, Adine Grate Axén, Veli-Matti Mattila, Risto Murto, Eira Palin-Lehtinen, Per Arthur Sørlie and Björn Wahlroos. Christian Clausen was elected as a new member to the Board. Of the former members Anne Brunila was not available for re-election. The Members of the Board were elected for a term continuing until the close of the next Annual General Meeting.

At its organizational meeting, the Board elected Björn Wahlroos as Chairman and Eira Palin-Lehtinen as Vice-chairperson. Veli-Matti Mattila, Risto Murto, Eira Palin-Lehtinen and Björn Wahlroos (Chairman) were elected to the Nomination and Compensation Committee and Jannica Fagerholm (Chairperson), Christian Clausen, Adine Grate Axén and Per Arthur Sørlie to the Audit Committee. The compositions of the Committees fulfill the Finnish Corporate Governance Code's requirement for independence.

The Annual General Meeting decided to pay the following fees to the members of the Board of Directors until the close of the 2017 Annual General Meeting: the Chairman of the Board will be paid an annual fee of EUR 160,000, the Vice Chairman of the Board will be paid EUR 100,000 and the other members of the Board of Directors will be paid EUR 80,000 each. 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. Tomi Englund, APA, was elected as the principally responsible auditor.

There were 3,226 shareholders represented at the meeting holding altogether 366,334,768 shares and 371,134,768 votes in the company.

The minutes of the Annual General Meeting are available for viewing at www.sampo.com.

Corporate Responsibility

In 2016 Sampo continued to develop the Group-level non-financial reporting. The three main focus areas were to develop the corporate responsibility organization within the Group, to outline the content of the actual Corporate Responsibility Report and to identify the most relevant corporate responsibility themes for Sampo.

During the year, Sampo carried out a stakeholder survey and worked on a materiality analysis based on the survey. This work helped in identifying, which corporate responsibility topics are important on a Group-level, and which should be chosen as the main priorities. The survey and analysis gave rise to Sampo Group's corporate responsibility themes, which further make up the content draft for the Report.

The five themes are:

- Responsibility in our governance and business operations
- Responsibility with our people
- Responsibility with our customers
- Responsibility in our investments
- Responsibility in our communities

Each of the identified themes needs to be reported and analyzed carefully. Therefore towards the end of the year the focus of the corporate responsibility work started to shift into increasingly technical and detailed matters, such as data gathering, choosing the relevant indicators and updating necessary policies. This work is still ongoing. The main goal for the future is to publish Sampo Group's first Corporate Responsibility Report in 2018.

Most of Sampo Group's corporate responsibility work continues to be on the subsidiary level, since that is where the customers and most of the personnel are. Further details on If P&C's environmental activities can be read from If's Environmental Reports available at www.sampo.com/environmentalreport. More information on Mandatum Life's corporate responsibility activities can be found from the company website english.mandatumlife.fi/csr.

Personnel

The average number of Sampo Group's employees (FTE) in 2016 amounted to 6,780 (6,755). P&C insurance is Sampo Group's largest business area and employed 91 per cent of the personnel. Life insurance had approximately 8 per cent of the work force and the parent company Sampo plc 1 per cent.

In geographical terms Finland had 32 per cent of the personnel, Sweden 27 per cent and Norway 20 per cent. The share of other countries was 21 per cent.

During 2016, the number of staff in P&C insurance remained stable. The number of employees decreased in Finland and Norway and increased in Sweden and Baltic countries. As of 31 December 2016 P&C insurance employed 6,200 persons.

The total number of staff in life insurance increased nearly 3 per cent driven by staff growth in Finland and Estonia. Life insurance operations employed 542 persons at the end of 2016. As of 31 December 2016, the total number of staff in Sampo Group totaled 6,780 persons.

More detailed information on personnel in Sampo Group is available in the Personnel section of the Annual Report 2016.

Remuneration

Remuneration in Sampo Group is based on the Remuneration Principles that apply to all companies within Sampo Group. The Sampo Group Remuneration Principles, established by the Board of Directors, describe the remuneration structure and the principles used in setting up remuneration systems within the general governance framework and according to the Sampo Group Risk Management Principles. The Remuneration Principles are available at www.sampo.com/remuneration.

The core of the Remuneration Principles is that all remuneration systems in Sampo Group shall safeguard the long-term financial stability of the Group and comply with regulatory and ethical standards. They shall also be designed to balance the interests of different stakeholder groups such as shareholders, employees, customers and supervisory authorities. Furthermore, all compensation mechanisms shall be designed in parallel with the Risk Management Principles.

The starting point of any compensation mechanism shall be to encourage and stimulate employees to do their best and surpass their targets. Remuneration packages shall be designed to reward 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. Thus, compensation mechanisms cannot be separated from risk management practices.

To ensure the achievement of the wanted steering effects and to make them risk sensitive, each compensation component, as more specifically defined in company-specific Remuneration Policies, shall be designed in parallel both with the Group's general and each company's own, more specific risk management framework. Thus, the leading idea of Sampo's Remuneration Principles is that all compensation shall be linked to different risks and responsibilities inherent with various business processes.

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

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

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 variable compensation shall be paid out in full, partly or cancelled in whole. In 2016, altogether EUR 10.4 million (10.6) of short-term and long-term incentives has been deferred.

The different forms of remuneration used in Sampo Group are described in more detail at www.sampo.com/remuneration.

In 2016 EUR 37 million (34), including social costs, was paid on the basis of the long-term incentive schemes. EUR 38 million (33), 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 three to five years starting from the issue of the respective scheme. The programs are subject to thresholds on share price development and company profitability, as well as caps for maximum payout. Furthermore, the programs are subject to rules requiring part of the paid incentive reward to be used to acquire Sampo A shares, which must in turn be held for a specified period of time. The result impact of the long-term incentive schemes in force in 2016 was EUR 15 million (33). The terms of the long-term incentive schemes are available at www.sampo.com/incentiveterms.

Sampo Group will also publish a Remuneration Statement in March 2017. The Remuneration Statement has been prepared in accordance with the Corporate Governance Code issued by the Securities Market Association and effective as of 1 January 2016. The Statement will be available at www.sampo.com/remunerationstatement.

Risk Management

The most important objective of risk management in Sampo Group is to maintain a balance between profits, risks and capital in each of the separate business areas.

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

In Sampo Group the risks associated with business activities fall by definition into three main categories: strategic risks associated with external drivers affecting the business environment, reputational risk associated with the company's business practices or associations and risks inherent in business operations.

A more detailed description of Sampo Group's risk management activities, governance, risks and capitalization is available in the Risk Management section of the 2016 Annual Report.

Shares, Share Capital and Shareholders

Shares and Share Capital

As at 31 December 2016, 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 2016 Sampo plc's share capital amounted to EUR 98 million (98) and the equity capital in total to EUR 11,934 million (11,411).

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, 2007–2016

Year	A shares	B shares	Total	Change during year	Reason for change
1 Jan 2007	566,418,145	1,200,000	567,618,145	15,740,245	Option conversion (A share)
				-4,827,500	Cancellation of shares bought back (A share)
1 Jan 2008	577,330,890	1,200,000	578,530,890	-17,158,500	Cancellation of shares bought back (A share)
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	no change	
1 Jan 2015	558,800,000	1,200,000	560,000,000	no change	
1 Jan 2016	558,800,000	1,200,000	560,000,000	no change	
1 Jan 2017	558,800,000	1,200,000	560,000,000	no change	

Shareholders by the Number of Shares Owned
Sampo plc, 31 December 2016

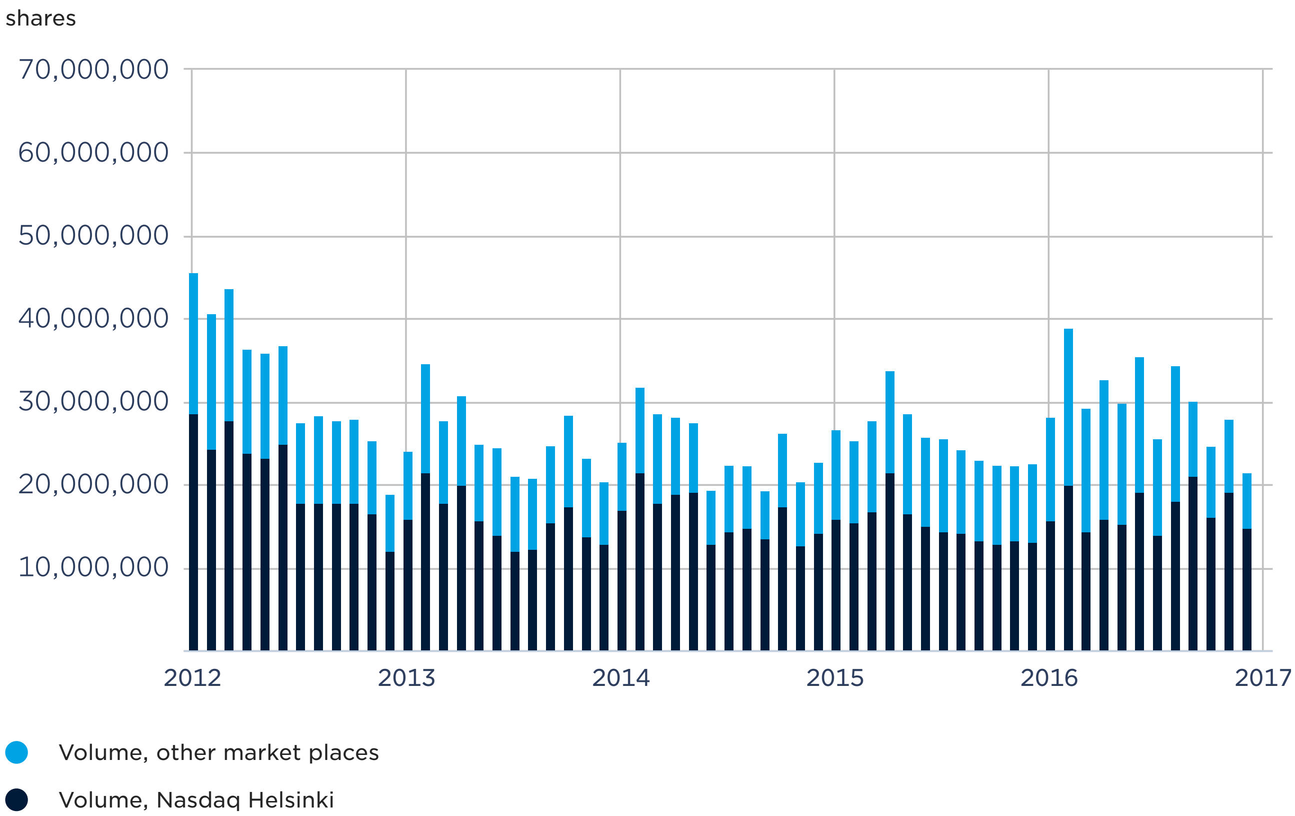
Number of shares	Shareholders, number	Shareholders, %	Shares, number	Shares, %	Voting rights, number	Voting rights, %
1-100	34,269	37.71	1,882,969	0.34	1,882,969	0.33
101-500	37,004	40.72	9,464,395	1.69	9,464,395	1.68
501-1,000	9,455	10.40	7,219,953	1.29	7,219,953	1.28
1,001-5,000	8,382	9.22	17,804,135	3.18	17,804,135	3.15
5,001-10,000	969	1.07	7,007,412	1.25	7,007,412	1.24
10,001-50,000	634	0.70	12,922,357	2.31	12,922,357	2.29
50,001-100,000	68	0.08	4,878,277	0.87	4,878,277	0.86
100,001-500,000	67	0.07	14,788,667	2.64	14,788,667	2.62
500,001-	31	0.03	477,371,975	85.25	482,171,975	85.37
Total	**90,879**	**100.00**	**553,340,140**	**98.81**	**558,140,140**	**98.82**
of which nominee registered	11		330,917,414	59.09	330,917,414	58.59
On waiting list, total	0		0	0.00	0	0.00
On joint account			6,659,860	1.19	6,659,860	1.18
Total number of shares issued			560,000,000	100.00	564,800,000	100.00

Sampo plc adopted a new trading code on 1 September 2016 in Nasdaq Helsinki. The new trading code (stock symbol) is SAMPO. The previous code was SAMAS.

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

Share Price Performance
Sampo plc, 2012–2016

Monthly Trading Volume
Sampo plc, 2012–2016



Shares on the Joint Book-Entry Account

When Sampo plc's shares were incorporated to the book-entry system in September 1997 shareholders were obliged to provide the share certificates and request registration of the shares into their book-entry accounts during the registration period set in the General Meeting's resolution to incorporate the shares into the book-entry system. A joint book-entry account in the name of the Company was opened for those shareholders who did not request the registration of their shares.

According to the Finnish Companies Act the Annual General Meeting may after 1 September 2016 resolve that the shares in the joint book-entry account and the rights that those shares carry have been forfeited. After the General Meeting's resolution the provisions on treasury shares apply to forfeited shares and the Board may, for example, resolve on cancellation of treasury shares.

As this will be the first time the Annual General Meeting has an option to resolve the issue, the Audit Committee initiated a project to look into the procedure and consequences of such a resolution by the Annual General Meeting with a particular view on the equal treatment of all shareholders.

Sampo plc has received two proposals regarding the forfeiture of the rights of the shares in the joint book-entry account from shareholders. First a shareholder has proposed that the Annual General Meeting resolves, within the meaning of Chapter 4, Section 10(2) of the Finnish Companies Act, that the rights to shares in the book-entry system and the rights carried by the shares will be forfeited with regard to the shares in the joint book-entry account. On the basis of the proposal, the company's Board of Directors should cancel the treasury shares to be held by the company as a result of such forfeiture.

In its meeting of 8 February 2017, Sampo plc's Board of Directors has resolved to concur with this proposal. According to Board's proposal this would apply to shares remaining in the joint book-entry account, for which no claim for registration into the book entry system has been made before the General Meeting's decision on 27 April 2017 at 2pm.

Another shareholder of the company has proposed to the General Meeting that if a proposal on the forfeiture of shareholder rights within the meaning of Chapter 4, Section 10(2) of the Finnish Companies Act has been submitted to the General Meeting for resolution, the General Meeting would resolve that said decision could be made at the earliest on 1 February 2020 and provided that the company has actively sought to reach out to all shareholders of the company who have not transferred their holdings into the book-entry system.

Given that future General Meetings are not bound by the resolutions of previous General Meetings, the second proposal is, in practice, a motion to dismiss the first mentioned proposal concerning the forfeiture of the shares in the joint book-entry account.

Proposals have been published in full and are available at www.sampo.com/agm.

Sampo plc has actively pursued to locate the holders of the shares in the joint book-entry account. Sampo has sent on 3 November 2016 a letter to 75,000 private persons, who had been registered as holders in the shareholder register dated 12 September 1997. The letter and widespread media attention following it has led to approximately hundred thousand contacts with potential shareholders.

The measures adopted have been successful. The number of shares in the joint book-entry account has decreased between 1 November 2016 and 6 February 2017 by 472,380 shares and on 6 February 2017 there were 6,436,120 shares in the account corresponding to 1.15 per cent of all shares.

Authorizations Granted to the Board

The Annual General Meeting of 2016 authorized the Board to repurchase a maximum of 50,000,000 Sampo A shares. Shares will be repurchased in other proportion than the shareholders' proportional shareholdings (directed repurchase). The maximum price to be paid will be highest market price quoted during the authorization period. The authorization will be valid until the close of the next Annual General Meeting, nevertheless not more than 18 months after AGM's decision.

Sampo plc made no repurchases during 2016 and has not purchased its own shares after the end of the reporting period.

Shareholders

The number of Sampo plc's shareholders rose to 90,879 (84,102) as at 31 December 2016. Approximately 1.2 (1.2) per cent of shares had not been transferred to the book-entry system. The holdings of nominee-registered and foreign shareholders amounted to 60.95 per cent (60.96) of the shares and 60.43 per cent of the votes (60.45).

Shareholders
Sampo plc, 31 December 2016

A and B shares	Number of shares	% of share capital	% of votes
Solidium Ltd.	66,657,360	11.90	11.80
Varma Mutual Pension Insurance Company	35,548,420	6.35	6.29
Wahlroos Björn	11,765,481	2.10	2.08
State Pension Fund	3,800,000	0.68	0.67
Ilmarinen Mutual Pension Insurance Company	3,760,000	0.67	0.67
Kaleva Mutual Insurance Company *)	3,374,181	0.60	1.45
Schweizerische Nationalbank	2,948,609	0.53	0.52
Folketrygdfondet	2,486,165	0.44	0.44
Mutual Insurance Company Elo	2,130,000	0.38	0.38
The Local Government Pension Institution	1,957,993	0.35	0.35
Svenska Litteratursällskapet i Finland	1,597,200	0.29	0.28
Nordea Allemansfond Alfa	1,348,024	0.24	0.24
Mutual Fund Nordea Finland	1,173,493	0.21	0.21
ODIN Norden c/o ODIN Forvaltning AS	1,027,602	0.18	0.18
Mutual Fund Nordea Norden	913,742	0.16	0.16
OP-Delta Mutual Fund	829,108	0.15	0.15
Juselius Sigrid Foundation	751,400	0.13	0.13
Mutual Fund Nordea Pro Finland	717,657	0.13	0.13
SR Danske Invest Suomi	713,637	0.13	0.13
Oslo Pensjonsforsikring AS	700,000	0.13	0.12
Nominee registered total	330,917,414	59.09	58.59
Other	84,882,514	15.16	15.03
Total	**560,000,000**	**100.00**	**100.00**

*) 2,174,181 A shares and 1,200,000 B shares

Shareholders by Sector

Sampo plc (A and B shares), 31 December 2016

Sector	Number of shares	%
Corporations	76,714,952	13.70
Financial institutions and insurance corporations	13,865,616	2.48
Public institutions	49,240,607	8.79
Non-profit institutions	11,328,297	2.02
Households	60,892,923	10.87
Foreign ownership and nominee registered	341,297,745	60.95
On joint account	6,659,860	1.19
Total	**560,000,000**	**100.00**

During 2016 Sampo plc received altogether 25 notifications of change in holding pursuant to Chapter 9, Section 5 of the Securities Markets Act, of which 23 related to the total number of Sampo A shares or related voting rights owned by BlackRock, Inc. (tax ID 32-0174421) and its funds directly or through financial instruments. The notified changes are illustrated in the table below.

Notifications by BlackRock, Inc. in 2016

	% of shares and voting rights		% of shares and voting rights through financial instruments		Total	
Date of the change	**Shares**	**Voting rights**	**Shares**	**Voting rights**	**Shares**	**Voting rights**
25 January 2016	5.02%	<5%	0.03%	<5%	5.04%	<5%
26 January 2016	-	-	-	-	<5%	<5%
29 January 2016	5.00%	<5%	0.02%	<5%	5.02%	<5%
1 February 2016	-	-	-	-	<5%	<5%
3 February 2016	5.01%	<5%	0.02%	<5%	5.03%	<5%
4 February 2016	-	-	-	-	<5%	<5%
4 April 2016	4.96%	<5%	0.05%	<5%	5.01%	<5%
5 April 2016	5.01%	4.97%	0.03%	0.03%	5.05%	5.00%
6 April 2016	5.08%	5.04%	0.01%	0.01%	5.09%	5.05%
22 April 2016	4.94%	4.90%	0.24%	0.24%	5.19%	5.14%
25 April 2016	5.01%	4.97%	0.17%	0.16%	5.18%	5.14%
26 April 2016	5.24%	5.19%	0.14%	0.14%	5.38%	5.33%
8 July 2016	5.04%	4.995%	0.06%	0.06%	5.10%	5.05%
12 July 2016	4.98%	4.94%	0.11%	0.11%	5.09%	5.05%
22 July 2016	5.02%	4.98%	0.04%	0.04%	5.06%	5.02%
25 July 2016	4.96%	4.92%	0.04%	0.04%	5.00%	4.96%
26 July 2016	5.05%	5.00%	0.04%	0.04%	5.09%	5.04%
28 July 2016	5.01%	4.97%	0.04%	0.04%	5.05%	5.01%
8 August 2016	5.07%	5.03%	0.04%	0.04%	5.11%	5.06%
10 August 2016	5.02%	4.98%	0.05%	0.05%	5.06%	5.02%
17 August 2016	4.96%	4.92%	0.12%	0.12%	5.08%	5.04%
30 August 2016	4.88%	4.84%	0.14%	0.14%	5.03%	4.99%
31 August 2016	<5%	<5%	<5%	<5%	<5%	<5%

In addition Sampo plc received during 2016 two notifications regarding the total number of Sampo A shares and related voting rights owned by Capital Income Builder (CIB), a 100 per cent owned subsidiary of the Capital Group Companies, Inc., directly or through financial instruments.

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

Holdings of the Board and Executive Management

The following table presents the Board's and Group Executive Committee's holdings of Sampo A shares.

At the end of 2016, members of Sampo plc's Board of Directors and their close family members owned either directly or indirectly 11,887,408 (11,891,850) Sampo A shares. Their combined holdings constituted 2.1 per cent (2.1) of the share capital and related votes.

Members of the Group Executive Committee and their close family members owned either directly or indirectly 842,105 (771,156) Sampo A shares representing 0.2 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 2016 and 31 December 2015

Board of Directors	31 Dec 2016	31 Dec 2015
Wahlroos	11,865,481	11,864,687
Palin-Lehtinen	5,075	4,490
Brunila *)	-	8,848
Clausen **)	448	-
Fagerholm	2,167	1,682
Grate Axén	4,962	4,317
Mattila	5,155	4,694
Murto	883	422
Sørlie	3,237	2,710
Total	**11,887,408**	**11,891,850**
Board of Directors' ownership of shares, %	2.1	2.1
Board of Directors' share of votes, %	2.1	2.1

Group Executive Committee	31 Dec 2016	31 Dec 2015
Stadigh	274,502	251,795
Alsaker	23,750	16,472
Johansson	51,815	43,757
Lapveteläinen	241,111	231,745
Magnusson	27,401	22,860
Martinsen	43,643	36,652
Niemisvirta	73,524	65,293
Thorsrud	44,160	35,926
Vuorinen	35,361	27,904
Wennerklint	26,838	38,752
Total	**842,105**	**771,156**
Group Executive Committee's ownership of shares, %	0.2	0.1
Group Executive Committee's share of votes, %	0.2	0.1

*) member of the Board until 21 April 2016
**) member of the Board since 21 April 2016

Financial Standing

Internal Dividends

Sampo plc, Sampo Group's parent company, received EUR 1,555 million in dividends from its subsidiaries and associated company Nordea Bank AB during 2016. The following dividend payments were received:

- Mandatum Life; EUR 125 million in March 2016,
- Nordea Bank AB; EUR 551 million in March 2016 and
- If P&C; SEK 5.8 billion (EUR 586 million) in December 2016. In addition If P&C paid an extra SEK 2.8 billion (EUR 293 million) dividend to Sampo plc in September 2016.

On 26 January 2017 Nordea Bank AB's Board of Directors proposed to the Annual General meeting to be held on 16 March 2017, a dividend of EUR 0.65 per share. With its current holding Sampo plc's share amounts to EUR 559 million. The dividend is proposed to be paid on 27 March 2017.

A dividend of EUR 125 million is planned to be paid by Mandatum Life during the first quarter of 2017. If P&C normally pays its dividend towards the end of the calendar year.

Ratings

On 20 April 2016 S&P strengthened If P&C's ratings to A+ with a stable outlook. At the same time S&P initiated Sampo plc's rating with A- and a stable outlook.

On 15 December 2016 Moody's upgraded the insurance financial strength ratings of If P&C to A1 from A2 with stable outlooks. In the same rating action, Moody's has upgraded the senior debt rating of Sampo plc to Baa1 from Baa2. Moody's has also (unsolicited) assigned a Baa2(hyb) rating to the dated subordinated notes issued in November 2016 by If P&C Insurance Holding Ltd.

The table below illustrates all the ratings of Sampo Group companies at the end of December 2016.

	Moody's		Standard & Poor's	
Rated Company	**Rating**	**Outlook**	**Rating**	**Outlook**
Sampo plc	Baa1	Stable	A-	Stable
If P&C Insurance Ltd (Sweden)	A1	Stable	A+	Stable
If P&C Insurance Company Ltd (Finland)	A1	Stable	A+	Stable

Solvency

Sampo Group's business model is based on four separately managed independent business areas each managing their own risks and reserving the sufficient capital to cover these risks.

Sampo plc, the parent company – with no business activities of its own – is structurally subordinate to the business areas. Therefore it is dependent on their financial performance and their obligations. The parent company prefers to maintain in its business areas a balance between profits, risks and capital which supports their ability to pay stable dividends after servicing their own obligations.

In Sampo Group the operating entities do not capitalize each other, but rather the parent company provides the capitalization if needed. For this reason the parent company prefers to have a relatively low leverage and a good capacity to generate liquidity in case the business areas need support

As of 1 January 2016 insurance subgroups If P&C and Mandatum Life have applied Solvency II rules in their regulatory solvency calculations. Both companies report in accordance with standard formula for Solvency II.

For If P&C the standard formula has roughly a EUR 350 million higher capital requirement than the model used for internal purposes. However, If P&C Group has an A rating from S&P which will continue to require significantly more capital and therefore the use of standard formula has no practical implications on If P&C Group's capital position. On 31 December 2016 If P&C Group's Solvency II capital requirement under standard formula amounted to EUR 1,942 million (2,073) and own funds to EUR 3,822 million (3,202). Solvency ratio amounted to 197 per cent (154). S&P A rating requirement for If P&C Group amounted to EUR 2,967 million (3,058) at the end of 2016.

The Swedish Financial Supervisory Authority has in November 2016 approved a partial internal model for calculating the solvency capital requirement for If P&C Insurance Company Ltd (Sweden).

If is investigating the possibility of extending the partial internal model to also cover the Finnish business. This would require the transformation of If's Finnish subsidiary, If P&C Insurance Company Ltd. (Finland), into a branch office of the Swedish company.

The change would be in line with If's business model as the Swedish company already consists of If's Swedish, Norwegian and Danish businesses through a branch structure and further enhances If Group's capital situation and its risk management structure.

On 31 December 2016 Mandatum Life's solvency ratio after transitional measures is strong at 160 per cent (158). Own funds of EUR 1,893 million (1,913) exceed Solvency Capital Requirement (SCR) of EUR 1,182 million (1,212) by EUR 711 million. Without transitional measures, own funds would have amounted to EUR 1,441 and the solvency capital requirement to EUR 1,409 million leading to a solvency ratio of 102 per cent (103).

Sampo Group is regarded as a financial and insurance conglomerate according to 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 firms. The Act was amended as of 1 January 2016 to correspond to Solvency II and Basel III rules.

The starting point for the Group's solvency capital is the consolidated Group equity. The sectoral items are added to it and the intangibles and other deductibles are subtracted from it.

Sampo Group Solvency

EURm	31 Dec 2016	31 Dec 2015
Group capital	11,934	11,411
Goodwill, other intangibles, foreseeable dividends and distributions and deductibles	-3,251	-3,371
Sectoral items	2,254	2,254
Group's own funds, total	10,937	10,294
Minimum requirements for own funds, total	7,088	7,114
Group solvency	3,849	3,179
Group solvency ratio (Own funds % of minimum requirements)	154	145

Group's solvency ratio (own funds in relation to minimum requirements for own funds) using Solvency II rules for the insurance subsidiaries was 154 per cent (145) as at 31 December 2016.

Group solvency is also calculated by Solvency II rules. More information on this method is available at the Risk Management section of the Annual Report 2016. The requirements calculated with the two methods differ very little from one another.

More information on Sampo Group's capital policy is available at the Risk Management section of the Annual Report 2016.

Debt Financing

Sampo plc's debt financing on 31 December 2016 amounted to EUR 3,548 million (2,302) and interest bearing assets to EUR 2,104 million (1,343). Interest bearing assets include bank accounts, EUR 637 million (579) of hybrid capital and subordinated debt instruments issued by the subsidiaries and associates and EUR 28 million of other fixed income instruments (25). On 31 December 2016 the interest bearing net debt amounted to EUR 1,443 million (959).

Gross debt to Sampo plc's equity was 47 per cent (32) and financial leverage 32 per cent (24). Increase in leverage has two explanations. Firstly when purchasing Topdanmark shares, Sampo increased its debt by EUR 400 million. Secondly Sampo refinanced its EUR 500 million bond maturing February 2017 already in November 2016 by issuing a seven-year senior bond of EUR 750 million without simultaneously redeeming maturing 2017 bond. Leverage ratio is expected to normalize below 30 per cent during first quarter of 2017.

On 24 February 2016 Sampo plc repaid EUR 300 million senior notes maturing on that date. In connection to the repayment Sampo plc issued under its EMTN Programme senior unsecured fixed rate notes of EUR 500 maturing on 24 May 2019.

In connection to the mandatory bid on Topdanmark, Sampo plc increased the amount of commercial papers issued from EUR 338 million at the end of the second quarter 2016 to EUR 702 million on 30 September 2016. The amount of commercial papers amounted to EUR 671 million on 31 December 2016 (305).

On 17 November 2016 Sampo plc issued under its EMTN Programme senior unsecured floating rate notes of EUR 750 million maturing on 18 September 2023.

On 24 November 2016 If P&C Insurance Holding Ltd (publ.), the holding company of If P&C Insurance Group, issued a dual tranche tier 2 notes of SEK 2,000 million, of which the floating rate tranche amounted to SEK 1,500 million and the fixed rate tranche to SEK 500 million. The rationale for the issuance was to refinance a hybrid loan of EUR 150 million called in 2015 and to optimize the capital structure. The first call date is 1 December 2021.

As at 31 December 2016 financial liabilities in Sampo plc's balance sheet consisted of issued senior bonds and notes of EUR 2,877 million (1,997) and EUR 671 million (305) of CPs issued. The average interest, net of interest rate swaps, on Sampo plc's debt as of 31 December 2016 was 1.37 per cent (1.45). The increase in the average interest rate is temporary and due to closing of swap positions related to the February 2017 bond.

Outstanding Debt Instruments
Sampo plc, 31 December 2016

Issued Debt Instruments	Coupon	Swap	Effective Rate	Maturity Date
Senior Bond 500 EURm	4.2500%	-	4.2500%	27 February 2017
Senior Bond 2,000 SEKm	Stibor3M + 1.45%	Euribor3M + 1.375%	0.9990%	29 May 2018
Senior Bond 500 EURm	1.1250%	-	1.1640%	24 May 2019
Senior Bond 2,000 SEKm	Stibor3M + 0.77%	Euribor3M + 0.586125%	0.2721%	28 May 2020
Senior Bond 1,000 SEKm	1.2500%	EUR 1.007%	1.0070%	28 May 2020
Senior Bond 500 EURm	1.5000%	-	1.5920%	16 September 2021
Senior Bond 750 EURm	1.0000%	-	1.0060%	18 September 2023
CP's issued 671 EURm	Euribor + Margin		0.2500%	Average 3M
Public debt 3,416 EURm			**1.3756%**	
Private placements 132 EURm			1.3731%	
Total 3,548 EURm			**1.3755%**	

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

To balance the risks on the Group level Sampo plc's debt is mainly tied to short-term interest rates and issued in euro or Swedish krona. Interest rate swaps are used to obtain the desired characteristics for the debt portfolio. These derivatives are valued at fair value in the profit and loss account although economically they are related 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.

Outlook

Outlook for 2017

Sampo Group's business areas are expected to report good operating results for 2017.

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 2017 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 current day-to-day business activities Sampo Group is exposed to various risks and uncertainties mainly through its separately managed major business units. Parent Company Sampo's contribution to risks is minor one.

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

Uncertainties in the form of major unforeseen events may have an immediate impact on the Group's profitability. Identification of unforeseen events is easier than estimation of their probabilities, timing and potential outcomes. Currently there are a number of widely identified macro-economic, political and other sources of uncertainty which can in various ways affect financial services industry negatively. Especially the political risks are at the elevated level at the moment.

Other sources of uncertainty are unforeseen structural changes in the business environment and already identified trends and potential wide-impact events. These external drivers may also have a long-term impact on how business shall be conducted.

Dividend Proposal

According to Sampo plc's dividend policy, total annual dividends paid shall be at least 50 per cent of the 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 7,423,628,273.90 of which profit for the financial year was EUR 1,565,149,328.44.

The Board proposes to the Annual General Meeting a dividend of EUR 2.30 per share to company's 560,000,000 shares. The dividends to be paid are EUR 1,288,000,000.00 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 2 May 2017. The Board proposes that the dividend be paid on 9 May 2017.

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		2016	2015	2014	2013	2012
Profit before taxes	EURm	1,871	1,888	1,759	1,668	1,622
Return on equity (at fair values)	%	15.0	14.0	10.9	13.8	19.9
Return on assets (at fair values)	%	7.3	7.2	5.6	7.0	9.3
Equity/assets ratio	%	31.5	32.1	31.5	32.7	31.3
Group solvency [1]	EURm	3,849	3,179	4,282	3,934	3,379
Group solvency ratio [1]	%	154.3	145.0	187.4	184.4	170.9
Average number of staff		6,780	6,755	6,739	6,832	6,823

P&C insurance						
Premiums written before reinsurers' share	EURm	4,458	4,559	4,634	4,768	4,698
Premiums earned	EURm	4,286	4,344	4,457	4,505	4,363
Profit before taxes	EURm	883	960	931	929	864
Return on equity (at fair values)	%	25.3	21.5	18.1	24.4	36.9
Risk ratio [2]	%	62.3	66.6	65.1	65.4	65.9
Cost ratio [2]	%	22.1	18.8	22.5	22.8	23.0
Loss ratio excl. unwinding of discount [2]	%	67.8	72.4	70.9	71.4	72.0
Expense ratio [2]	%	16.6	13.0	16.7	16.8	16.9
Combined ratio excl. unwinding of discount	%	84.4	85.4	87.7	88.1	88.9
Average number of staff		6,180	6,176	6,173	6,238	6,225

Life insurance						
Premiums written before reinsurers' share	EURm	1,122	1,149	1,110	1,068	983
Profit before taxes	EURm	210	181	163	153	136
Return on equity (at fair values)	%	15.9	12.7	11.4	18.3	28.5
Expense ratio	%	100.5	100.0	104.1	106.6	113.9
Average number of staff		543	522	509	541	545

Holding						
Profit before taxes	EURm	778	749	669	589	623
Average number of staff		57	57	57	53	53

Per share key figures		2016	2015	2014	2013	2012
Earnings per share	EUR	2.95	2.96	2.75	2.59	2.51
Earnings per share, incl. items in other comprehensive income	EUR	3.14	2.79	2.11	2.54	3.37
Capital and reserves per share	EUR	21.31	20.38	19.51	19.01	17.89
Net asset value per share	EUR	24.86	23.79	22.63	22.15	17.38
Dividend per share [3])	EUR	2.30	2.15	1.95	1.65	1.35
Dividend per earnings	%	78.0	72.6	70.9	63.7	53.8
Effective dividend yield	%	5.4	4.6	5.0	4.6	5.5
Price/earnings ratio		14.4	15.9	14.1	13.8	9.7
Adjusted number of shares at 31 Dec.	1.000	560,000	560,000	560,000	560,000	560,000
Average adjusted number of shares	1.000	560,000	560,000	560,000	560,000	560,000
Weighted average number of shares, incl. dilutive potential shares	1.000	560,000	560,000	560,000	560,000	560,000
Market capitalisation	EURm	23,850	26,320	21,739	20,003	13,630

A shares						
Adjusted number of shares at 31 Dec.	1.000	558,800	558,800	558,800	558,800	558,800
Average adjusted number of shares	1.000	558,800	558,800	558,800	558,800	558,800
Weighted average number of shares, incl. dilutive potential shares	1.000	558,800	558,800	558,800	558,800	558,800
Weighted average share price	EUR	40.35	44.34	36.88	31.05	21.43
Adjusted share price, high	EUR	46.56	49.40	39.98	35.92	25.04
Adjusted share price, low	EUR	34.42	37.72	33.71	25.04	17.91
Adjusted closing price	EUR	42.59	47.00	38.82	35.72	24.34
Share trading volume during the financial year	1.000	203,996	182,762	194,492	188,402	252,821
Relative share trading volume	%	36.5	32.7	34.8	33.7	45.2

B shares						
Adjusted number of shares at 31 Dec.	1.000	1,200	1,200	1,200	1,200	1,200
Average adjusted number of shares	1.000	1,200	1,200	1,200	1,200	1,200

[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 is 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 2016.

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), %

$$\frac{+\ \text{total comprehensive income} \\ \pm\ \text{change in valuation differences on investments less deferred tax}}{+\ \text{total equity (average of values on 1 Jan. and 31 Dec.)} \\ \pm\ \text{valuation differences on investments less deferred tax (average of values on 1 Jan. and 31 Dec.)}} \times 100\%$$

Return on assets (at fair values), %

+ operating profit
± other comprehensive income before taxes
+ interest and other financial expenses
+ calculated interest on technical providers
± change in valuation differences on investments

―――――――――――――――――――――――――― x 100%

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

Equity/assets ratio (at fair values), %

+ total equity
± valuation differences on investments less deferred tax

―――――――――――――――――――――――――― x 100%

+ balance sheet total
± valuation differences on investments

Group solvency

+ group equity
+ sectoral items
- intangibles and foreseeable dividends and distributions

――――――――――――――――――――――――――

group's own funds
- minimum requirements for own funds, total

Group solvency ratio, %

group's own funds

―――――――――――――――――――――――――― x 100%

minimum requirements for own funds

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, %

+ claims incurred
- claims settlement expenses

―――――――――――――――――――――――――― x 100%

premiums earned

Cost ratio, %

+ operating expenses
+ claims settlement expenses

―――――――――――――――――――――――――― x 100%

premiums earned

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

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

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

Per Share Key Figures

Earnings per share

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

Earnings per share, incl. change in fair value reserve

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

Equity per share

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

Net asset value per share

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

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, %

$$\frac{\text{dividend per share}}{\text{adjusted number of shares at balance sheet date}} \times 100\%$$

Price/earnings ratio

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

Market capitalisation

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

Relative share trading volume, %

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

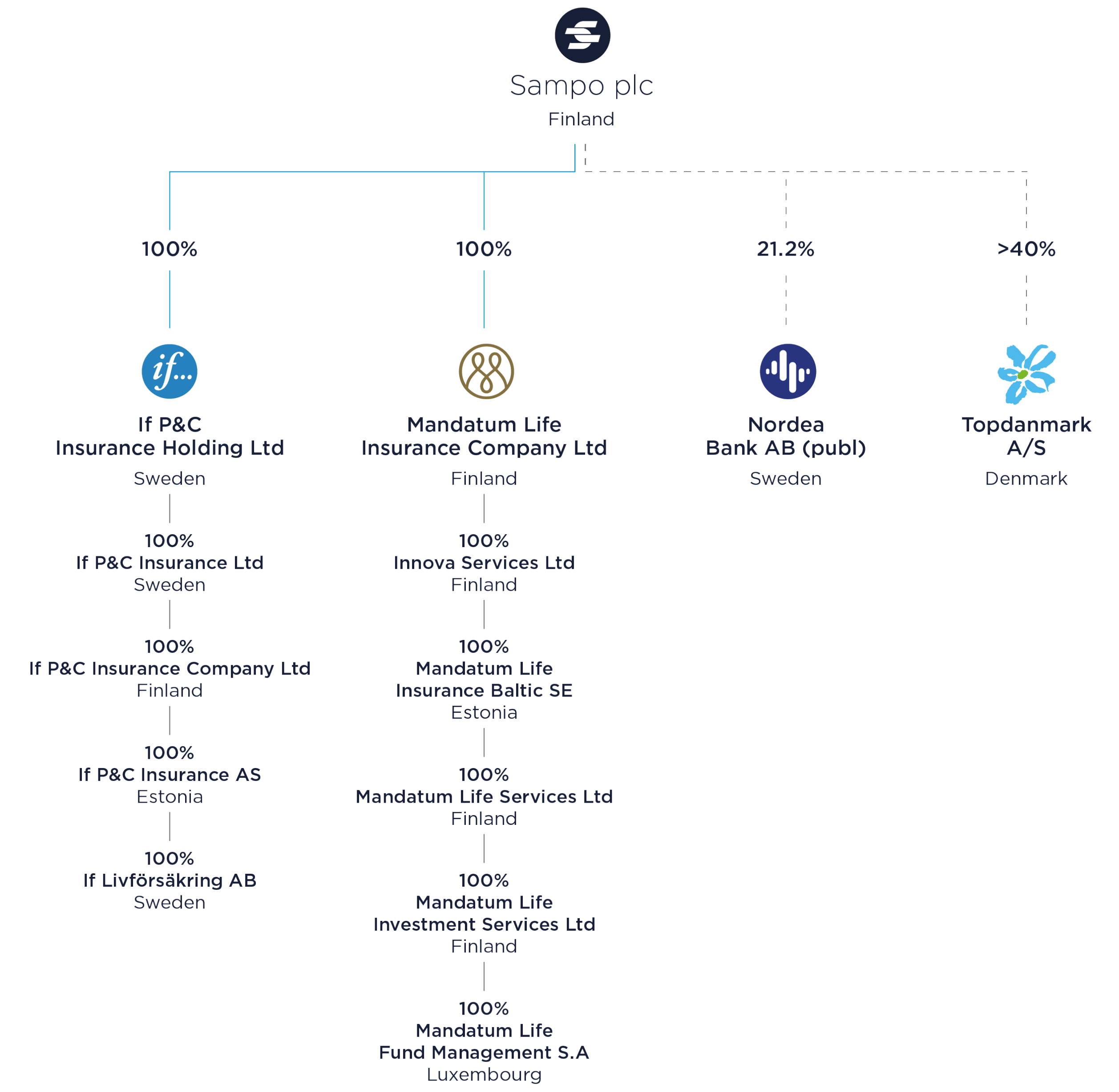
Risk Management

Sampo Group's Structure and Business Model

Sampo Group ("Group") is engaged in non-life insurance, life insurance and banking.

Non-life insurance and life insurance activities are conducted by the subsidiaries If P&C Insurance Holding Ltd (publ) ("If P&C") and Mandatum Life Insurance Company Ltd ("Mandatum Life") which are wholly owned by the Group's parent company, Sampo plc ("parent company" or "Sampo"), which is a listed holding company and has no insurance or banking activities of its own. Sampo also has a 41.7 percent holding in a Danish insurance company Topdanmark A/S ("Topdanmark"). In addition to the insurance subsidiaries and the associated company, as at 31 December 2016 the Group's parent company held an equity stake of 21.2 per cent in Nordea Bank AB (publ) ("Nordea") through which Sampo Group is engaged in banking business. The legal structure of Sampo Group is shown below.

Sampo Group Legal Structure



The legal sub-groups Mandatum Life and If P&C Insurance Holding Ltd (publ) and the associated companies Nordea and Topdanmark conduct their businesses independently from each other. The independent sub-groups have their own infrastructures and management as well as operative processes in place. In instances where the subsidiaries and associated companies cooperate in some business areas, cooperation is conducted similarly as with any third-party.

Being associated companies, Nordea and Topdanmark are not controlled by Sampo and their risk management is not covered in Sampo Group's Annual Report. The associated companies do however have a material effect on the Group's profits, risks and capital needs. Hence, Nordea and Topdanmark are carefully analysed by Sampo as separate businesses and as components of Sampo's portfolio of Nordic financial companies.

Sampo Group's legal structure and business model are both straightforward and simple. In addition there are only a limited amount of intragroup exposures, of which the most material are as follows: (i) Sampo's holdings of hybrid loans of If P&C and Mandatum Life (ii) internal dividends and (iii) service charges. Service charges are related to intragroup outsourcing agreements. If P&C and Mandatum have outsourced part of their investment management processes to Sampo. Sampo has outsourced its IT platform services to If P&C and its financial accounting to Mandatum Life.

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

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

Underwriting activities are arranged intentionally in such a way that there is virtually no overlap between the subsidiaries' underwriting risks except with regards to Finnish longevity risk and hence only limited group-wide coordination is needed in relation to underwriting activities and their respective risks. Subsidiaries also take care of operative actuarial activities; Sampo does not have its own actuarial function.

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

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

Sampo as a holding company manages its group and associated companies independently of each other. The major management tools include the work of the companies' Boards of Directors and the guidance given to subsidiaries in terms of group-wide principles, targets and capitalization.

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

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

Sampo has a diversified shareholder base and the major shareholders have owned their holdings for many years. Sampo Group's main supervisor is the Finnish Financial Supervisory Authority. Due to Sampo Group's activities in Nordics and Baltics other Nordic supervisors have supervisory responsibilities as well. Sampo Group's auditor is EY.

Sampo Group's Risks and Core Risk Management Activities

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

Group's Risks

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

External Drivers and Strategic Risks

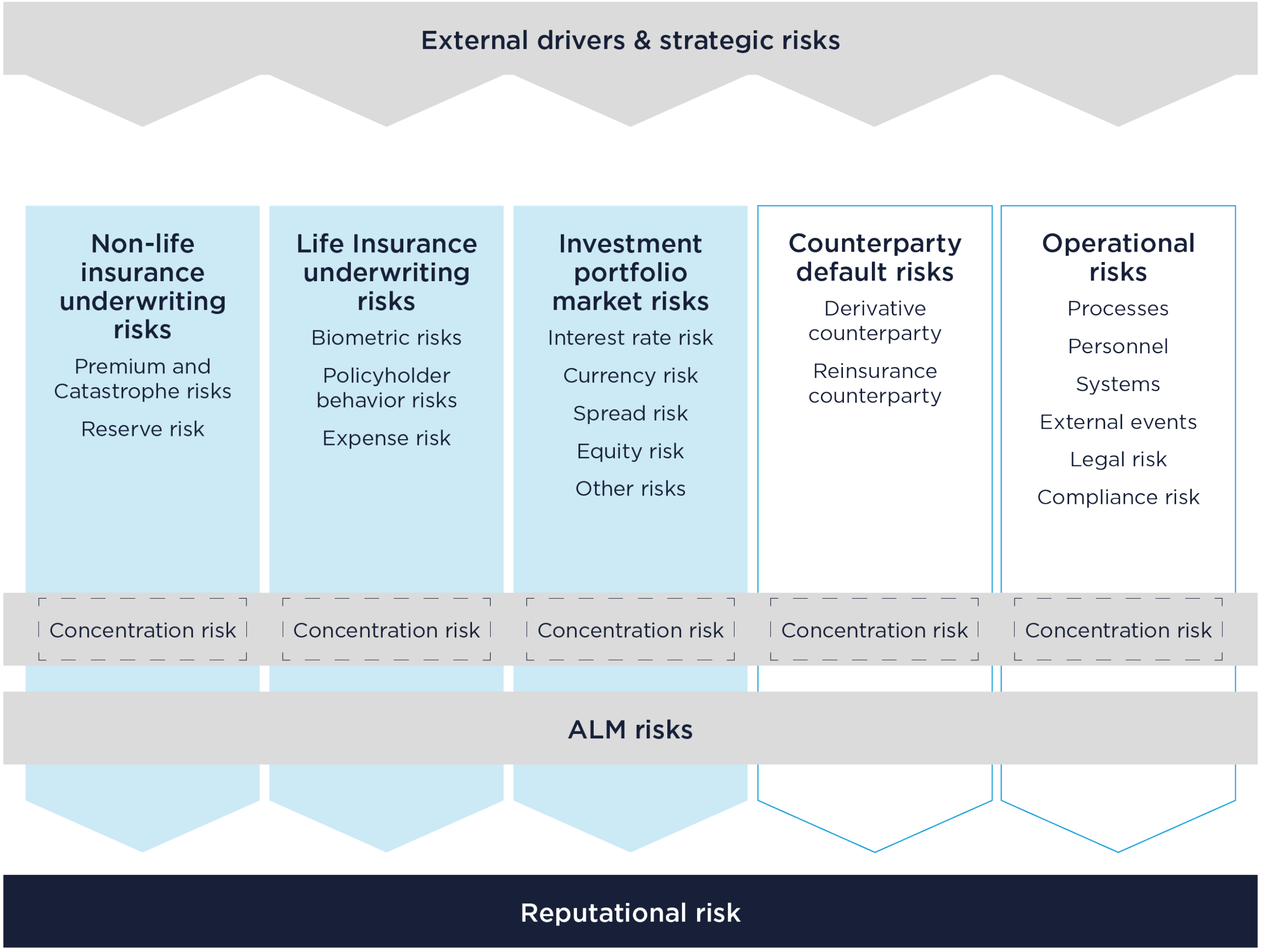
Strategic risk is the risk of losses due to changes in the competitive environment or lack of internal operational flexibility. Unexpected changes in the general business environment can cause larger than expected fluctuations in the financial results and in the long run these can endanger the existence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

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

Reputational Risk

Reputational risk refers to the risk that adverse publicity regarding the company's business practices or associations, whether accurate or not, causes a loss of confidence in the integrity of the institution. Reputational risk is often a consequence of a materialized operational or compliance risk and often manifests as a deterioration of reputation amongst customers and other stakeholders. Reputational risk is related to all activities shown in the figure Classification of Risks in Sampo Group. As the roots of reputational risk are varied, the tools to prevent it must be diverse and embedded within the corporate culture. The corporate culture, which is based on the core values of ethicality, loyalty, openness and entrepreneurship, is thus seen as an essential tool in preventing reputational risk in Sampo Group. These core values are reflected in Sampo Group's Corporate Governance system and in how Sampo deals with core stakeholders (i.e. customers, personnel, investors, other co-operation partners, tax authorities and supervisory authorities) and other parties, who may have an interest in Sampo's business.

Classification of Risks in Sampo Group



Risks Inherent in Business Operations

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

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

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

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

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

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

Concentration risk may also materialize indirectly when profitability and capital position react similarly to general economic developments or to structural changes in the institutional environment in different areas of business. This kind of indirect concentration risk can be seen as part of strategic risk.

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

Core Risk Management Activities

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

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

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

Appropriate selection and pricing of underwriting risks

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

Effective management of underwriting exposures

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

Careful selection and execution of investment transactions

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

Effective mitigation of consequential risks

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

Effective management of investment portfolios and the balance sheet

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

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

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

Profitability, Risks and Capital

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

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

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

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

- Independent business areas generate a stable and growing stream of profits and have adequate solvency to ensure the continuity of normal business activities.
- The portfolio of separate business areas is stable. From the Group's perspective, a weak correlation of business areas' profits increasing the benefits of diversification on a portfolio level is preferred.
- The Group's parent company is able to provide liquidity for the strategic arrangements and capital injections, if needed. Hence, the parent company prefers to have a relatively low leverage and adequate liquidity buffers to ensure its ability to generate liquidity.

Over the years Sampo Group has disclosed its financial information by segments and relevant risk and solvency reporting by insurance sub-groups. Associated companies have disclosed their respective reports independently. Sampo Group has disclosed its group solvency (FICO solvency) according to the Act on the Supervision of Financial and Insurance Conglomerates (699/2004), i.e. conglomerate rules.

Since Solvency II ("SII") entered into force on 1 January 2016, group solvency calculated by Solvency II rules must be disclosed as well. Differences between these methods will be described later in the chapter Capitalization at Group Level. In Solvency II Sampo plc is defined as the ultimate parent of the Solvency II group and thus the operative insurance companies each report separate figures to their local supervisors while If P&C group Solvency II figures are not required to be disclosed separately, but as part of Sampo Group SII figures.

However, in this Risk Management Disclosure, If P&C's and Mandatum Life's risk figures are disclosed first, as they are managed separately within Sampo Group. After these sub-group level figures, the figures on conglomerate solvency reporting at Sampo Group Level are disclosed. Because conglomerate reporting does not take into account any diversification benefit between the business areas the risk management disclosure also includes Sampo Group's internal analysis of diversifications between business areas, as well as an analysis of the leverage and liquidity of the parent company.

In addition to the disclosures described above, which are in line with management structure of the Group, Sampo Group's solvency based on Solvency II rules is disclosed as well.

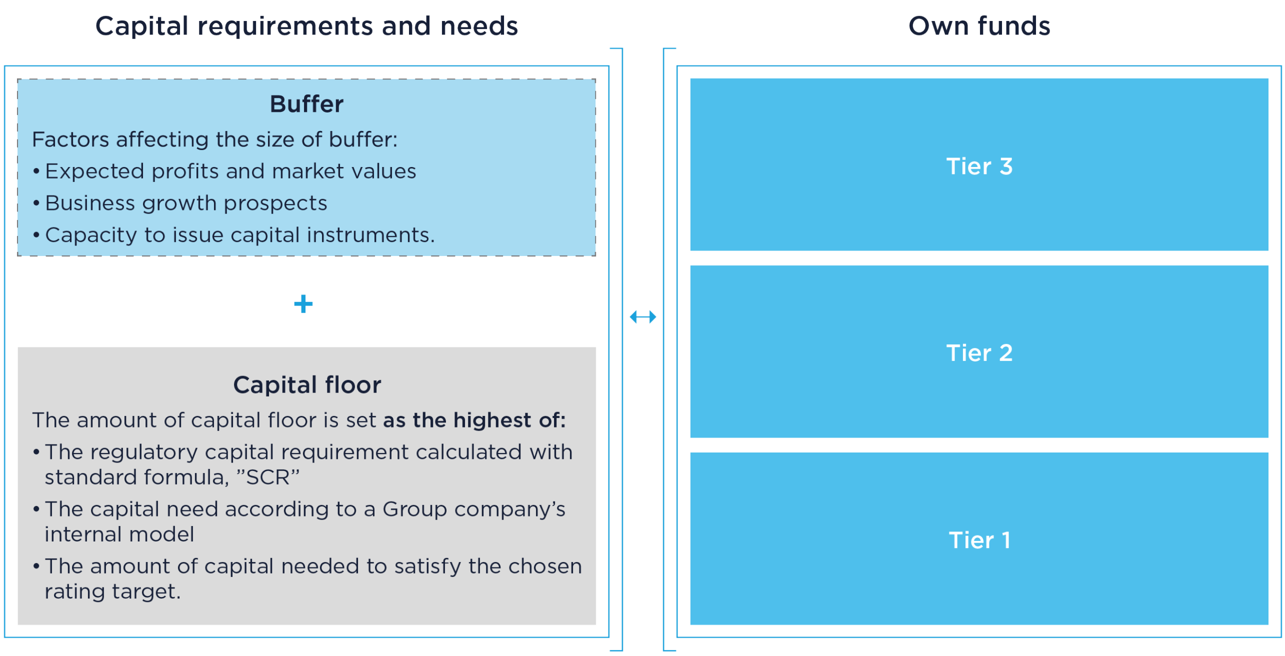
Capitalization at the Sub-Group Level

As noted earlier, in Sampo Group the first priority is to maintain **a balance between profits, risks and capital** in each of the separate business areas.

Before disclosing regulatory solvency figures, Sampo Group's principles of capital management is discussed at conceptual level. In a nutshell a balance between profits, risks and capital means that the actual amount of capital – or Own Funds ("OF") in Solvency II terminology - is maintained over risk based capital need with a certain buffer; the size of this buffer is dependent on many things but mainly on expected profitability.

The figure Sampo Group Companies' Capitalization Framework illustrates Sampo's approach to sub-group and company-level capitalization.

Sampo Group Companies' Capitalization Framework



The Solvency Capital Requirement ("SCR") sets the minimum level of capital at which a company is able to conduct its business without regulatory intervention. Regardless of whether the regulatory capital requirement is calculated using the internal model or the standard formula ("SF"), it reflects a 99.5 per cent confidence level, i.e. the same probability of default as a Triple-B rating from major rating agencies. If the company's clients and counterparties prefer a higher than Triple-B creditworthiness from their insurance company, the level of capital must always be higher than the SCR, to ensure the company's ability to serve its client base.

To serve its current clients, If P&C is maintaining a Single-A rating which effectively implies that If P&C's capital floor – the level to which it compares its actual capital – is higher than the SCR. Mandatum Life considers the SCR to be an adequate capital floor.

There is a need to have a certain **buffer** between the actual amount of capital and the capital floor defined by the company, because risk exposures and profits evolve continuously over time and capital can sometimes erode rapidly due to stressed situations. An adequate buffer gives time for the company to adjust its risks and capital in times of stress and to maintain the balance between risks and capital. An adequate buffer also gives confidence to supervisors and counterparties (this being the other motivation for the buffer).

In Sampo Group the management steers the balance between SCRs/rating agency capital target and OF through their decisions on risk profiles, dividend payments, capital instrument issuances and technical provisions. In the long run a sound profitability and satisfied clients are the most important factors in maintaining an adequate capitalization.

The following factors are the most material when the size of buffer is considered in Sampo Group companies:

- The higher **the level of expected profits** and the lower **the volatility of profits and market value of balance sheet**, the less is the volatility of own funds and thus the smaller is the buffer.

- If **business is growing**, the buffer is larger than in the case of a run-off -business. For instance in Mandatum Life, capital consuming with profit business has already been in a virtual run-off mode for years.

- More ability and **capacity to issue SII compliant capital instruments** means that a lower buffer is needed.

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

i. The business activities can be conducted without supervisory intervention.

ii. The business activities can be conducted with all targeted client bases and the company has access to financial and debt issuance markets at terms and conditions implied by the company's creditworthiness.

iii. The targeted dividends can be paid to shareholders in the long run without endangering the balance between risk and capital.

On a sub-group and company level, a target can also be set for the **capital structure**. In general, Sampo Group is in favor of strong capital structures and as a result Sampo Group companies currently have, according to SII rules, room for new hybrid capital and subordinated debt instruments in their balance sheets.

Solvency as of 31 December 2016:

If P&C calculates its capital need by several measures.

- The Swedish company If P&C Insurance Ltd (publ), covering the business in Sweden, Norway and Denmark, is using a Partial Internal Model approved by Swedish supervisors for its solo SCR calculations. In its Partial Internal Model an internal model is used for underwriting risk while the standard formula is used for other risks. The other insurance companies within If P&C are using the SF for their solo calculations.
- The economic capital, based on the internal model for insurance and market risks, covers If P&C as a group. Economic capital is used to estimate the capital need to cover separate risks and is an internal basis for capital allocation.
- For If P&C the SCR, corresponding to what would be the regulatory requirement if Solvency II group rules were enforced at the level of the If P&C, and respective OF using the SF, are calculated. The SF results are also inputs to Sampo Group Solvency figures and hence are disclosed later in this report. If P&C applies the full Solvency II standard formula with transitional equity measures for its SCR calculation, but does not apply any undertaking-specific parameters in the underwriting risk modules or apply simplified calculations for any of the risk modules of the standard formula.
- The main differences between the SF SCR and the internal model capital need are related to underwriting risk and market risk. In regards to underwriting risk the standard formula does not take into account the geographical diversification between countries and hence its estimate of underwriting risk capital requirement is higher than the internal estimation. On the other hand, If P&C's internal estimate of market risk is currently higher than the respective figure in the standard formula.

In If P&C, own funds at the end of 2016 were EUR 3,822 million (3,202) while the SF SCR applying transitional measures on equity holdings was EUR 1,942 million (2,073). Hence, the solvency ratio was 197 per cent (154) and the buffer was EUR 1,880 million (1,129).

In the figure If P&C's Solvency, 31 December 2016, SCR is divided into risk contributions. The diversification benefit between risks is also presented in the figure.

If P&C's Solvency
31 December 2016

* Loss absorbing capacity of deferred taxes

Because capital need based on rating agency criteria – Total Target Capital ("TTC") for Single-A – is higher than capital need based on SCR, If P&C's internally set capital floor is based on TTC being EUR 2,967 million (3,058) as of 31.12.2016. Therefore the buffer between OF and the SCR as well as the regulatory solvency ratio (=OF/SCR) are adequate.

If P&C's structure of OF as presented in table If P&C's Own Funds, 31 December 2016 is strong. Tier 1 items are covering 83 per cent of OF and the role of Tier 3 items is immaterial. Norwegian Natural Perils Fund ("NNPF") is a material part of Tier 2 untaxed reserves covering 33 per cent. Over the latest years If P&C has paid over 80 per cent of its net profit as dividends to Sampo plc. As a result the retained earnings – part of the reconciliation reserve – have consistently been a source of Tier 1 growth.

If P&C's Own Funds
31 December 2016

If P&C		EURm
Tier 1	**Total**	**3,172**
	Ordinary share capital	285
	Reconciliation reserve	2,794
	Subordinated liabilities	93
Tier 2	**Total**	**649**
	Subordinated liabilities	327
	Untaxed reserves	322
Tier 3	**Total**	**1**
	Deferred tax assets	1
Eligible own funds, consolidation method		**3,822**

EUR 420 million (200) i.e. 11.0 per cent (6.2) of OF consisted of subordinated debt at the end of 2016. In December 2016 the parent company of If P&C – If P&C Holding Ltd (publ) – issued two SEK denominated, Solvency II Compliant Tier 2 instruments. In both instruments the final maturity is 30 years and first call date is in 5 years. If P&C still has capacity to issue Tier 1 and Tier 2 instruments. As of 31.12.2016 Sampo plc holds If P&C subordinated liabilities with a nominal value of EUR 189 million according to IFRS, as presented in the table Solvency II Compliant Subordinated Liabilities of If P&C, 31 December 2016.

Solvency II Compliant Subordinated Liabilities of If P&C
31 December 2016

Issuer	Instrument	Nominal amount	Carrying amount in EUR	First Call	Tiering	In Sampo's portfolio
If P&C Insurance Company Ltd (Finland)	PerpNC5.5	EUR 90,000,000	89,866,278	11/26/2018	Tier 1	90,000,000
If P&C Insurance Ltd (publ) (Sweden)	30NC10	EUR 110,000,000	109,378,306	12/8/2021	Tier 2	98,935,000
If P&C Insurance Holding Ltd (Sweden)	30NC5	SEK 500,000,000	51,971,495	12/1/2021	Tier 2	0
If P&C Insurance Holding Ltd (Sweden)	30NC5	SEK 1,500,000,000	155,917,824	12/1/2021	Tier 2	0
			407,133,903			

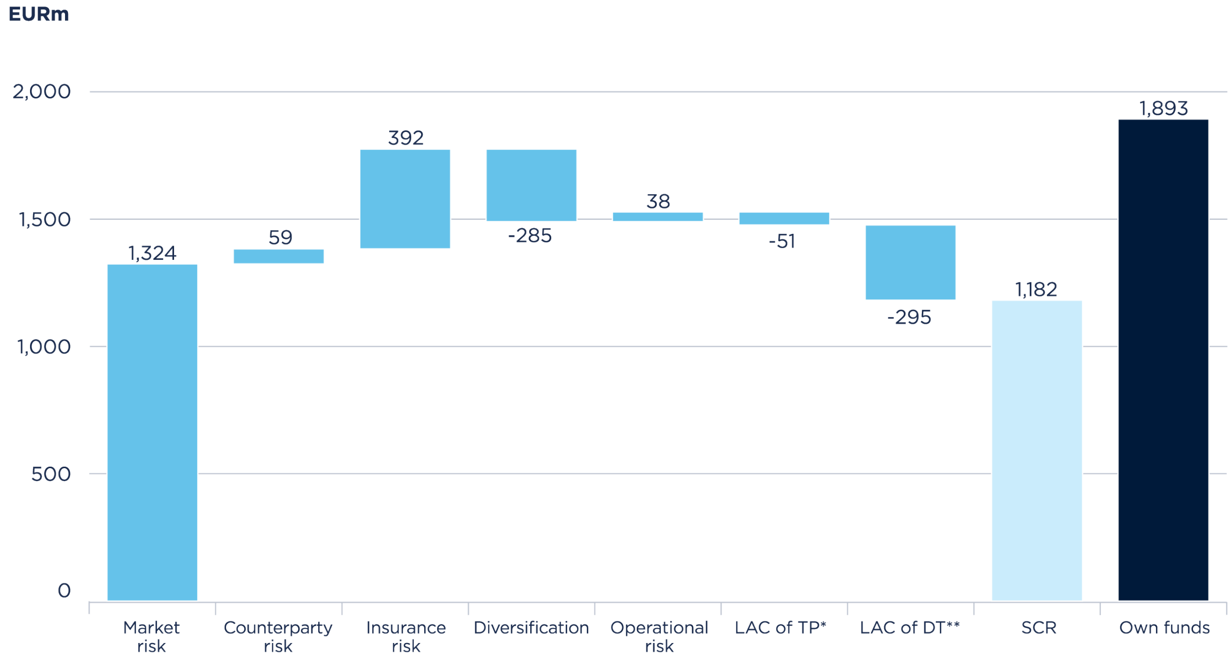
As a summary, the solvency of If P&C is adequate and the capital structure is strong. High and stable profitability and capacity to issue subordinated debt if needed puts If P&C in a strong position to generate capital and to maintain a capital level needed for operations in the future as well.

Mandatum Life applies the Solvency II standard formula with transitional measures on equity to the calculation of SCR. OF is also affected by transitional measures, because Mandatum Life applies transitional measures on its technical provisions in regards to its original pension policies with 3.5 per cent and 4.5 per cent guarantees. Also, a volatility adjustment is applied when technical provisions are calculated. The size of SII liabilities with transitional measures of EUR 10,644 million is less than the respective figure without transitional measures (EUR 11,208 million). Hence the transitional measures increase the amount of OF. Mandatum Life does not apply any undertaking-specific parameters in the underwriting risk modules or apply simplified calculations for any of the risk modules of the standard formula.

The SII OF of Mandatum Life was EUR 1,893 million while the SCR was EUR 1,182 million. The solvency ratio (OF/SCR) was 160 per cent and the buffer was EUR 711 million. OF without transitional measures on technical provisions would be EUR 1,441 million, and the SCR without transitional measures on equity risk would be EUR 1,409 million.

In the figure Mandatum Life's Solvency, 31 December 2016 SCR is divided into risk contributions. The diversification benefit between risks is also presented in the figure.

Mandatum Life's Solvency
31 December 2016



* Loss absorbing capacity of technical provisions
** Loss absorbing capacity of deferred taxes

The solvency position without the transitional measures is expected to develop favorably during the transitional period. The amount of with profit liabilities is decreasing (see figure Forecast of With Profit Liabilities, 31 December 2016–31 December 2031 within chapter Underwriting Risks) and liabilities with the highest guarantees are expected to fall most, from EUR 2,861 million to around EUR 1,000 million during the transitional period. Hence, the most capital consuming with profit liabilities will decrease during the period and their duration will shorten as well. This creates a decreasing trend to the SCR and simultaneously a positive trend to own funds without transitional measures. Internally Mandatum Life is forecasting solvency ratios with and without the transitional measures; both forecasts affect the company's business decisions.

Mandatum Life's structure of OF as presented in the table Mandatum Life's Own Funds, 31 December 2016 is good. In regards to the capital structure, EUR 100 million (i.e. 5.3 per cent of OF) consisted of subordinated debt at the end of 2016. This subordinated debt is classified as a restricted Tier 1 item due to Grandfathering principles. Transitional measures on technical provisions contribute EUR 451.7 million to OF at the end of 2016.

Mandatum Life's Own Funds
31 December 2016

Mandatum Life		EURm
Tier 1	**Total**	**1,893**
	Ordinary share capital	181
	Reconciliation reserve	1,613
	Subordinated liabilities	100
Tier 2	**Total**	**0**
	Subordinated liabilities	0
	Untaxed reserves	0
Tier 3	**Total**	**0**
	Deferred tax assets	0
Eligible own funds		**1,893**

In summary, the solvency and the capital structure of Mandatum Life with transitional measures are adequate. During the transitional period on technical provisions the liabilities with high guarantees will decrease remarkably which will also support future capital level needs.

In regards to **Nordea**, the Swedish requirements for banks' capital include components which are country-specific and thus the total requirement is higher than in many other countries. The Swedish FSA has communicated the capital requirement for Nordea. Nordea's capital policy aims to maintain a management buffer of 50–150 basis points above the capital requirement. By the end of third quarter 2016, the communicated Common Equity Tier 1 ("CET1") ratio requirement for Nordea was 17.3 per cent.

The CET1 ratio of Nordea increased to 18.4 per cent (16.5) in 2016. The CET1 capital amounted to EUR 24.5 billion and its own funds were EUR 32.9 billion. Nordea's capital requirement based on the transitional rules was EUR 17.3 billion; without the transitional rules it was EUR 10.7 billion. Sampo consolidates its share of all Nordea's own funds items and minimum capital requirement to Group solvency under both Solvency II and conglomerate rules. From the view point of Sampo Group solvency Nordea is strongly capitalized and its contribution to Group's own funds and capital requirement is significant.

Topdanmark's group solvency is calculated according to Solvency II rules. Topdanmark uses a partial internal model to calculate the non-life insurance risk and the volatility-adjustment when calculating technical provisions, which are both approved by the Danish FSA.

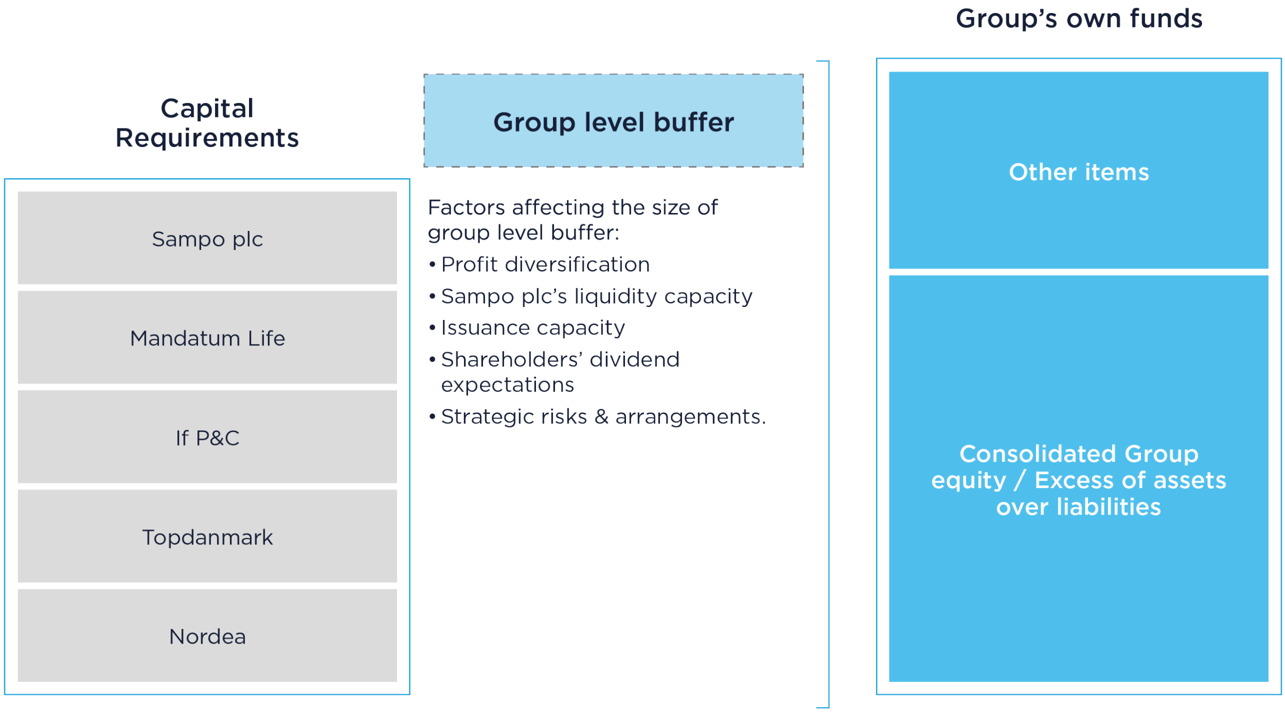
Sampo applies the deduction and aggregation method as defined in Solvency II to its holding in Topdanmark based on the latest publicly disclosed figures. This means that the book value of the holding is fully deducted from the own funds after which Sampo's share of Topdanmark's own funds is added up to the level of its share of Topdanmark's SCR. As a result, Group's own funds are almost neutral to changes in Topdanmark's solvency position or profitability.

Capitalization at Group Level

The sub-group level balance of profits, risks and capital is the primary focus of Sampo Group. When all sub-groups are well capitalized as a result the Group should be adequately capitalized as well.

However, at Sampo Group level there are more factors affecting capitalization than at the sub-group level. These factors are illustrated in the figure Sampo Group's Capitalization Framework. Based on the figure the basic components of Group capitalization will be introduced before describing different regulatory rules to calculate solvency measures and disclosing their results as of 31.12.2016. The adequacy of solvency is assessed at the end of this section.

Sampo Group's Capitalization Framework



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

Diversification benefit exists at two levels, within the companies and between the companies. The former is included in the companies' SCRs; for the latter there are different estimation methods as described later in the document.

Conceptually, **Group's own funds** is the difference between the market value of assets and liabilities plus the subordinated liabilities. This difference has accrued during the lifetime of the Group and it includes the following main components:

- Accrued profits that have not been paid as dividends over the years.
- Market value adjustment to the book values of assets and liabilities.
- Issued capital and subordinated liabilities meeting Solvency II requirements.

Due to the use of the same sectoral rules in both Solvency II and financial conglomerate calculations, there is no material difference between Sampo's Solvency II or FICO own funds.

At the Group level, the capital requirement and own funds are both exposed to foreign currency translation risk. Translation risk may realize when the actual capital and the capital needs of If P&C and Topdanmark are converted from their reporting currencies to euros. When the reporting currencies of If P&C and Topdanmark depreciate, the actual amount of Group's capital in euros decreases and the capital requirements of If P&C and Topdanmark will be lower in euro terms. Translation currency risk is monitored internally and its effect on Sampo Group's solvency on a going concern basis is analyzed regularly. However, internally no capital need is set for translation risk, because it realizes only when a sub-group is divested.

Group level buffer is the difference between the amount of Group's own funds and the Group capital requirement. In addition to the sub-group level factors – expected profits and their volatility, business growth prospects and ability to issue Solvency II compliant capital instruments – there are Group level factors that are also relevant when considering the size of the Group level buffer. The most material Group level factors affecting the size of buffer are (i) correlation of sub-groups' reported profits; (ii) parent company's capacity to generate liquidity; (iii) probability of strategic risks and arrangements within industry; and (iv) shareholders dividend expectations.

Regulatory Solvency Calculation Methods and Group Solvency Position

Sampo Group's capital requirement and amount of group's own funds are calculated either by the conglomerate rules or the Solvency II directive as follows:

Sampo Group's capital requirement **according to the conglomerate rules,** is called the **Group's total minimum requirement for own funds** and it is the sum of the separate sub-group's requirements (sectoral rules) and the parent company's requirement based on the Capital Requirements Directive/Capital Requirements Regulation ("CRD IV/CRR"). The conglomerate's capital requirement does not take into account any diversification between the business areas. Hence it is a quite conservative measure of capital requirement and easy to interpret.

The starting point for the calculation of Group's own funds is Group's consolidated equity. Sectoral items, which include among others the subordinated liabilities held by the external investors, are added to the Group's consolidated equity. In addition, intangible assets and foreseeable dividends as well as other deductible items are subtracted from the Group's own funds.

Sampo Group's capital requirement by **Solvency II rules** is called **Group SCR**. It is calculated in two phases:

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

ii. Sampo plc's share of Nordea's, Topdanmark's and Mandatum Life's other sectors' capital requirements are added to the consolidated group's capital requirement.

The Group SCR calculated by Solvency II rules takes into account diversification only within the consolidated group thus excluding the diversification benefit related to the holding of Nordea.

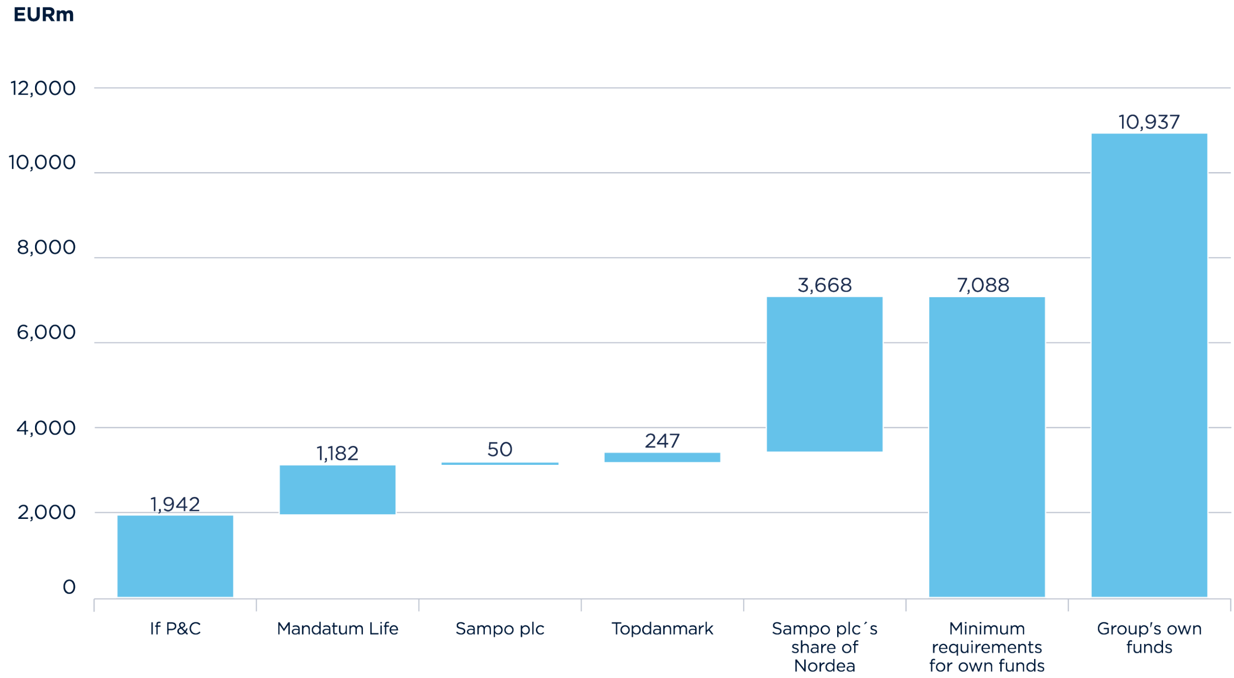
The **Group's own funds** under Solvency II rules is the excess of assets over liabilities (including any subordinated liabilities which may be called up in order to absorb losses). Assets and liabilities are valued at market value and all intra-group transactions are eliminated. The excess of assets over liabilities is classified into tiers 1-3. The tiers reflect the degree of loss absorbency of own funds in the event of a winding up. Adjustments are made if all own funds are not available or eligible at the Group level. In addition, associated companies' additional tier 1 and tier 2 capital instruments are included in own funds. Group's own funds and SCR are calculated by combination of consolidation and deduction and aggregation methods.

Under normal circumstances Group's OF by Solvency II and conglomerate rules are close to each other due to the similar treatment of sectoral items.

Group's Own Funds and Solvency Position According to Conglomerate Rules 31.12.2016

Sampo Group's FICO solvency is presented in the figure Sampo Group's FICO solvency, 31 December 2016. The Group solvency ratio increased from 145 per cent to 154 per cent in 2016.

Sampo Group's FICO Solvency
31 December 2016



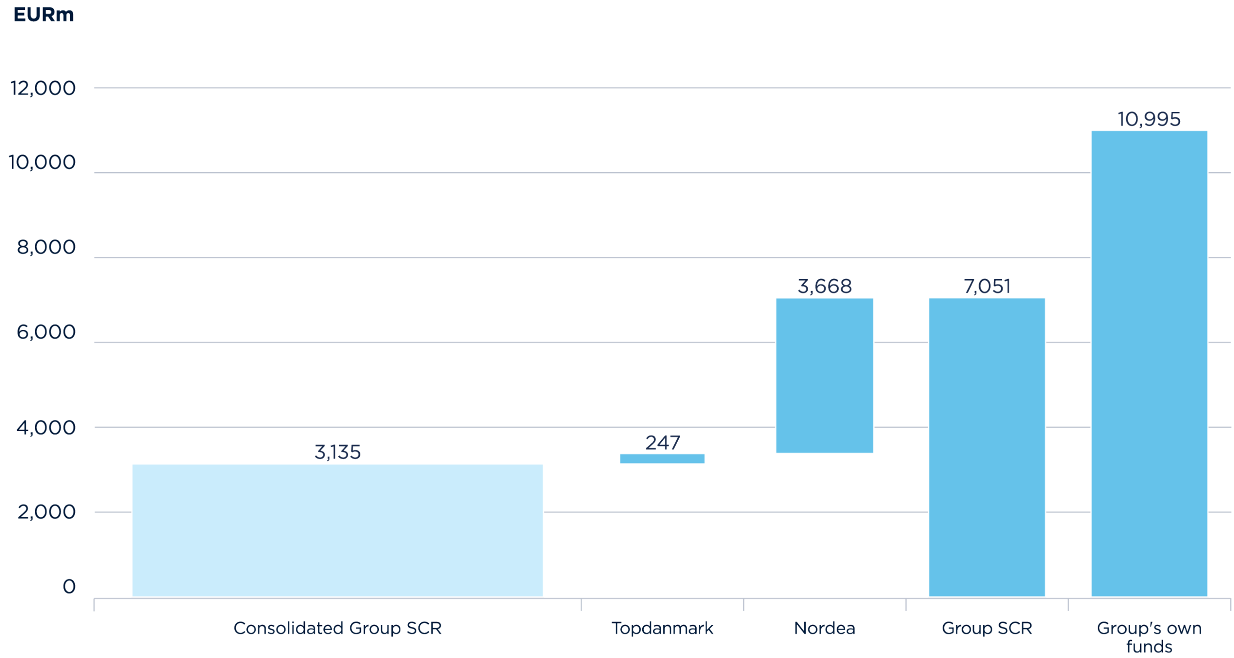
Group's own funds consist of Group consolidated equity and sectoral items of financial institutions and insurance companies, minus intangible assets, foreseeable dividends and other adjustments. Group consolidated equity, EUR 11,934 million as of 31.12.2016, accounts for most of the own funds and is considered as Tier 1 capital for solvency purposes. Sectoral items, most of which come from Nordea's additional Tier 1 and Tier 2 capital and from the valuation adjustments of If P&C and Mandatum Life, accounted for EUR 2,254 million (2,254). The deductions in total were EUR 3,251 million (3,371).

As earlier described, the Group level capital requirement is sum of the parts presented in the above figure and no diversification benefit between business areas is taken into account. As of 31.12.2016 the total minimum requirements for own funds were EUR 7,088 million (7,114). Group solvency (Group's own funds – minimum requirements for own funds) were EUR 3,849 million (3,180).

Group's Own Funds and Solvency Position According to Solvency II 31.12.2016

Sampo Group's own funds and SCR are presented in the figure Sampo Group Solvency by Solvency II rules, 31 December 2016. Sampo Group's Ratio of Eligible own funds to group SCR at the end of 2016 was 155 per cent (145).

Sampo Group Solvency by Solvency II Rules
31 December 2016



The following table Sampo Group's Own Funds, 31 December 2016 and 31 December 2015 presents Sampo Group's Own Funds by tiers.

Sampo Group's Own Funds
31 December 2016 and 31 December 2015

EURm	2016	2015
Tier 1 total	**10,721**	**10,521**
Ordinary share capital	98	98
Reconciliation reserve	10,520	10,404
Net effect of Nordea & Topdanmark	103	18
Tier 2 (Subordinated liabilities)	**230**	**18**
Tier 3 (Deferred tax assets)	**4**	**18**
Total eligible own funds	**10,955**	**10,557**

Group's own funds consists of ordinary share capital, reconciliation reserve as well as subordinated liabilities and net deferred tax assets ("DTA"), which are eligible at the Group level. As of 31.12 2016 the Group's own funds were EUR 10,955 million; in comparison IFRS consolidated group equity as of 31.12.2016 was EUR 11,934 million (Appendix 4 Valuation for Solvency II purposes).

The entire ordinary share capital of EUR 98 million and reconciliation reserve of EUR 10,520 million fully meet with the requirements for inclusion in Tier1 unrestricted items. All in all the structure of own funds is very solid, because Tier1 items are 98 per cent of all own funds and the reconciliation reserve is a major contributor.

The reconciliation reserve consists of retained earnings, net income for the financial year and other reserves deducted by foreseeable dividend and other distributions. In addition it is also adjusted by Solvency II valuation differences and net deferred tax assets. The composition of the reconciliation reserve is presented in the table Composition of the Reconciliation Reserve, 31 December 2016 and 31 December 2015.

Composition of the Reconciliation Reserve
31 December 2016 and 31 December 2015

EURm	2016	2015
Reserves, retained earnings and net income for the year (before SII adjustments)	11,836	11,312
Foreseeable dividends, distributions and charges	-1,288	-1,204
Net deferred tax assets shown separately in Tier 3	-4	-18
Valuation adjustments, SII	-24	314
Reconciliation reserve	**10,520**	**10,404**

Own funds items included in Sampo Group's Tier 2 capital consists of subordinated debt instruments held by external investors being EUR 230 million as of 31.12.2016.

As of 31.12.2016 subordinated debt of EUR 100 million issued by Mandatum Life was completely in Sampo's investment portfolio and almost half of If P&C's subordinated debt of EUR 407 million was held by Sampo plc as well. The details of subordinated debt instruments issued by If P&C are shown in the table Solvency II Compliant Subordinated Liabilities of If P&C, 31 December 2016. Full instrument details are available on Sampo's web-page www.sampo.com/publicdebt.

On 1 December 2016, If P&C issued two tranches of Tier2 subordinated debt altogether SEK 2,000 million (nominal amount).

Tier 3 own funds include net deferred tax assets (i.e. those deferred tax asset items which cannot be netted against available deferred tax liabilities, "DTL") from the Solvency II balance sheet.

The Group's own funds have increased by EUR 398 million over the reporting period. The change is mainly explained by the good result that was not completely paid out as dividends and the issuance of subordinated debt issues. No own funds items were redeemed over the reporting period. There were no restrictions affecting the availability or transferability of own funds at the group level during the period.

Group SCR is calculated in two phases. First the SCR is calculated for the consolidated group including diversification benefit between companies. Then associated companies capital requirements are added to this diversified figure.

Internal Considerations of Adequacy of Solvency

Sampo's regulatory group solvency ratios, 154 per cent (FICO) and 155 per cent (Solvency II), are relatively low compared to many other insurance groups. Conglomerate rules do not take into account any diversification benefits between Group's business areas. Solvency II rules take into account only the diversification within the consolidated group. Therefore, the diversification benefit from associated companies is not taken into account. Because over half of the capital consumption and almost half of the profits come from the associated companies, the lack of diversification benefit has a material effect on reported Solvency ratios.

In order to include the diversification benefit between business areas into Group's capital need estimate, Sampo is using correlations of quarterly reported profits between business areas when assessing the diversification benefit in the context of Conglomerate Rules. With this adjustment the resulting diversified Sampo Group capital requirement would be EUR 5,571 million (5,496) and the Group solvency ratio would be 196 per cent (187).

Diversification Benefit and Group's Internal Capital Adequacy Assessment
31 December 2016

Correlations of Quarterly Reported Profits	
Nordea vs. If P&C	0.29
Nordea vs. Mandatum Life	0.14
If P&C vs. Mandatum Life	0.85

Internal Capital Adequacy Assessment	EURm
Diversification effect	-1,517
Diversified capital need	5,571
Buffer	5,366
Internally adjusted group solvency ratio, %	196%

This internal Solvency Ratio estimate is more in line with reported figures of insurance groups,of which most do not have holdings in financial institutions to the level of Sampo Group's holdings. Based on this internally adjusted group solvency ratio, the Group solvency would be strong.

When Sampo is considering the Group Solvency based on the **adequacy of buffer at Group level** it is assessed that the buffer is more than adequate in light of the facts below.

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

  Mandatum Life is the smallest company in Group and its OF with transitional measures is relatively high compared to SCR. Mandatum Life's with profit business with high guarantees is in run-off mode. Hence the capital need is decreasing over time.

- The companies also have **capacity to issue more instruments eligible for their own funds** and hence extra buffers at Group level are not required.

- **There are diversification benefits within Group:** The correlation of the business areas' reported profits are quite modest as presented in the table Diversification Benefit and Group's Internal Capital Adequacy Assessment, 31 December 2016. In particular, Nordea's profits are weakly correlated with If P&C's and Mandatum Life's profits. Hence, there is a clear diversification benefit within Group.

- **The parent company's capacity to generate liquidity is strong.** The capacity to generate funds is dependent on leverage and liquidity buffers which can be inferred from the table Sampo plc Balance Sheet Structure, 31 December 2016 and 31 December 2015.

Sampo plc Balance Sheet Structure
31 December 2016 and 31 December 2015

	2016	2015
Assets total, EURm	**11,196**	**9,606**
Liquidity	**1,439**	**739**
Investment assets	**179**	**275**
Real estate	2	2
Fixed income	28	25
Equity & Private equity	148	248
Subordinated loans	**637**	**579**
Equity holdings	**8,900**	**7,928**
Subsidiaries	2,370	2,370
Associated	6,530	5,557
Other assets	**41**	**85**
	2016	**2015**
Liabilities total, EURm	**11,196**	**9,606**
CP's issued	**671**	**305**
LT Senior debt	**2,877**	**1,997**
Private placements	132	159
Bonds issued	2,745	1,838
Subordinated debt	**0**	**0**
Capital	**7,549**	**7,159**
Undistributable capital	98	98
Distributable capital	7,451	7,061
Other liabilities	**99**	**145**

The parent company's **financial leverage** measured as the portion of debt within all liabilities was 32 per cent (24). Increase of leverage has two reasons. When purchasing Topdanmark shares, Sampo increased its debt by EUR 400 million. Sampo also refinanced its EUR 500 million bond maturing in February 2017 already in November 2016 without redeeming the bond maturing in 2017. The leverage ratio is expected to normalize below 30 per cent during first quarter of 2017. Sampo's net debt of EUR 1,443 million is also quite modest when compared to Sampo's equity holdings and financial assets. If the gross debt would be divided by estimated market value of equity holdings, the ratio would be around 15 per cent. From this perspective leverage is low as well.

In regards to **liquidity**, the liquid funds of Sampo plc were EUR 1,439 million (739). After all dividends have been received and paid and the debt portfolio adjusted to normal levels, the estimated liquidity will be approximately EUR 100 million. The need of liquid funds for normal cash management purposes is below EUR 50 million and thus there is additional liquidity to be used for other purposes. Furthermore, a remarkable portion of subordinated loans issued by associated companies (637) and other investment assets (179) can be sold in case liquidity is needed.

Sampo plc is in a good position to refinance its current debt and even issue more debt. This capacity together with the tradable financial assets, means that Sampo plc is able to generate liquid funds.

Sampo Group has a buffer for own funds. Because subordinated loans presented in the table Sampo plc Balance Sheet Structure, 31 December 2016 and 31 December 2015 are issued by If P&C, Mandatum Life, Nordea and Topdanmark, they are eliminated from Group's own funds. In case these assets would be sold, in addition to liquidity in Sampo plc, also own funds would be created and Sampo Group Solvency ratio would increase slightly.

In addition to the quantifiable factors above there are qualitative factors affecting the size of buffer. If the probability for strategic arrangements within the industry increases, the Board of Directors and the management of Sampo plc may favor maintaining a higher buffer than would otherwise be needed. Also the shareholders' expectations on dividends over time has an effect. When the majority of the shareholders expect a steadily increasing stream of dividends, a higher buffer than risk based one may be justified.

Underwriting Risks

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

Hence, there are no material underwriting risk concentrations in the normal course of business. Consequently, business lines as such are contributing diversification benefits rather than a concentration of risks, which is why underwriting risks can be described only at the subgroup level.

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

Non-Life Insurance Underwriting Risks

As a universal non-life company If P&C underwrites various risks for both individuals and corporations mostly in Nordics and Baltic countries. The Insurance operation in the Nordic region is organizationally divided into Business Areas by customer segment - Private, Commercial (small and medium sized companies) and Industrial (large corporates). Insurance operations in the Baltic countries are organized in one Business Area, Baltic.

If P&C is one of the leading insurers in Sweden, Norway and Finland with market shares of 18.2 per cent, 21.0 per cent and 23.6 per cent respectively. In the Danish market If P&C is the sixth largest insurer (by market share) with a market share of 5.7 per cent.

The Nordic P&C (property and casualty) insurance market is relatively concentrated. The four largest players account for approximately 70 to 90 per cent of the markets in Norway, Finland and Sweden (by market share) and are often established in more than one Nordic country. However, If P&C is the only company with a remarkable market share in all Nordic countries. In Denmark the market is less concentrated. Among the six leading P&C insurance companies in the Nordic market, two are mutually owned and the other insurance companies are publicly traded.

In the Nordic region customer retention is high, with renewal rates of approximately 80 to 90 per cent. The market is characterized by low expense ratios in the range of 15 to 20 per cent.

In addition to traditional distribution channels, the internet continues to grow in importance both as a distribution channel as well as a service channel. Additionally, distribution through partnerships (e.g. with banks and car dealerships) is increasingly important.

Underwriting Performance and Risks

During 2016, Business Area Private delivered strong results with a positive net inflow of customers. The strong focus on customer experience was evidenced by a strong Net Promoter Score improvement, due to initiatives like digital health declaration and self-service options.

Business Area Commercial's performance was somewhat better than in 2015, partly affected by low interest rates with an 86.3 combined ratio.

Business Area Industrial delivered an improved technical result compared with the previous year, largely driven by lower large claim costs more-than-offsetting the effect of internal portfolio transfers and a challenging macroeconomic environment.

Business Area Baltic delivered a lower technical result than the year before, largely due to competitive market and decreasing share of broker sales due to the Net Pricing strategy that provides transparency on broker fees.

At the moment all four Business Areas are responding to customers' increased demands to incorporate modern digital solutions into the insurance services process. The Business Areas remain committed to the target of being the market leader in the digital channels and they are continuously developing their web-sites, claims handling and service interfaces, while at the same time utilizing benefits from Big Data analytics.

The table If P&C Underwriting Performance, 31 December 2016 presents the development of If P&C's premiums, claims, operating expenses, reinsurer's share and technical result per Solvency II Lines of Business. The figures are segmented in accordance with Solvency II defined Lines of Business, which differ from the insurance class segmentation according to local GAAP or IFRS requirements that are used in other tables.

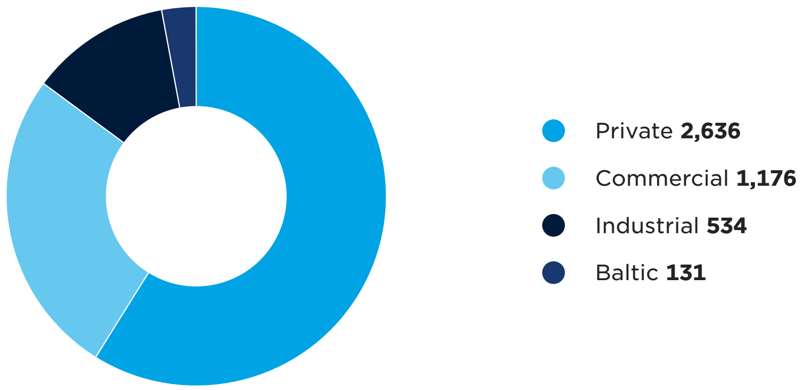
If P&C Underwriting Performance
31 December 2016

EURm	Premiums written	Premiums earned	Claims incurred	Operating expense	Reinsurers share per LoB	Total underwriting performance direct insurance
Underwriting performance by SII LoB (EURm)						
Medical expense insurance	122.3	129.6	72.4	32.6	0.2	24.3
Income protection insurance	359.9	358.0	242.7	77.2	2.1	35.9
Workers' compensation insurance	189.2	193.6	53.0	40.6	7.3	92.8
Motor vehicle liability insurance	599.6	604.7	267.6	176.2	0.8	160.1
Other motor insurance	1,268.7	1,239.4	828.7	246.8	6.1	157.8
Marine, aviation and transport insurance	115.0	116.5	59.8	24.1	29.4	3.2
Fire and other damage to property insurance	1,390.3	1,399.2	861.1	300.3	168.9	68.9
General liability insurance	253.4	254.7	154.8	49.9	26.3	23.7
Assistance	14.6	15.3	12.1	2.6	0.0	0.5
Other life insurance	33.9	32.2	6.1	6.9	3.5	15.8
Annuities stemming from non-life insurance contracts and relating to health insurance obligations	0.0	0.0	65.0	0.0	0.0	-65.0
Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	0.0	0.0	50.9	0.0	0.0	-50.9
Total	**4,347.1**	**4,343.1**	**2,674.2**	**957.2**	**244.6**	**467.1**

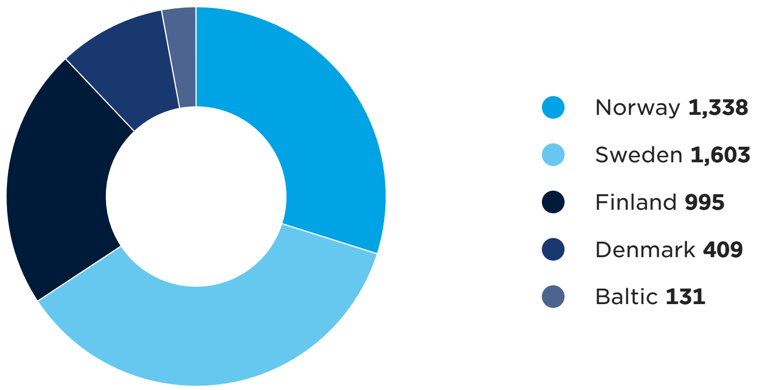
Premium and Catastrophe Risk and Their Management and Control

As shown in the below figure Breakdown of Gross Written Premiums by Business Area, Country and Line of Business, If P&C, 2016, the If P&C insurance portfolio is well diversified across Business Areas, Countries and Lines of Business. The six Lines of Business are segmented in accordance with insurance class segmentation used in IFRS.

Breakdown of Gross Written Premiums by Business Area
If P&C, 2016, total EUR 4,476 million

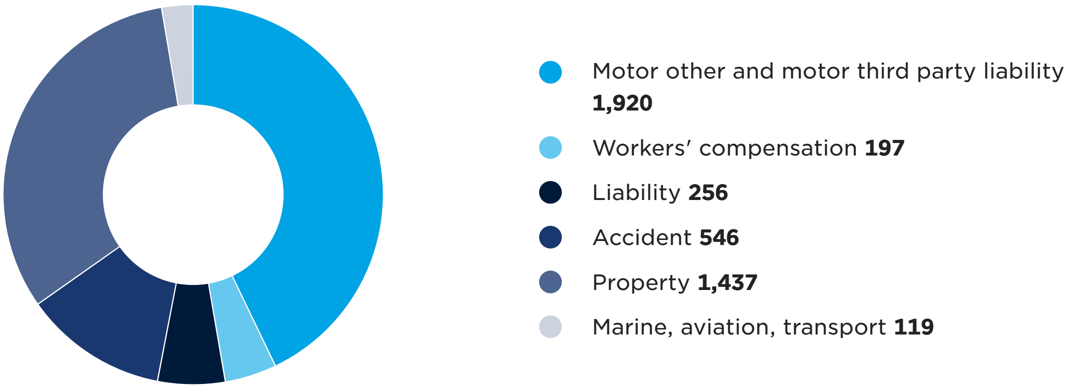


Breakdown of Gross Written Premiums by Country
If P&C, 2016, total EUR 4,476 million



Breakdown of Gross Written Premiums by Line of Business*

If P&C, 2016, total EUR 4,476 million



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

- IFRS Line of Business Motor other and motor third party liability (1,920) includes Solvency II Line of Businesses Motor vehicle liability insurance (617) and Other motor insurance (1,303).
- IFRS Line of Business Accident (546) includes Solvency II Line of Businesses Income protection insurance (370), Other life (35), Medical expense insurance (126) and Assistance (15).

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

Private and Commercial business areas (which are by nature diversified) dominate new sales. From the geographical angle gross written premiums are highly diversified as well. In regards to Line of Business the three major lines are Motor other and motor third party liability, Property and Accident.

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

The sensitivity of the underwriting result and hence underwriting risk is presented by changes in certain key figures in the table Sensitivity Test of Underwriting Result, If P&C, 31 December 2016 and 31 December 2015.

Sensitivity Test of Underwriting Result, If P&C

31 December 2016 and 31 December 2015

Key figure	Current level (2016)	Change in current level	Effect on pretax profit, EURm 2016	Effect on pretax profit, EURm 2015
Combined ratio, business area Private	83.2%	+/- 1 percentage point	+/- 26	+/- 26
Combined ratio, business area Commercial	86.3%	+/- 1 percentage point	+/- 12	+/- 12
Combined ratio, business area Industrial	88.6%	+/- 1 percentage point	+/- 4	+/- 4
Combined ratio, business area Baltics	89.8%	+/- 1 percentage point	+/- 1	+/- 1
Net premiums earned (EURm)	4,286	+/- 1 per cent	+/- 43	+/- 44
Net claims incurred (EURm)	2,904	+/- 1 per cent	+/- 29	+/- 32
Ceded written premiums (EURm)	168	+/- 10 per cent	+/- 17	+/- 18

The Underwriting Committee ("UWC") shall give its opinion on and propose actions in respect of various issues related to underwriting risk. The committee also considers and proposes changes to the Underwriting Policy ("UW Policy"), which is the principal document for underwriting, and sets general principles, restrictions and directions for the underwriting activities. The Boards of Directors of If P&C approve the UW Policy at least once a year.

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

The UW Policy is supplemented with guidelines outlining in greater detail how to conduct underwriting within each Business Area. These guidelines cover areas such as tariff and rating models for pricing, guidelines in respect of standard conditions and manuscript wordings, as well as authorities and limits. In accordance with the Instructions for the Underwriting Committee, the Committee monitors compliance with the established underwriting principles.

The Business Areas manage the underwriting risk on a day-to-day basis. A crucial factor affecting the profitability and risk of non-life insurance operations is the ability to accurately estimate future claims and expenses and thereby correctly price insurance contracts. The premiums within the Private Business Area and the premiums for smaller risks within the Commercial Business Area are set through tariffs. The underwriting of risks in the Industrial Business Area and of more complex risks within the Commercial Business Area is based to a greater extent on principles and individual underwriting than on strict tariffs. In general, pricing is based on statistical analyses of historical claims data and assessments of the future development of claims frequency and claims inflation.

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

A group-wide reinsurance program has been in place in If P&C since 2003. In 2016, retention levels were between SEK 100 million (approximately EUR 10.5 million) and SEK 250 million (approximately EUR 26.2 million) per risk and SEK 250 million (approximately EUR 26.2 million) per event.

Reserve Risk and Its Management and Control

In the table Technical Provisions by Line of Business and Major Geographical Area, If P&C, 31 December 2016 below, If P&C's technical provisions and durations are presented by Line of Business and Major Geographical Area. When the breakdown of technical provisions is compared to the breakdown of gross written premiums it can be seen that Finland's and Sweden's share of technical provisions is larger than the share of gross written premiums. This is mainly due to Sweden and Finland having a long duration of Motor other and motor third party liability and Finland also having a long duration of Workers compensation. The long duration is mainly due to annuities in these lines of business, which increases the amount of technical provisions. The duration of the provisions, and thus the sensitivity to changes in interest rates, varies with each product portfolio. The weighted average duration for 2016 across the product portfolios was 6.5 years.

Technical Provisions by Line of Business and Major Geographical Area
If P&C, 31 December 2016

	Sweden		Norway		Finland		Denmark		Total	
	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration
Motor other and MTPL	2,533	7.5	611	1.7	1,026	13.3	157	1.5	4,328	7.9
Workers' compensation	0	0.0	277	4.0	1,181	12.6	258	6.9	1,716	10.5
Liability	317	2.7	136	2.1	132	3.4	67	1.7	652	2.6
Accident	303	5.0	387	2.8	156	3.9	92	1.3	938	3.5
Property	418	1.2	526	1.1	219	0.8	102	0.8	1,266	1.0
Marine, aviation, transport	24	1.6	50	0.7	11	0.5	17	0.8	101	0.9
Total	**3,596**	**6.1**	**1,987**	**2.0**	**2,725**	**10.9**	**694**	**3.0**	**9,001**	**6.5**

Reserves are exposed mainly to inflation and discount rates and to some extent to life expectancy. 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, 2016.

Sensitivities of Technical Provisions

If P&C, 2016

Technical provision item	Risk factor	Change in risk parameter	Country	Effect EURm 2016
Nominal provisions	Inflation increase	Increase by 1%-point	Sweden	181.7
			Denmark	10.5
			Norway	41.8
			Finland	39.3
Annuities and estimated share of claims provisions to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	24.0
			Denmark	1.7
			Finland	61.6
Discounted provisions (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1%-point	Sweden	67.3
			Denmark	14.0
			Finland	279.7

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

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

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 other and motor third party liability and Workers' compensation. The anticipated inflation is based on external assessments of the inflation trend in various areas, such as the consumer price index and payroll index, combined with If P&C's own estimation of costs for various types of claims. For lines of business such as Motor other and motor third party liability and Workers' compensation, legislation differs significantly between countries. Some of the Finnish, Swedish and Danish technical provisions for these lines include annuities which are sensitive to changes in mortality assumptions and discount rates. The proportion of technical provisions related to Motor other and motor third party liability and Workers' compensation was 67 per cent.

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 total provisions is sufficient. On If P&C group level, the Chief Actuary issues a quarterly report on the adequacy of technical provisions.

The Actuarial Committee is a preparatory and advisory board for If P&C's Chief Actuary. The committee secures a comprehensive view over reserve risk, discusses and gives recommendations on policies and guidelines for calculating technical provisions.

The actuaries continuously monitor the level of provisions to ensure that they comply with the established guidelines. The actuaries also develop methods and systems to support these processes.

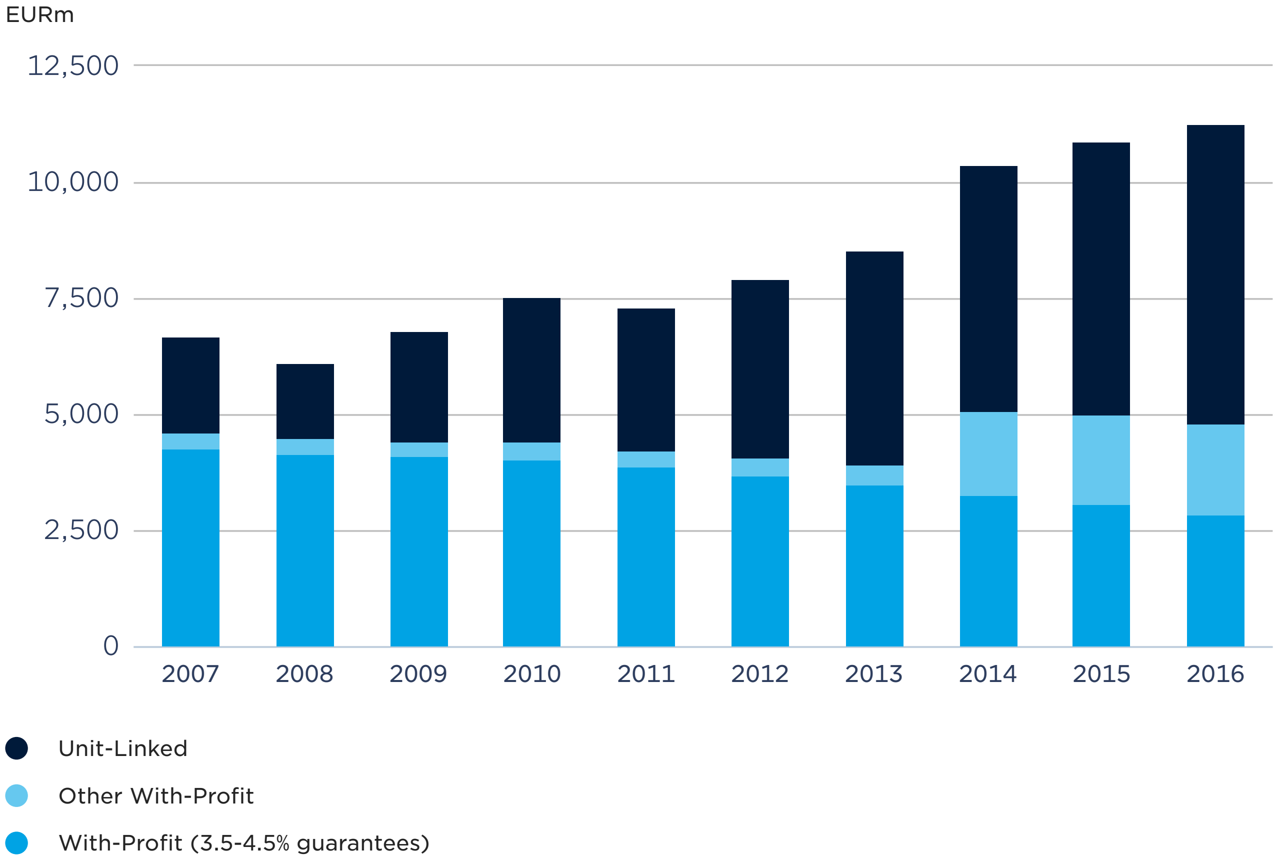
The actuarial estimates are based on historical claims and existing exposures that are available at the balance sheet date. Factors that are monitored include loss development trends, the level of unpaid claims, changes in legislation, case law and economic conditions. When setting property and casualty provisions, the Chain Ladder and Bornhuetter-Fergusson methods are generally used, combined with projections of the number of claims and average claims costs. For life provisions, the IBNR calculations are based on the estimated claims cost (risk premium) over the average time from claim occurrence to reporting.

Life Insurance Underwriting Risks

The unit-linked business has been Mandatum Life's main focus since 2001. Since then the trend of unit-linked technical provisions has been upward and the average annual growth in unit-linked technical provisions has been 23 per cent per annum. Due to the nature of the unit-linked business, volatility between the years has been relatively high. Around EUR 3,000 million of current unit-linked liabilities totaling EUR 6,440 million are sold through Danske Bank. These liabilities, together with around EUR 200 million of with profit liabilities, will be transferred to Danske Bank A/S. Transfer date is expected to be at earliest 31.12.2017.

In contrast to the unit-linked trend, the trend of with-profit technical provisions has been downward since 2005 (with the exception of year 2014 when group pension portfolio from Suomi Mutual was transferred to Mandatum Life). In particular, the parts of technical provisions with the highest guarantees (4.5 per cent and 3.5 per cent) have decreased. The development of with-profit and unit-linked portfolios is presented in the figure Development of With-Profit and Unit-Linked Technical Provisions, Mandatum Life, 2007–2016.

Development of With Profit and Unit-Linked Technical Provisions
Mandatum Life, 2007–2016



The above mentioned group pension portfolio transferred from Suomi Mutual and related assets are separated from the rest of the Mandatum Life balance sheet into a segregated group pension portfolio. The segregated group pension portfolio has its own profit sharing rules, investment policy and asset and liability management committee. The with profit liabilities other than in the segregated group pension portfolio are hereafter referred to as the "original" with profit liabilities.

Underwriting Performance and Risks

During the year 2016 insurance liabilities developed as planned. Unit-linked business increased and with profit liabilities with the highest guarantees decreased. The technical provisions with the highest guarantees fell by EUR 214 million. In total the with profit technical provisions decreased less (EUR 193 million) due to increased discount rate reserves.

The development of insurance liabilities during 2016 is shown in the table Analysis of the Change in Provisions before Reinsurance, Mandatum Life, 2016.

Analysis of the Change in Provisions before Reinsurance

Mandatum Life, 31 December 2016

EURm	Liability 2015	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	Other	Liability 2016	Share %
Mandatum Life parent company									
Unit-linked total	**5,703**	**946**	**-553**	**-61**	**0**	**0**	**244**	**6,279**	**56%**
Individual pension insurance	1,248	66	-14	-14	0	0	27	1,313	12%
Individual life	2,104	343	-186	-20	0	0	106	2,346	21%
Capital redemption operations	1,779	472	-349	-20	0	0	95	1,977	18%
Group pension	573	65	-4	-7	0	0	16	643	6%
With profit and others total	**4,996**	**146**	**-468**	**-37**	**138**	**5**	**24**	**4,804**	**43%**
Group pension insurance, segregated portfolio	**1,196**	**9**	**-72**	**-2**	**24**	**4**	**-16**	**1,142**	**10%**
Basic liabilities, guaranteed rate 3.5%	782	9	-72	-2	24	4	-30	715	6%
Reserve for decreased discount rate (3.5% -> 0.50%)	257	0	0	0	0	0	18	275	2%
Future bonus reserves	157	0	0	0	0	0	-5	153	1%
Group pension	**2,180**	**55**	**-209**	**-7**	**71**	**1**	**27**	**2,117**	**19%**
Guaranteed rate 3.5%	2,010	4	-187	-3	67	0	-7	1,885	17%
Guaranteed rate 2.5%, 1.5% or 0.0%	170	51	-22	-4	4	1	33	232	2%
Individual pension insurance	**973**	**12**	**-144**	**-6**	**36**	**0**	**27**	**899**	**8%**
Guaranteed rate 4.5%	770	10	-99	-4	31	0	-13	695	6%
Guaranteed rate 3.5%	142	2	-28	-1	4	0	18	137	1%
Guaranteed rate 2.5% or 0.0%	61	1	-17	0	1	0	22	67	1%
Individual life insurance	**197**	**32**	**-29**	**-10**	**6**	**0**	**-16**	**180**	**2%**
Guaranteed rate 4.5%	61	5	-7	-1	3	0	-2	58	1%
Guaranteed rate 3.5%	93	10	-10	-3	3	0	-6	86	1%
Guaranteed rate 2.5% or 0.0%	44	17	-12	-5	1	0	-8	35	0%
Capital redemption operations	**36**	**0**	**0**	**0**	**0**	**0**	**-8**	**28**	**0%**
Guaranteed rate 3.5%	0	0	0	0	0	0	0	0	0%
Guaranteed rate 2.5% or 0.0%	36	0	0	0	0	0	-8	28	0%
Future bonus reserves	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0%**
Reserve for decreased discount rate	**244**	**0**	**0**	**0**	**0**	**0**	**28**	**273**	**2%**
Longevity reserve	**106**	**0**	**0**	**0**	**0**	**0**	**-1**	**105**	**1%**
Assumed reinsurance	**2**	**3**	**-1**	**0**	**0**	**0**	**-2**	**2**	**0%**
Other liabilities	**63**	**35**	**-13**	**-12**	**0**	**0**	**-14**	**59**	**1%**
Mandatum Life parent company total	**10,699**	**1,092**	**-1,021**	**-98**	**138**	**5**	**268**	**11,083**	**98%**
Subsidiary SE Sampo Life Insurance Baltic	**173**	**30**	**-27**	**-3**	**1**	**0**	**4**	**178**	**2%**
Unit-linked liabilities	155	26	-25	-2	0	0	6	161	1%
Other liabilities	18	3	-2	0	1	0	-2	17	0%
Mandatum Life group total	**10,873**	**1,122**	**-1,048**	**-101**	**138**	**5**	**272**	**11,261**	**100%**

Biometric Risks

In general the long duration of policies and restriction of Mandatum Life's right to change policy terms and conditions and tariffs increases biometric risks. If the premiums turn out to be inadequate and cannot be increased, technical provisions have to be supplemented by an amount corresponding to the increase in expected losses.

Longevity risk is the most critical biometric risk in Mandatum Life. Most of the longevity risk arises from the with profit group pension portfolio. With profit group pension policies have mostly been closed for new members for years and due to this the average age of members is relatively high, i.e. for the segregated group pension portfolio the average age is around 68 years and for the other (original) group pension portfolios it is around 69 years. In the unit-linked group pension and individual pension portfolio the longevity risk is less significant because most of these policies are fixed term annuities including death cover compensating the longevity risk.

The annual longevity risk result and longevity trend is analyzed regularly. For the segregated group pension portfolio, the assumed life expectancy related to the technical provisions was revised in 2014 and for the other group pension portfolios in 2002 and 2007. In total, these changes increased the 2016 technical provision by EUR 105 million (106) including a EUR 87 million longevity reserve for the segregated group pension portfolio. The cumulative longevity risk result has been positive since these revisions. The longevity risk result of group pension for the year 2016 was EUR 2.9 million (5.7).

The mortality risk result in life insurance is positive. A possible pandemic is seen as the most significant risk that could adversely affect the mortality risk result.

The insurance risk result of other biometric risks has been profitable overall, although the different risk results vary considerably. In the longer term, disability and morbidity risks are mitigated by the company's right to raise insurance premiums for existing policies in case the claims experience deteriorates.

The table Claim Ratios after Reinsurance, Mandatum Life, 2016 and 2015 shows the insurance risk result in Mandatum Life's Finnish life insurance policies. The ratio of the actual to expected claims costs was 79 per cent (72) in 2016. 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 12 million to EUR 24 million.

Claim Ratios after Reinsurance
Mandatum Life, 2016 and 2015

	2016			2015		
EURm	Risk income	Claim expense	Claim ratio	Risk income	Claim expense	Claim ratio
Life insurance	**43.2**	**21.2**	**49%**	**42.4**	**20.1**	**47%**
Mortality	24.8	11.8	48%	24.0	9.7	40%
Morbidity and disability	18.4	9.4	51%	18.4	10.4	57%
Pension	**80.8**	**76.2**	**94%**	**68.1**	**59.9**	**88%**
Individual pension	12.0	12.8	107%	11.6	12.3	106%
Group pension	68.8	63.4	92%	56.5	47.6	84%
Mortality (longevity)	63.9	61.0	95%	48.9	43.2	88%
Disability	4.9	2.4	49%	7.6	4.4	58%
Mandatum Life	**124.0**	**97.4**	**79%**	**110.5**	**80.0**	**72%**

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

In general biometric risks are managed by careful risk selection, by setting prices to reflect the risks and costs, by setting upper limits for the protection granted and by use of reinsurance. Mandatum Life's Underwriting Policy sets principles for risk selection and limits for sums insured. The Reinsurance Policy governs the use of Reinsurance. The Board approves the Underwriting policy, Reinsurance Policy, pricing guidelines and the central principles for the calculation of technical provisions.

The Insurance Risk Committee is responsible for maintaining the Underwriting Policy and monitoring the functioning of the risk selection and claims processes. The Committee also reports all deviations from the Underwriting Policy to the RMC. The Insurance Risk Committee is chaired by the Chief Actuary who is responsible for ensuring that the principles for pricing policies and for the calculation of technical provisions are adequate and in line with the risk selection and claims processes.

Reinsurance is used to limit the amount of individual mortality and disability risks. The Board of Directors annually approves the Reinsurance Policy and determines the maximum amount of risk to be retained on the company's own account. The highest retention of Mandatum Life is EUR 1.5 million per insured. Mandatum Life has catastrophe cover to mitigate the effect of possible catastrophes.

The risk result is followed actively and thoroughly analyzed annually. Mandatum Life measures the efficiency of risk selection and the adequacy of tariffs by collecting information about the actual claims expenditure for each product line and each type of risk and comparing it to the claims expenditure assumed in insurance premiums of every risk cover.

Technical provisions are analyzed and the possible supplemental needs are assessed regularly. Assumptions related to technical provisions are reviewed annually. The adequacy of the technical provisions is tested quarterly. Tariffs for new policies are set and the Underwriting Policy and assumptions used in calculating technical provisions are updated based on adequacy tests and risk result analysis. Tariffs and prices, as well as the reinsurance principles and reserving principles are reviewed and approved annually by the Board of Directors of Mandatum Life.

Policyholder Behavior and Expense Risks

From an asset and liability management point of view surrender risk is not material because in Mandatum Life around 90 per cent of with profit technical provisions consist of pension policies in which surrender is possible only in exceptional cases. Surrender risk is therefore only relevant in individual life and capital redemption policies of which the related technical provisions amounts to only 5 per cent (EUR 208 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. Hence, the future cash flows of Mandatum Life's insurance liabilities are quite predictable.

Policy terms and tariffs cannot usually be changed materially during the lifetime of the insurance, which increases the expense risk. The main challenge is to keep the expenses related to insurance administrative processes and complex IT infrastructure at a competitive level. In year 2016, the expense result of Mandatum Life Group was EUR 26 million (27). Mandatum Life does not defer insurance acquisition costs. Since 2012 the expense result has grown significantly due to increased fee income from unit-linked liabilities and cost efficiency program, as presented in the table Expense result, Mandatum Life Group, years 2007-2016.

Expense result
Mandatum Life Group, years 2007–2016

Year	Expense result, EURm
2016	26.1
2015	26.8
2014	19.6
2013	15.3
2012	6.8
2011	9.8
2010	7.8
2009	5.2
2008	7.3
2007	16.2

Discount Rate Risk

As can be seen from the table Analysis of the Change in Provisions before Reinsurance, Mandatum Life, 2016 presented earlier, in most of the original with profit policies the guaranteed interest rate is 3.5 per cent. In individual policies sold in Finland before 1999, the guaranteed interest rate is 4.5 per cent, which is also the statutory maximum discount rate of these policies. Mandatum Life has sold policies with lower guaranteed rates as well but their share is small.

With respect to with profit policies with the 4.5 per cent guaranteed rate, the maximum discount rate used when discounting technical provisions has been decreased to 3.5 per cent over the lifetime of these policies. As a result, technical provisions were supplemented by a reserve of EUR 48 million (55) at the end of 2016.

In addition, there are reserves for years 2017-2019 to lower interest rates of with profit liabilities as follows:

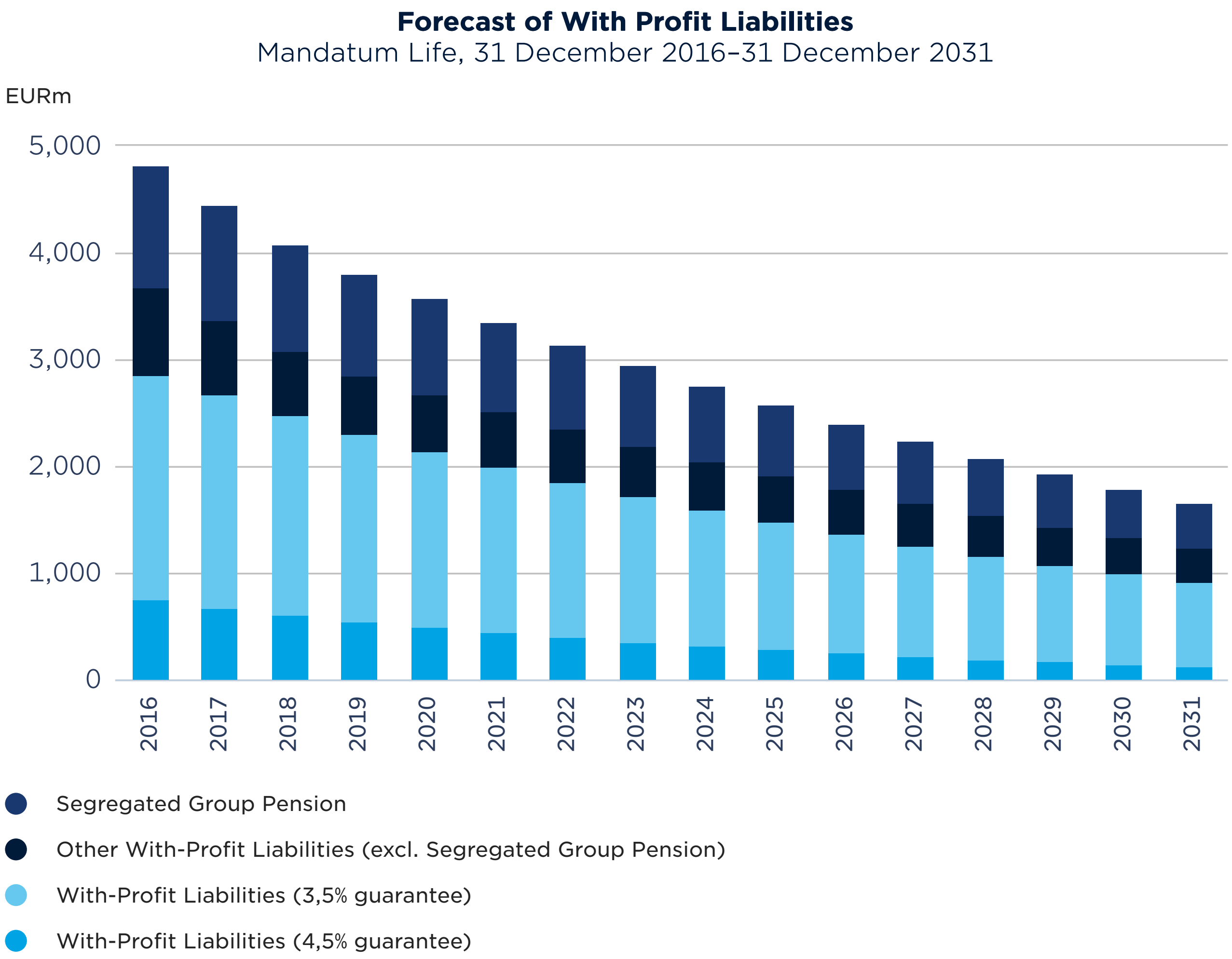
- EUR 98 million has been reserved to lower the interest rate to 0.25 per cent for year 2017;
- EUR 90 million for the year 2018 to lower the interest rate to 0.50 per cent; and
- EUR 37 million for the year 2019 to lower the interest rate to 2.25 per cent.

In total, Mandatum Life has set up an extra reserve of EUR 273 million as part of the original insurance portfolio's technical provisions.

The guaranteed interest for the segregated group pension policies is mainly 3.5 per cent. More important from a risk management point of view is that the discount rate of liabilities is 0.50 per cent. The discount rate was decreased on 31 December 2016 from 0.75 per cent to 0.50 per cent which increased the reserve for decreased discount rate to EUR 275 million (257). The reserve for future bonuses has an important role in the risk management of the segregated group pension portfolio. The reserve amounts to EUR 153 million, which can be used to cover possible investment losses or to finance possible changes in the discount rate of segregated technical provisions.

The decreasing trend of with profit liabilities is expected to continue. Liabilities with the highest guarantees and highest capital consumption are expected to decrease from EUR 2,861 million to around EUR 1,000 million during the Solvency II transitional period of the technical provision (1 January 2017–31 December 2031). Duration of segregated group pension portfolio is around 10 years and duration of original with profit portfolio is around 9 years.

The figure Forecast of With Profit Liabilities, 31 December 2016–31 December 2031 shows the expected trend of existing with profit liabilities.


Forecast of With Profit Liabilities
Mandatum Life, 31 December 2016–31 December 2031
EURm
5,000
4,000
3,000
2,000
1,000
0
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
Segregated Group Pension
Other With-Profit Liabilities (excl. Segregated Group Pension)
With-Profit Liabilities (3,5% guarantee)
With-Profit Liabilities (4,5% guarantee)

Investment Portfolio Market Risks

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

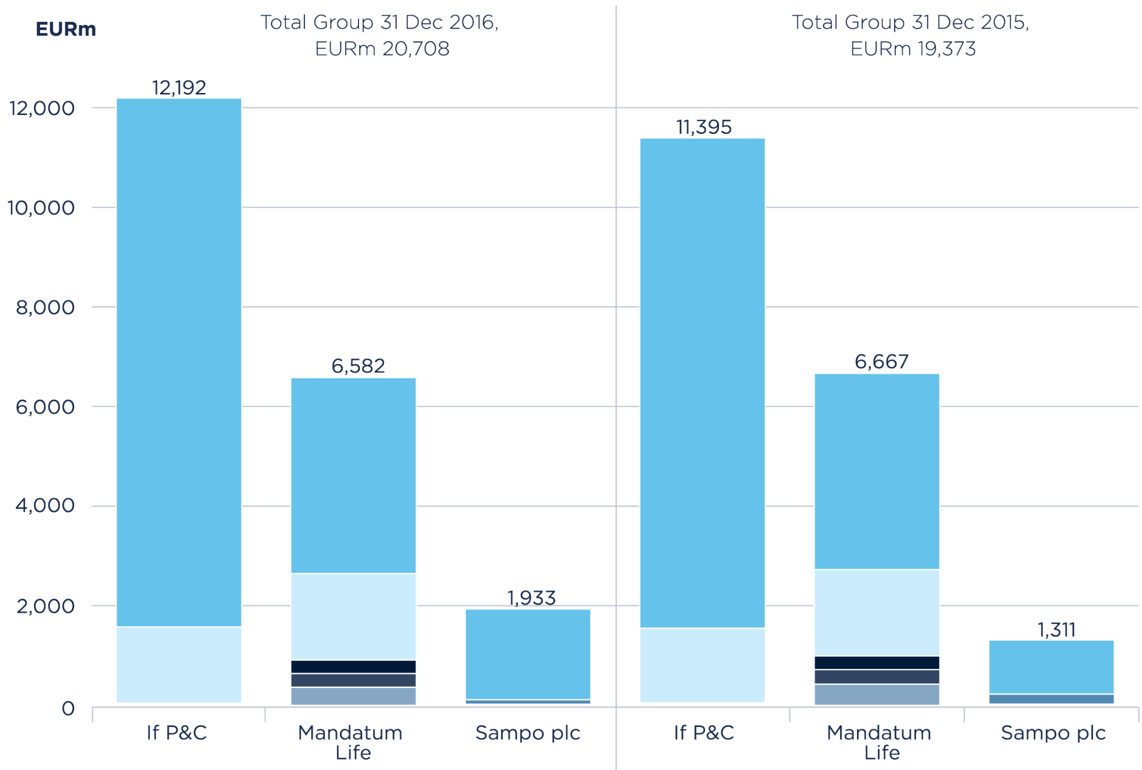
In addition to investment portfolio market risks, the companies' balance sheets are also exposed to market and liquidity risks. These balance sheet level risks are defined as ALM risks and they are covered later in the section ALM risks. The ALM risks at the balance sheet level are taken into account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

Risk definitions related to investment portfolio market risks may be found in Appendix 2 (Risk Definitions). Principles of Investment Portfolio Management can be found in Appendix 3 (Principles of Investment Portfolio Management).

Asset Allocations and Investment Performance

The total amount of Sampo Group's investment assets as at 31 December 2016 was EUR 20,708 million (19,373). Mandatum Life's investment assets presented here do not include assets which cover unit-linked contracts. The composition of the investment portfolios by asset classes in If P&C, Mandatum Life and Sampo plc at year end 2016 and at year end 2015 are shown in the figure Development of Investment Portfolios, If P&C, Mandatum Life and Sampo plc, 31 December 2016 and 31 December 2015.

Development of Investment Portfolios, If P&C, Mandatum Life and Sampo plc
31 December 2016 and 31 December 2015



	If P&C 2016	Mandatum Life 2016	Sampo plc 2016	If P&C 2015	Mandatum Life 2015	Sampo plc 2015
Fixed income	87%	60%	94%	86%	59%	83%
Listed equity	13%	26%	5%	13%	26%	15%
Private equity*	0%	4%	1%	0%	4%	2%
Real estate	0%	4%	0%	0%	4%	0%
Alternative investments	0%	5%	0%	0%	6%	0%

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

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

More detailed investment allocations and average maturities of fixed income investments of If P&C, Mandatum Life, Sampo plc and Sampo Group as at year-end 2016 are presented in the table Consolidated Investment Allocation, If P&C, Mandatum Life, Sampo plc and Sampo Group, 31 December 2016.

Consolidated Investment Allocation

If P&C, Mandatum Life, Sampo plc and Sampo Group, 31 December 2016

	If P&C		Mandatum Life		Sampo plc		Sampo Group		
Asset class	**Market value, EURm**	**Average maturity, years**	**Market value, EURm**	**Average maturity, years**	**Market value, EURm**	**Average maturity, years**	**Market value, EURm**	**Weight**	**Average maturity, years**
Fixed income total	**10,624**	**2.8**	**3,938**	**2.7**	**1,812**	**0.6**	**16,374**	**79%**	**2.5**
Money market securities and cash	992	0.3	859	0.5	1,440	0.0	3,291	16%	0.2
Government bonds	1,231	3.1	64	5.1	0	0.0	1,295	6%	3.2
Credit bonds, funds and loans	8,401	3.1	3,009	3.3	372	3.1	11,782	57%	3.1
Covered bonds	2,967	3.1	178	2.6	0	0.0	3,145	15%	3.1
Investment grade bonds and loans	3,404	2.9	1,586	2.7	263	3.4	5,252	25%	2.9
High-yield bonds and loans	1,461	3.0	884	3.7	109	2.4	2,454	12%	3.2
Subordinated / Tier 2	278	4.5	52	8.1	0	0.0	330	2%	5.1
Subordinated / Tier 1	292	3.9	310	4.7	0	0.0	602	3%	4.3
Hedging swaps	0	-	0	-	0	-	0	0%	-
Policy loans	0	0.0	6	1.9	0	0.0	6	0%	1.9
Listed equity total	**1,527**	**-**	**1,737**	**-**	**88**	**-**	**3,352**	**16%**	**-**
Finland	0	-	623	-	77	-	700	3%	-
Scandinavia	1,147	-	1	-	0	-	1,148	6%	-
Global	380	-	1,114	-	11	-	1,505	7%	-
Alternative investments total	**44**	**-**	**907**	**-**	**22**	**-**	**973**	**5%**	**-**
Real estate	22	-	278	-	2	-	301	1%	-
Private equity*	23	-	269	-	19	-	311	2%	-
Biometric	0	-	26	-	0	-	26	0%	-
Commodities	0	-	0	-	0	-	0	0	-
Other alternative	0	-	334	-	0	-	334	2%	-
Trading derivates	**-3**	**-**	**0**	**-**	**12**	**-**	**9**	**0%**	**-**
Asset classes total	**12,192**	**-**	**6,582**	**-**	**1,933**	**-**	**20,708**	**100%**	**-**
FX Exposure, gross position	**99**	**-**	**833**	**-**	**1,111**	**-**	**2,043**	**-**	**-**

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

The parent company's asset portfolio includes subordinated debt instruments issued by the Group companies, but they are not included in the consolidated figures presented above. The portion of short-term money market instruments is substantial, because Sampo prefers to have high liquidity. From time to time the asset portfolios may include other investments as well. The market risks of the parent company are limited. Interest rate risk arising from gross debt and the interest bearing assets are Sampo's most significant market risk together with refinancing risk related to gross debt.

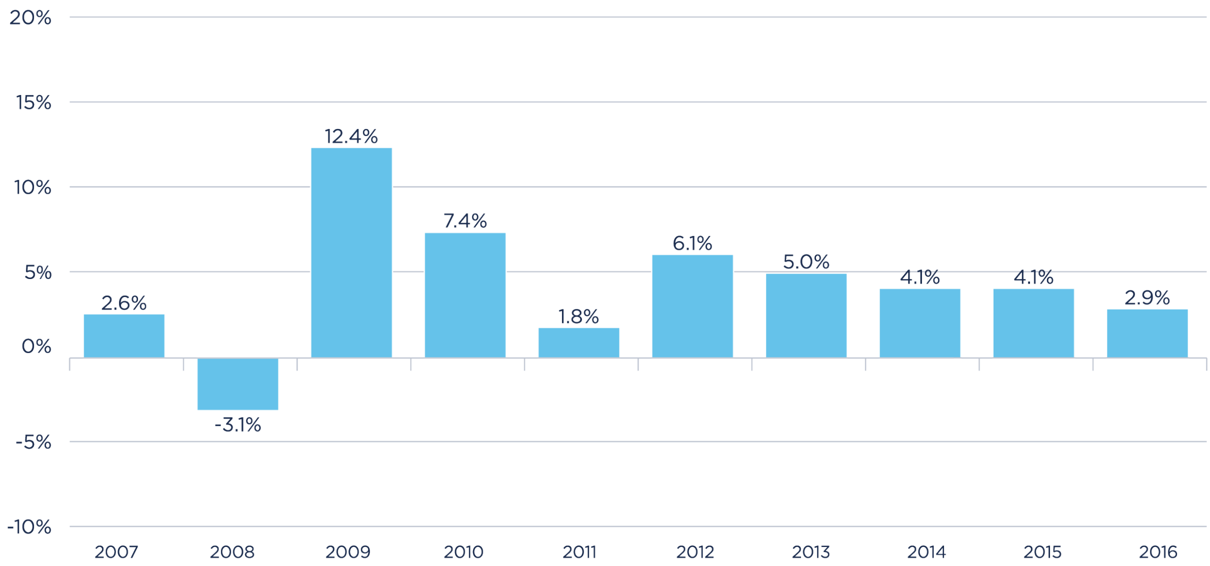
Fixed income investments and listed equity instruments form a major part of the subsidiaries' investment portfolios. Money market securities, cash and investment grade government bonds form a liquidity buffer within fixed income investments. The average maturity of fixed income investments was 2.8 years in If P&C and 2.7 years in Mandatum Life.

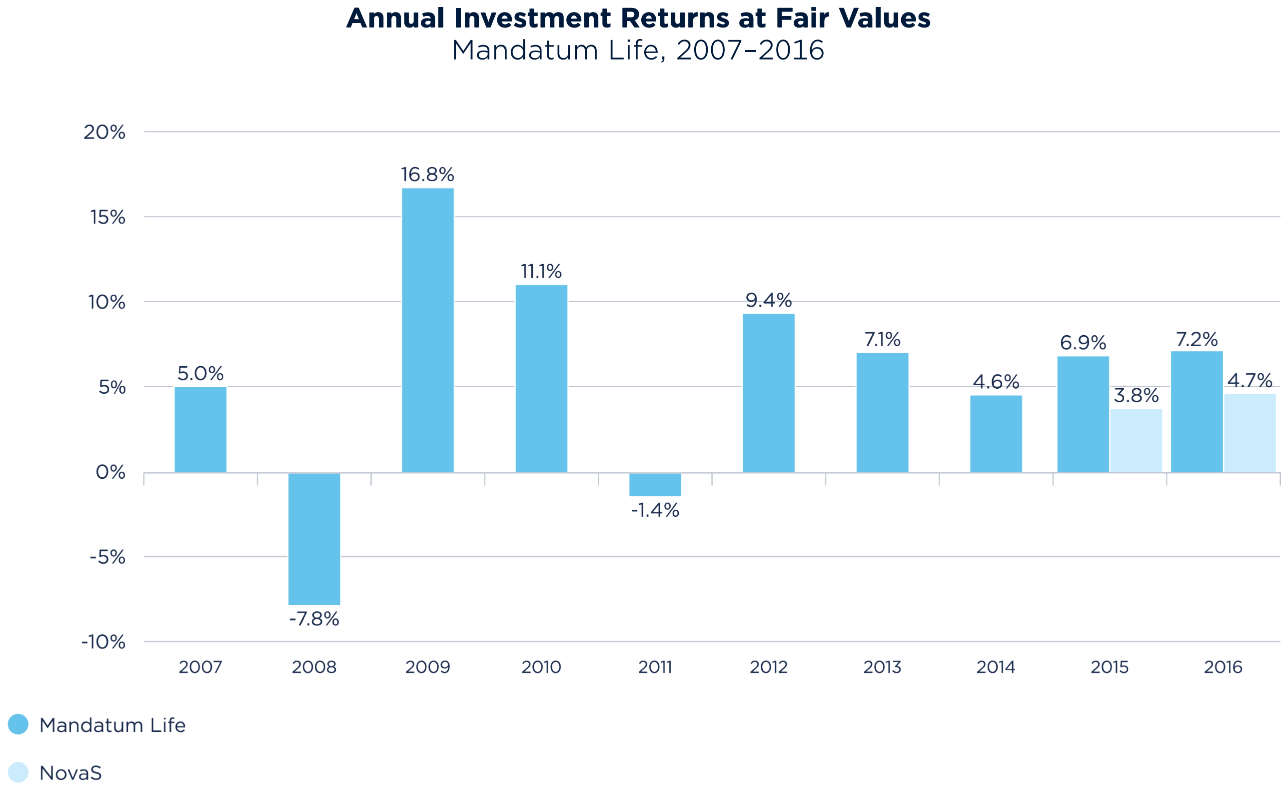
Both If P&C and Mandatum Life are exposed to interest rate and currency risks as well as to equity and spread risks.

Additionally, If P&C and Mandatum Life have real estate, private equity, biometric and other alternative investments. The Investment Policies set limits for the maximum allocations into these asset classes and products. On 31 December 2016, the combined share of the above mentioned investments was 4.7 per cent of the total investment portfolio of Sampo Group. In If P&C the proportion was 0.4 per cent and in Mandatum Life it was 13.8 per cent. These asset classes are managed, in most cases, by external asset managers with the exception of the Group's real estate portfolio which is managed by Sampo Group's real estate management unit. The real estate portfolio includes both direct investments in properties and indirect investments in real estate funds as well as in shares and debt instruments of real estate companies.

The insurance liabilities as well as the risk appetite of Mandatum Life and If P&C differ, and as a result the structures and risks of the investment portfolios of the two companies are often different, as can be seen in the table Consolidated Investment Allocation, If P&C, Mandatum Life, Sampo plc and Sampo Group, 31 December 2016 presented earlier. This is reflected also in the companies' investment returns. Mandatum Life has had, on average, higher returns and higher volatility. The figures Annual Investment Returns at Fair Values, If P&C and Mandatum Life, 2007–2016 present the historical development of investment returns.

Annual Investment Returns at Fair Values
If P&C, 2007–2016





The weighted average investment return of Group's investment portfolios (including Sampo plc) in 2016 was 3.9 per cent (3.1).

Interest Rate and Currency Risks

Interest Rate Risk

Interest rate sensitivity in terms of the average duration of fixed income investments in If P&C was 1.4 years and in Mandatum Life 2.0 years. These duration figures include the effect of hedging derivatives. The respective durations of insurance liabilities in If P&C and Mandatum Life were 6.5 and 9 years. Interest rate risk is managed at the balance sheet level by changing the duration of assets and interest rate derivatives. This is described in detail in section ALM Risks.

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

Currency Risk

In Sampo Group companies the net foreign currency exposure is considered as a separate asset class and 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. Hence there is no structural FX risk. On the other hand, If P&C can open short or long FX positions (active FX risk) within its FX risk limits.

In Mandatum Life, transaction risk arises mainly from investments in currencies other than euro as the company’s technical provisions are almost completely denominated in euro. Mandatum Life does not automatically close its FX position in foreign currencies, but the 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 2016. 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 2016

	Base currency	EUR	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
If P&C	**SEKm**										
Insurance operations		-150	-155	0	-8	-27	-2,421	-10	-804	-27	-3,601
Investments		11	1,150	0	0	12	2,702	0	68	1	3,945
Derivatives		102	-998	0	12	18	-245	9	732	-2	-372
Total transaction risk, net position, If P&C		**-36**	**-2**	**0**	**4**	**3**	**36**	**-1**	**-4**	**-28**	**-27**
Sensitivity: SEK -10%		-4	0	0	0	0	4	0	0	-3	-3
Mandatum Life	**EURm**										
Technical provisions		0	0	0	0	-2	0	0	0	0	-2
Investments		0	2,035	24	181	61	12	185	13	112	2,622
Derivatives		0	-1,543	-21	-180	77	110	-189	-13	-43	-1,801
Total transaction risk, net position, Mandatum Life		**0**	**492**	**2**	**1**	**135**	**122**	**-3**	**-1**	**70**	**819**
Sensitivity: EUR -10%		0	49	0	0	14	12	0	0	7	82

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

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

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

Equity and Spread Risks

Most of Sampo Group's investments in fixed income securities and listed equities are tradable and hence subject to daily mark-to-market valuation. Moreover, Sampo Group has also some illiquid investments – loan instruments and private equity – for which market prices are not frequently available, but whose fair values can change adversely when the financial strength or future prospects of the issuer deteriorates or the value of collaterals decreases.

Exposures in Fixed Income and Equity Instruments

Exposures in fixed income and equity instruments are shown in the tables Exposures by Sectors, Asset Classes and Rating, If P&C, Mandatum Life and Sampo Group, 31 December 2016. The tables also include counterparty risk exposures relating to reinsurance and derivative transactions. Counterparty default risks are described in more detail in section Counterparty Default Risks. Due to differences in the reporting treatment of derivatives, the figures in the table are not fully comparable with other tables in this annual report.

Exposures by Sectors, Asset Classes and Rating

If P&C, 31 December 2016

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change 31 Dec 2015
Basic Industry	0	0	20	38	26	0	37	120	40	0	0	160	11
Capital Goods	0	23	64	48	0	0	21	156	541	0	0	698	100
Consumer Products	0	126	176	184	33	0	64	582	386	0	0	968	206
Energy	0	45	96	0	41	0	231	413	9	0	0	421	86
Financial Institutions	0	1,234	1,371	380	55	0	38	3,078	35	0	1	3,114	-268
Governments	123	0	0	0	0	0	0	123	0	0	0	123	-19
Government Guaranteed	78	78	0	0	0	0	0	156	0	0	0	156	-2
Health Care	7	0	42	30	0	0	8	86	57	0	0	143	52
Insurance	0	0	41	61	4	0	5	111	0	0	106	217	30
Media	0	0	2	0	0	0	33	35	0	0	0	35	14
Packaging	0	0	0	0	0	0	6	6	0	0	0	6	0
Public Sector, Other	781	171	0	0	0	0	0	952	0	0	0	952	-127
Real Estate	0	6	58	32	0	0	485	581	0	22	0	603	110
Services	0	0	0	67	101	0	21	189	0	0	0	189	73
Technology and Electronics	0	38	21	0	0	0	38	97	7	0	0	104	40
Telecommunications	0	0	80	27	0	0	42	149	62	0	0	211	18
Transportation	0	107	51	55	11	0	144	368	11	0	0	379	73
Utilities	0	0	0	327	51	0	62	441	0	0	0	441	87
Others	0	15	0	0	0	0	0	15	0	1	0	17	14
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	2,873	94	0	0	0	0	0	2,967	0	0	0	2,967	315
Funds	0	0	0	0	0	0	0	0	380	22	0	402	-21
Clearing House	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**3,861**	**1,938**	**2,022**	**1,249**	**322**	**0**	**1,234**	**10,625**	**1,526**	**44**	**108**	**12,303**	**792**
Change 31 Dec 2015	**153**	**-302**	**370**	**457**	**41**	**0**	**53**	**772**	**28**	**-2**	**-5**	**792**	

Exposures by Sectors, Asset Classes and Rating
Mandatum Life, 31 December 2016

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change 31 Dec 2015
Basic Industry	0	0	0	2	81	0	35	118	151	0	0	269	-43
Capital Goods	0	10	39	7	5	0	69	129	143	0	0	272	-34
Consumer Products	0	49	135	87	46	0	10	327	258	0	0	584	8
Energy	0	33	19	0	14	0	8	74	6	0	0	80	-35
Financial Institutions	0	682	962	316	51	0	0	2,012	27	1	22	2,062	161
Governments	18	0	0	0	0	0	0	18	0	0	0	18	-12
Government Guaranteed	0	0	0	0	0	0	0	0	0	0	0	0	0
Health Care	0	15	24	4	45	0	51	139	50	0	0	189	-19
Insurance	0	0	1	49	0	0	6	56	3	20	0	78	24
Media	0	0	9	0	12	0	21	42	0	0	0	42	-17
Packaging	0	0	0	0	61	0	7	68	1	0	0	68	-17
Public Sector, Other	0	27	44	0	0	0	0	70	0	0	0	70	2
Real Estate	0	0	0	26	0	0	55	81	0	230	0	311	-16
Services	0	0	0	26	66	0	58	151	80	0	0	231	1
Technology and Electronics	4	6	15	30	7	0	20	81	151	0	0	232	47
Telecommunications	0	0	7	16	40	0	16	79	29	0	0	108	13
Transportation	0	0	0	2	12	0	5	20	24	0	0	44	9
Utilities	0	2	1	140	23	0	0	166	0	0	0	166	2
Others	0	0	0	0	19	0	2	21	0	58	0	79	-3
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	154	12	0	11	0	0	0	178	0	0	0	178	-20
Funds	0	0	0	0	0	0	108	108	816	598	0	1,521	-117
Clearing House	0	0	0	0	0	0	0	0	0	0	5	5	5
Total	**177**	**836**	**1,256**	**716**	**483**	**0**	**471**	**3,938**	**1,737**	**907**	**27**	**6,609**	**-61**
Change 31 Dec 2015	**-31**	**103**	**56**	**187**	**-319**	**0**	**-3**	**-7**	**5**	**-85**	**25**	**-61**	

Exposures by Sectors, Asset Classes and Rating
Sampo Group, 31 December 2016

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change 31 Dec 2015
Basic Industry	0	0	20	40	107	0	72	239	191	0	0	429	-32
Capital Goods	0	32	103	55	5	0	90	285	685	0	0	970	57
Consumer Products	0	176	311	271	78	0	74	909	643	0	0	1,553	214
Energy	0	78	115	0	55	0	239	487	15	0	0	502	51
Financial Institutions	0	3,128	2,561	959	106	0	38	6,793	98	1	24	6,917	508
Governments	141	0	0	0	0	0	0	141	0	0	0	141	-30
Government Guaranteed	78	78	0	0	0	0	0	156	0	0	0	156	-2
Health Care	7	15	66	34	45	0	59	225	107	0	0	438	35
Insurance	0	0	42	110	4	0	100	256	3	37	106	295	54
Media	0	0	11	0	12	0	54	77	0	0	0	77	-2
Packaging	0	0	0	0	61	0	12	73	1	0	0	74	-17
Public Sector, Other	781	198	44	0	0	0	0	1,022	0	0	0	1,022	-124
Real Estate	0	6	58	58	0	0	541	663	0	253	0	916	94
Services	0	0	0	93	168	0	79	340	109	0	0	449	81
Technology and Electronics	4	44	36	30	7	0	58	178	158	0	0	336	87
Telecommunications	0	0	87	43	40	0	58	228	90	0	0	318	31
Transportation	0	107	51	57	23	0	169	407	35	0	0	442	90
Utilities	0	2	1	467	75	0	62	607	0	0	0	607	88
Others	0	15	0	0	19	0	2	36	0	59	0	96	11
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	3,027	107	0	11	0	0	0	3,145	0	0	0	3,145	295
Funds	0	0	0	0	0	0	108	108	1,217	622	0	1,946	-118
Clearing House	0	0	0	0	0	0	0	0	0	0	5	5	5
Total	**4,038**	**3,986**	**3,505**	**2,228**	**805**	**0**	**1,813**	**16,375**	**3,351**	**973**	**135**	**20,833**	**1,375**
Change 31 Dec 2015	**122**	**687**	**240**	**699**	**-277**	**0**	**55**	**1,526**	**-80**	**-88**	**16**	**1,375**	

The largest holdings are in financial institutions and covered bonds. Most of these investments are in the Nordic countries as can be seen in the table Fixed Income Investments in Financial Sector, Sampo Group, 31 December 2016. These exposures increased by EUR 965 million during 2016.

Fixed Income Investments in Financial Sector
Sampo Group, 31 December 2016

EURm	Covered bonds	Cash and money market securities	Long-term senior debt	Long-term subordinated debt	Total	%
Sweden	1,998	352	798	458	**3,606**	36.3%
Finland	132	2,207	251	6	**2,596**	26.1%
Norway	651		396	224	**1,272**	12.8%
Denmark	207	7	312	71	**597**	6.0%
United States		5	356		**361**	3.6%
United Kingdom	12	282	24	2	**321**	3.2%
France	22	194	62	14	**292**	2.9%
Canada	72		142		**214**	2.2%
Netherlands		0	201		**201**	2.0%
Switzerland			178	11	**189**	1.9%
Iceland			91		**91**	0.9%
Germany	19	6	52	0	**78**	0.8%
Australia	19		28		**48**	0.5%
Guernsey			28		**28**	0.3%
Estonia		23			**23**	0.2%
Luxembourg	11				**11**	0.1%
Cayman Islands			7		**7**	0.1%
Italy		5			**5**	0.1%
Latvia		0			**0**	0.0%
Total	**3,145**	**3,083**	**2,924**	**786**	**9,938**	**100.0%**

The public sector exposure includes government bonds, government guaranteed bonds and other public sector investments as shown in the table Fixed Income Investments in Public Sector, Sampo Group, 31 December 2016. The public sector has had a relatively minor role in Sampo Group's portfolios and these exposures have been mainly in the Nordic countries.

Fixed Income Investments in Public Sector
Sampo Group, 31 December 2016

EURm	Governments	Government guaranteed	Public sector, other	Total market value
Sweden	100		679	**779**
Norway			250	**250**
Finland		78	75	**153**
Germany		67		**67**
United States	41			**41**
Japan			19	**19**
Denmark		11		**11**
Total	**141**	**156**	**1,022**	**1,319**

The exposures in non-investment grade fixed income instruments are significant, because a relatively small number of Nordic companies are rated; further, of rated companies many have a rating lower than triple-B (high yield). 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 2016.

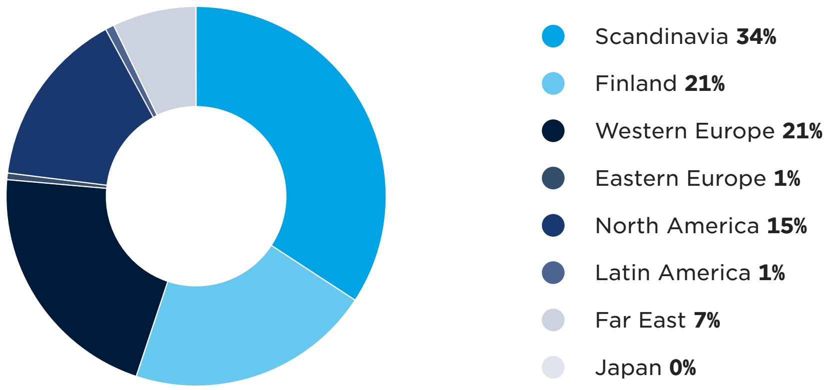
Ten Largest Direct High Yield and Non-Rated Fixed Income Investments
Sampo Group, 31 December 2016

Largest direct high yield and non-rated fixed income investments	Rating	Total fair value, EURm	% of total direct fixed income investments
High Street Shopping	NR	127	0.8%
Teollisuuden Voima	BB+	125	0.8%
Topdanmark	NR	89	0.5%
Eksportfinans	BB-	60	0.4%
IVG Polar	NR	57	0.4%
Sponda	NR	53	0.3%
Nassa Midco	B	50	0.3%
Storebrand	BB+	49	0.3%
Aker	NR	46	0.3%
YIT	NR	45	0.3%
Total top 10 exposures		**702**	**4.3%**
Other direct fixed income investments		15,565	95.7%
Total direct fixed income investments		16,267	100.0%

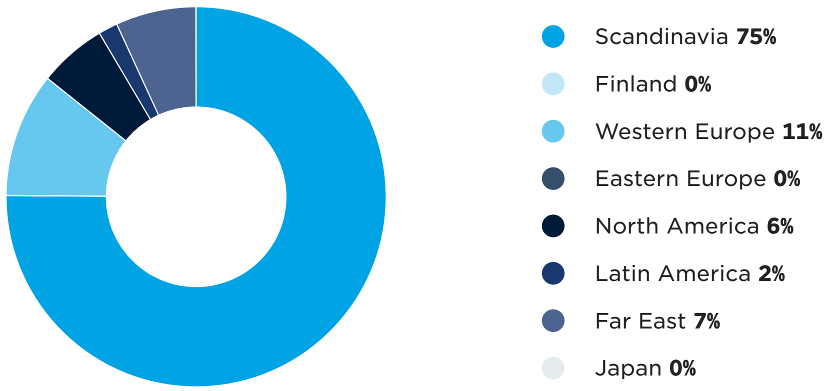
The listed equity investments of Sampo Group totaled EUR 3,352 million (3,431) at the end of year 2016. At the end of year 2016, the listed equity exposure of If P&C was EUR 1,527 million (1,498). The proportion of listed equities in If P&C's investment portfolio was 12.5 per cent. In Mandatum Life, the listed equity exposure was EUR 1,737 million (1,732) at the end of year 2016 and the proportion of listed equities was 26.4 per cent of the investment portfolio.

A breakdown of the listed equity exposures of Sampo Group by geographical regions is shown in the figure Breakdown of Listed Equity Investments by Geographical Regions, Sampo Group, If P&C and Mandatum Life, 31 December 2016.

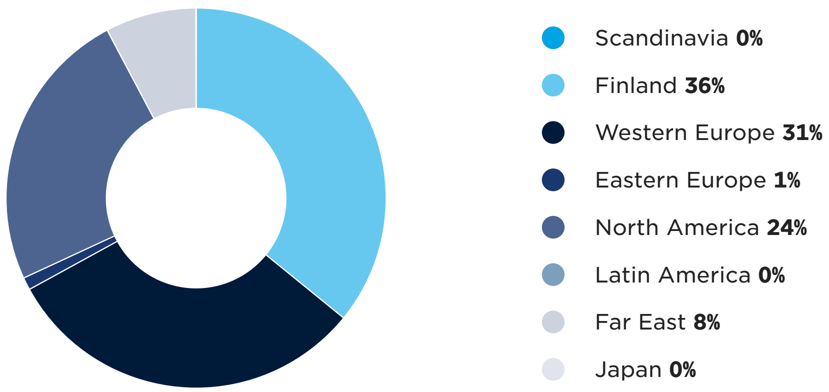
Breakdown of Listed Equity Investments by Geographical Regions
Sampo Group, 31 December 2016, total EUR 3,352 million



Breakdown of Listed Equity Investments by Geographical Regions
If P&C, 31 December 2016, total EUR 1,527 million



Breakdown of Listed Equity Investments by Geographical Regions
Mandatum Life, 31 December 2016, total EUR 1,737 million



The geographical core of Sampo Group's equity investments is in the Nordic companies. The proportion of Nordic companies' equities corresponds to 55 per cent of the total equity portfolio. This is in line with Sampo Group's investment strategy of focusing on Nordic companies. Moreover, Group's insurance liabilities are mostly denominated in euro or 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 strategic point of view other geographical areas have recently provided interesting investment opportunities.

The sector allocation of direct listed equity investments in Sampo Group is presented in the tables Exposures by Sectors, Asset Classes and Rating, If P&C, Mandatum Life and Sampo Group, 31 December 2016. The largest allocations are to capital goods, consumer products and basic industry. Listed equity investments made through mutual funds and ETF investments accounted for 36.3 per cent of the entire equity portfolio.

Furthermore, the largest direct listed equity exposures are presented in the table Ten Largest Direct Listed Equity Investments, Sampo Group, 31 December 2016.

Ten Largest Direct Listed Equity Investments
Sampo Group, 31 December 2016

Top 10 listed equity investments	Total fair value, EURm	% of total direct equity investments
Nobia	157	7.4%
Veidekke	127	5.9%
Volvo	110	5.1%
Amer Sports	96	4.5%
Hennes & Mauritz	94	4.4%
ABB	89	4.1%
UPM-Kymmene	86	4.0%
Sandvik	65	3.0%
TeliaSonera	62	2.9%
Husqvarna	60	2.8%
Total top 10 exposures	**946**	**44.3%**
Other direct equity investments	1,190	55.7%
Total direct equity investments	2,136	100.0%

In addition, Sampo Group's largest listed equity holdings are disclosed in the Notes to the Financial Statements (Note 41).

The largest exposures by individual issuers and counterparties are presented in the table Largest Exposures by Issuer and by Asset Class, Sampo Group, 31 December 2016.

Largest Exposures by Issuer and Asset Class
Sampo Group, 31 December 2016

EURm Counterparty	Total fair value	% of total investment assets	Cash & short-term fixed income	Long-term fixed income, total	Long-term fixed income: Government guaranteed	Long-term fixed income: Covered bonds	Long-term fixed income: Senior bonds	Long-term fixed income: Tier 1 and Tier 2	Equities	Uncollateralized derivatives
Nordea Bank	2,307	11%	1,214	1,081	0	652	109	320	0	12
Danske Bank	1,060	5%	645	405	0	101	255	49	0	9
Skandinaviska Enskilda Banken	1,021	5%	553	466	0	235	159	72	0	2
Svenska Handelsbanken	872	4%	150	721	0	620	86	15	0	0
DnB	599	3%	0	599	0	252	234	114	0	0
Sweden	557	3%	0	557	0	0	557	0	0	0
BNP Paribas	549	3%	477	72	0	0	62	10	0	0
Swedbank	520	3%	1	518	0	295	211	13	0	0
Norway	411	2%	44	367	0	0	257	110	0	0
Landshypotek	216	1%	0	216	0	194	0	22	0	0
Total Top 10 Exposures	**8,110**	**39%**	**3,085**	**5,002**	**0**	**2,348**	**1,930**	**724**	**0**	**23**
Other	12,617	61%								
Total investment assets	**20,727**	**100%**								

Counterparty Default Risks

Counterparty Default Risk ("Counterparty Risk") is one type of consequential risk, which Sampo Group is exposed to through its activities. In Sampo Group the major three sources of counterparty risk are reinsurance, financial derivatives and other receivables.

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

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

Reinsurance Counterparty Risk

Default risk related to reinsurance counterparties mainly concerns If P&C, as the use of reinsurance in Mandatum Life is relatively limited.

In If P&C reinsurance is used regularly and If P&C have many programs in place. If P&C is using reinsurance to (i) utilize its own capital base efficiently and reduce cost of capital, (ii) limit large fluctuations of underwriting results and (iii) have access to reinsurers' competence base. The Reinsurance Committee ("RC") is a collaboration forum for reinsurance related issues in general and shall give its opinion on and propose actions in respect of such issues. The committee shall consider and propose changes to the Reinsurance Policy and the Internal Reinsurance Policy. The Chairman is responsible for reporting policy deviations and other issues dealt with by the committee.

The distribution of reinsurance receivables and reinsurers' portion of outstanding claims on 31 December 2016 per rating category is presented in the table Reinsurance Recoverables and Pooled Solutions, If P&C, 31 December 2016 and 31 December 2015.

Reinsurance Recoverables and Pooled Solutions
If P&C, 31 December 2016 and 31 December 2015

	31 Dec 2016		31 Dec 2015	
Rating	**Total EURm**	**% of total**	**Total EURm**	**% of total**
AAA	0	0	0	0%
AA+ - A-	102	41%	97	39%
BBB+ - BBB-	2	1%	4	2%
BB+ - C	0	0	0	0%
D	0	0	0	0%
Non-rated	2	1%	2	1%
Captives and statutory pool solutions	140	57%	143	58%
Total	**246**	**100%**	**246**	**100%**

Because the recoverables and pooled solutions reported above are not covered by collaterals the whole amount is exposed to counterparty risk. Hence, the reinsurance counterparties are selected carefully and their default risks are monitored continuously.

The Reinsurance Security Committee ("RSC") shall give input and suggestions to decisions in respect of various issues regarding reinsurance default risk and risk exposure, as well as proposed deviations from the Reinsurance Security Policy. The Chairman is responsible for reporting policy deviations and other issues dealt with by the committee. If P&C has a Reinsurance Security Policy that sets requirements for the reinsurers' minimum credit ratings and the maximum exposure to individual reinsurers. Also, the own credit-analysis plays a central role when counterparties are selected.

As seen from above table most of the reinsurers are having either AA- or A- rating. The ten largest individual reinsurance recoverables amounted to EUR 168 million, representing 68 per cent of the total reinsurance recoverables. If P&C's largest individual reinsurer is Munich Re (AA-). They account for 18 per cent of the total reinsurance recoverables.

The cost of risk transfer related to the reinsurance recoverables and pooled solutions amounted to EUR 55.5 million. Of this amount, 100 per cent was related to reinsurance counterparties with a credit rating of A- or higher.

Counterparty Risk Related to Financial Derivatives

In Sampo Group, the default risk of derivative counterparties is a by-product of managing market risks. This is the case especially in Sampo plc and Mandatum Life which are frequent users of long-term interest rate derivatives in addition to FX-forwards and options. In If P&C the role of long term interest rate derivatives has been immaterial and counterparty risk stems mainly from short-term FX-derivatives.

The counterparty risk of bilaterally settled derivatives is mitigated by 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. During 2016 Sampo Group companies started to settle interest rate swaps in central clearing houses, which while further mitigating bilateral counterparty risk also exposes Sampo Group companies to the systemic risk related to centralized clearing parties.

ALM Risks

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

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

Principles of Asset and Liability Management

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

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

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

ALM in If P&C

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

In the financial accounts most of the technical provisions are nominal, while a significant part, namely the annuity and annuity IBNR reserves, are discounted using 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, 2016 in the Non-life Underwriting Risks section.

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

ALM in Mandatum Life

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

The Investment Policy for segregated assets defines the risk bearing capacity and the corresponding control levels. Since the future bonus reserves of the segregated group pension portfolio is the first buffer against possible investment losses, the risk bearing capacity is also based on the amount of the future bonus reserve. Different control levels are based on the fixed stress scenarios of assets.

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

When the above mentioned control levels are breached, the ALCO reports to the Board which then takes responsibility for the decisions related to the capitalization and the market risks in the balance sheet.

The cash flows of Mandatum Life's with profit technical provisions are relatively predictable, because in most of the company's with profit products, surrenders and premiums are restricted. The company's claims costs do not contain a significant inflation risk element.

The long-term target for investments is to provide sufficient return to cover the guaranteed interest rate plus bonuses based on the principle of fairness as well as the shareholder's return requirement with an acceptable level of risk. In the long run, the most significant risk is that fixed income investments will not generate an adequate return compared to the guaranteed rate. In addition to investment and capitalization decisions, Mandatum Life has implemented active measures on the liability side to manage the balance sheet level interest rate risk. The company has reduced the minimum guaranteed interest rate in new contracts, supplemented the technical provisions with discount rate reserves and adjusted policy terms and conditions as well as policy administration processes to enable more efficient interest rate risk management.

Interest Rate Risk of Balance Sheet

Sampo Group is negatively affected when rates are decreasing or staying at low levels, because the duration of liabilities in Sampo Group companies is longer than the duration of assets. If P&C has successfully decreased its combined ratio over the years to counteract falling interest rates. Mandatum Life's strategic balancing factor has been the increasing proportion of non-interest rate sensitive Wealth-management business. At Group level interest rate risks have been partly mitigated by having the major portion of Sampo's debt tied to short term interest rates.

Liquidity Risks

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

In Sampo Group, liquidity risk is managed by the legal entities, which are responsible for liquidity planning and maintaining adequate liquidity buffers. Liquidity risk is monitored based on the expected cash flows resulting from assets, liabilities and other business. In the subsidiaries, the adequacy of liquidity buffers is dependent on the underwriting cash flows. In the parent company, the adequacy of liquidity buffers is dependent also on potential strategic arrangements. A high liquidity is generally preferred. At the end of 2016, the liquidity position in each legal entity was in accordance with internal requirements.

In If P&C, liquidity risk is limited, since premiums are collected in advance and large claims payments are usually known a long time before they fall due. Liquidity risks are managed by cash management functions which are responsible for liquidity planning. Liquidity risk is reduced by having investments that are readily tradable in liquid markets. The available liquid financial assets, being that part of the assets which can be converted into cash at a specific point in time, are analyzed and reported to the ORSA (Own Risk Solvency Assessment) Committee.

In Mandatum Life, a large change in surrender rates could influence the liquidity situation. However, only a relatively small part of the insurance policies can be surrendered and it is therefore possible to forecast short-term cash flows related to claims payments with a very high accuracy.

The maturities of technical provisions and financial assets and liabilities are presented in the table Cash Flows According to Contractual Maturity, If P&C, Mandatum Life and Sampo plc, 31 December 2016. 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 2016

	Carrying amount total			Cash flows						
EURm	**Carrying amount total**	**Carrying amount without contractual maturity**	**Carrying amount with contractual maturity**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022-2031**	**2032-**
If P&C										
Financial assets	13,578	1,988	11,590	1,953	1,553	2,287	2,284	2,091	778	0
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Financial liabilities	1,076	0	1,076	-68	-109	-15	-15	-335	0	0
of which interest rate swaps	4	0	4	-1	-1	-1	0	0	0	0
Net technical provisions	9,143	0	9,143	-3,109	-1,107	-680	-506	-427	-2,105	-1,825
Mandatum Life										
Financial assets	6,398	3,191	3,208	601	628	383	863	331	574	14
of which interest rate swaps	1	0	1	0	0	0	0	0	0	0
Financial liabilities	142	0	142	-15	-4	-5	-5	-5	-60	-215
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Net technical provisions	4,291	0	4,291	-429	-397	-368	-342	-316	-2,212	-1,734
Sampo plc										
Financial assets	2,271	1,588	684	89	130	189	48	245	60	214
of which interest rate swaps	12	0	12	1	10	1	4	0	0	0
Financial liabilities	3,551	0	3,551	-1,217	-265	-552	-361	-540	-765	0
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0

In the table, financial assets and liabilities are divided into contracts that have an exact contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. In addition, the table shows expected cash flows for net technical provisions, which by their nature, are associated with a certain degree of uncertainty. In the investment assets of Mandatum Life, the investments of the Baltic subsidiary are included in the carrying amount but excluded from the cash flows.

Sampo Group has a relatively low amount of financial liabilities and thus Group's respective refinancing risk is relatively small. During 2016, Sampo issued two public bonds amounting to EUR 1.05 billion and several private placements targeted to Mandatum Life's retail clients. If also issued two tranches of subordinated liabilities amounting to SEK 2 billion in 2016. Sampo Group companies have business relationships with several creditworthy counterparties which mitigate the risk that Group is not able to enter into reinsurance or derivative transactions when needed.

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

Operational Risks

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

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

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

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

If P&C

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

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

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

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

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

Mandatum Life

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

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

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

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

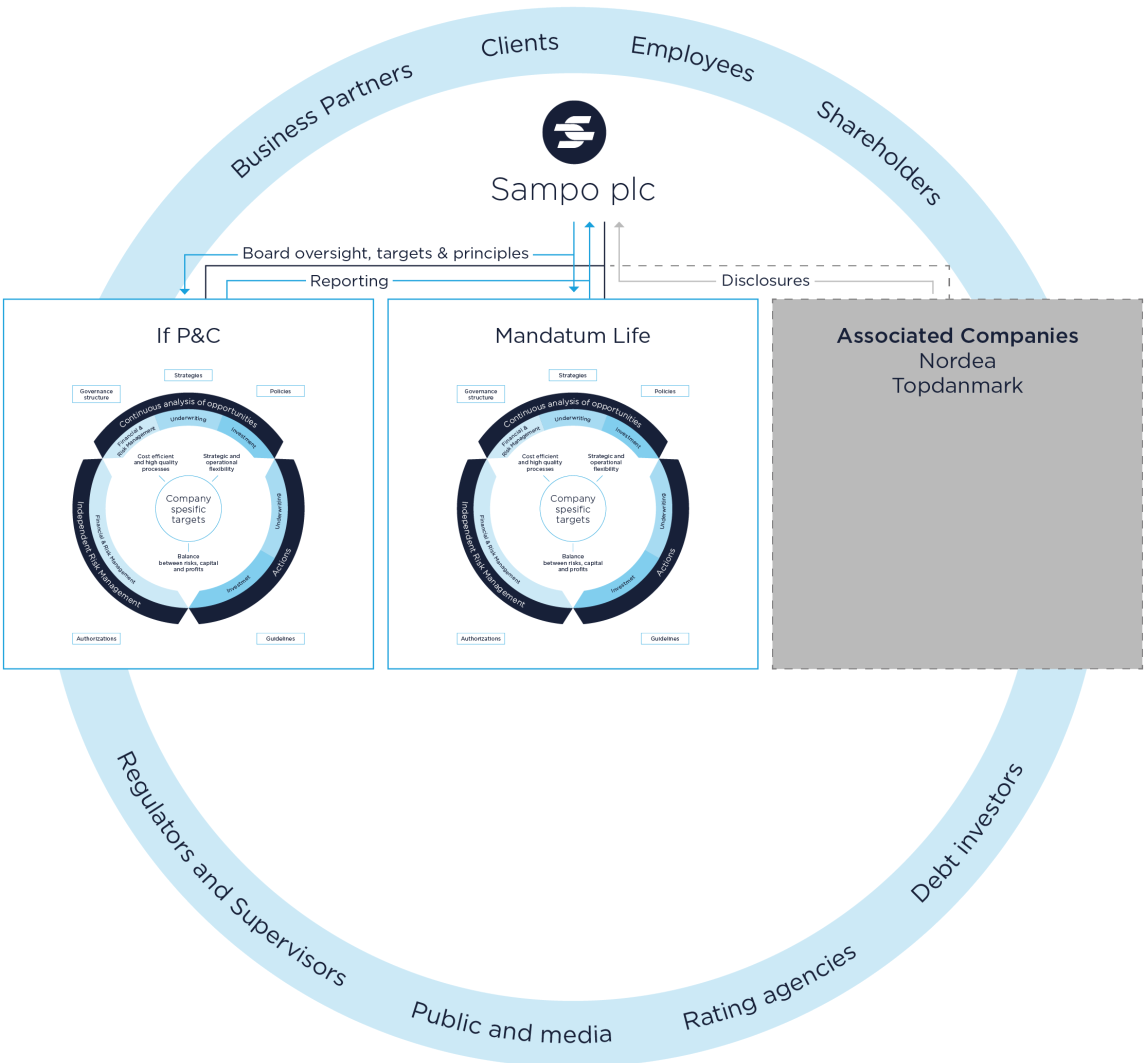
The internal control system aims at preventing and identifying negative incidents and minimizing their impact. In addition, would there be an operational risk event or a near miss, this must be analyzed and reported to ORC.

Appendices

Appendix 1: Sampo Group Steering Framework and Risk Management Process

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

Sampo Group's Steering Framework



Parent Company's Guidance

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

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

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

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

Moreover, Sampo plc's Board of Directors' decisions and thereby also the guidance given to subsidiaries may be impacted by the external regulatory environment and expectations of different stakeholders on Sampo Group's operations. Further information on Sampo Group's relations with its stakeholders is available within the Code of Conduct at www.sampo.com/steeringsystem.

Subsidiaries' Activities and Risk Management

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

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

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

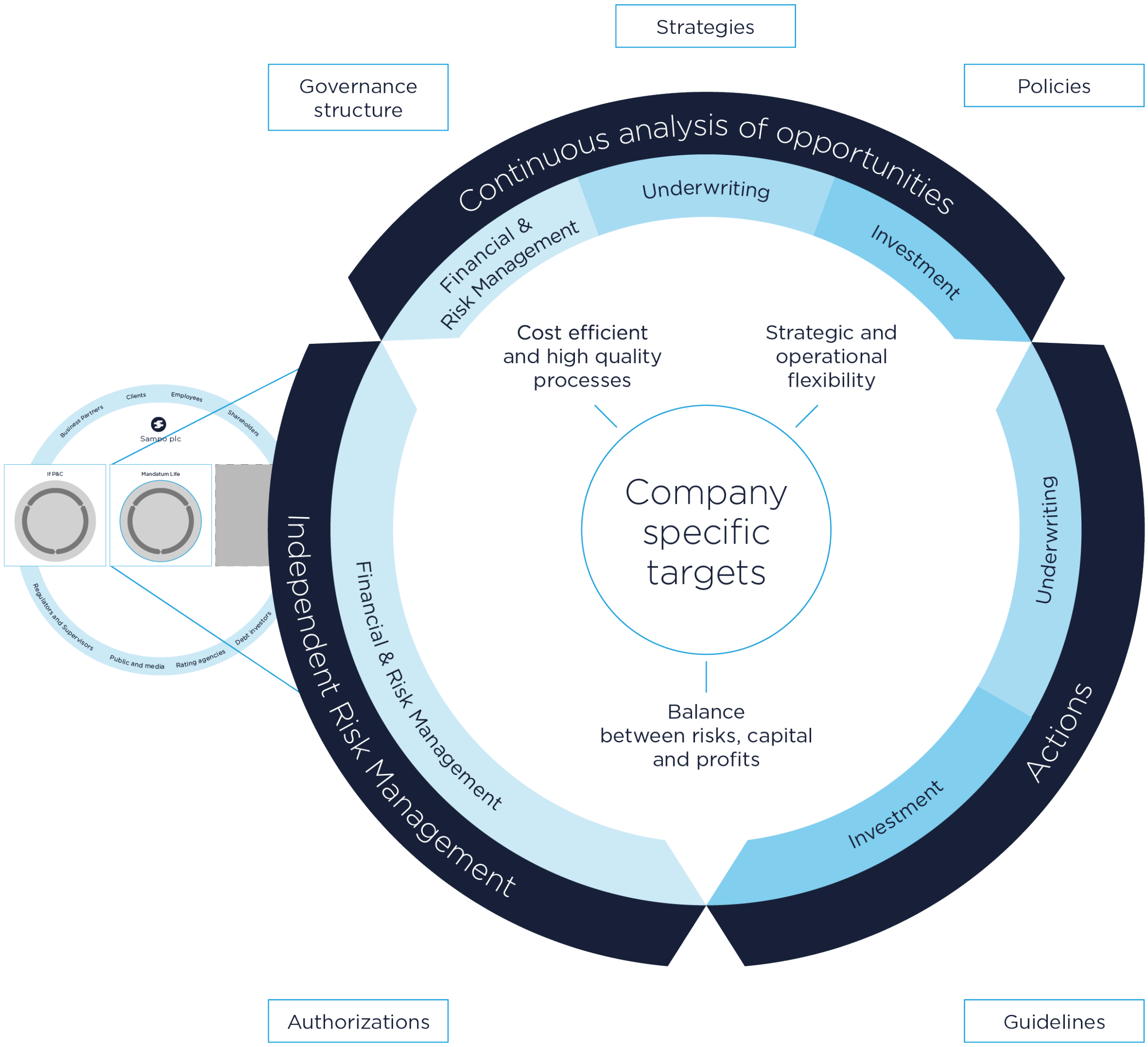
At the operative level, the subsidiaries focus on the effective execution of insurance operations and financial and risk management activities. Investments are managed according to the Investment Policies which are approved by the Boards of Directors of the respective subsidiaries. The parent company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

The risk management process consists of continuous activities that are partly the responsibility of the personnel involved in business activities and partly the responsibility of independent risk management specialists. Although the responsibilities of business lines and independent risk management are clearly segregated in Sampo Group, these functions are in continuous dialogue with each other. In Internal Control Policy Sampo Group has defined the roles and responsibilities of different internal stakeholders.

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 as well as principles for risk monitoring. These structures are one prerequisite for the risk management process; they reflect capital adequacy targets and the risk appetite in general.

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

Company Level Financial and Risk Management Process



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

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

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

Independent Risk Management

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

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

- Disclosure of internal and regulatory capitalization figures quarterly.

Continuous Analysis of Opportunities and Risks

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

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

Actions

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

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

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

Balance Between Risks, Capital and Earnings

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

Cost Efficient and High Quality Processes

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

Strategic and Operational Flexibility

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

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

Parent Company’s Oversight and Activities

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

Sampo reviews quarterly the performance of Sampo Group both on a company level and on a Group level based on the reporting provided by the subsidiaries and the associated companies. The information on associated companies 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 ("AC") of Sampo is based mainly on the reporting produced by the subsidiaries. The reporting concentrates on the balance between risks, capitalization and profitability. The parent company is responsible for reporting on its own activities.

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

Based on the above sub-group level work and Sampo Group level internal work Sampo Group prepare an annual Single Own Risk and Solvency Assessment document ("Single ORSA report") that is supplied to Sampo Group's main supervisor, the Finnish FSA. The Single ORSA report has virtually same structure and contents as quarterly Audit Committee reporting. The only substance difference is the addition of Group-wide solvency forecasts, which are not normally part of the quarterly reporting.

Based on both the company and group level information, the Board of Directors of Sampo decides on Group's capitalization as well as sets the guidelines on the parent company's capital structure and liquidity reserve. The underlying objective for Sampo is to maintain a prudent capital structure and adequate liquidity in order to be able to arrange financing for strategic projects if needed. Strong liquidity and the ability to acquire financing are essential factors in maintaining Sampo Group's strategic flexibility.

Risk Governance

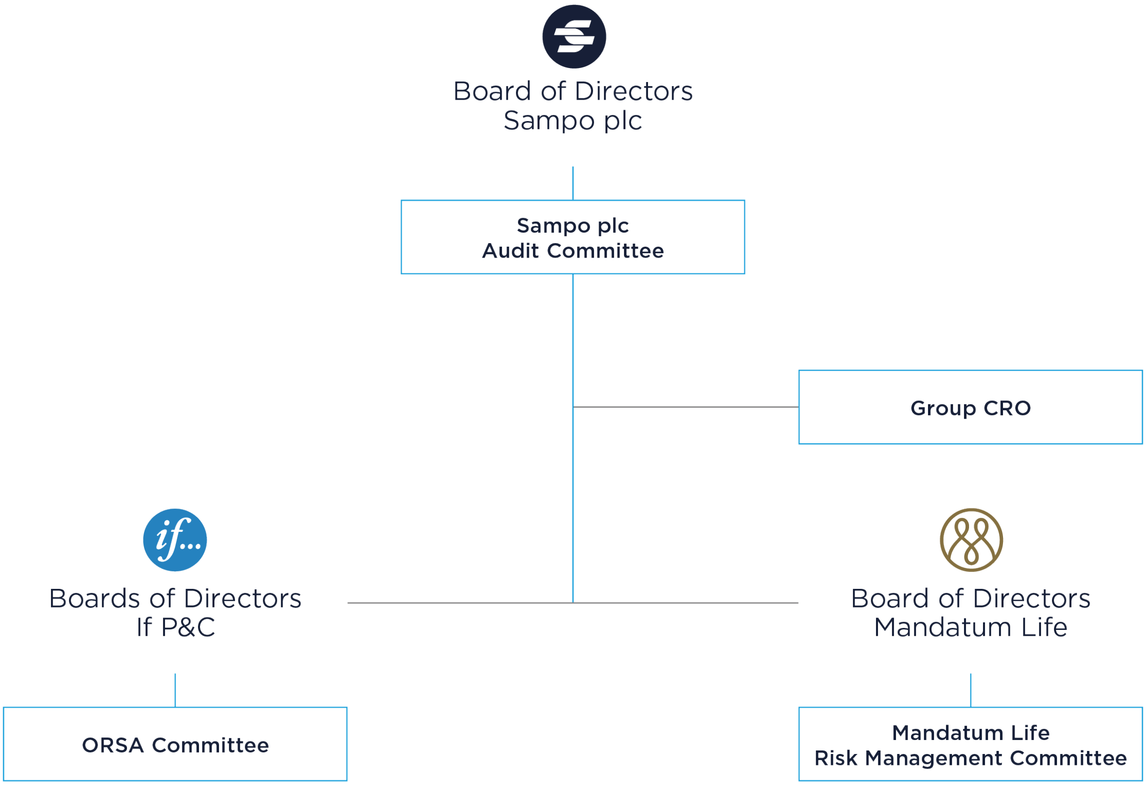
This section describes the governance framework of Sampo Group and its subsidiaries from a risk management perspective. A more detailed description of Sampo Group's corporate governance and internal control system is included in the Corporate Governance section.

Risk Governance at Group Level

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

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

Risk Governance in Sampo Group



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

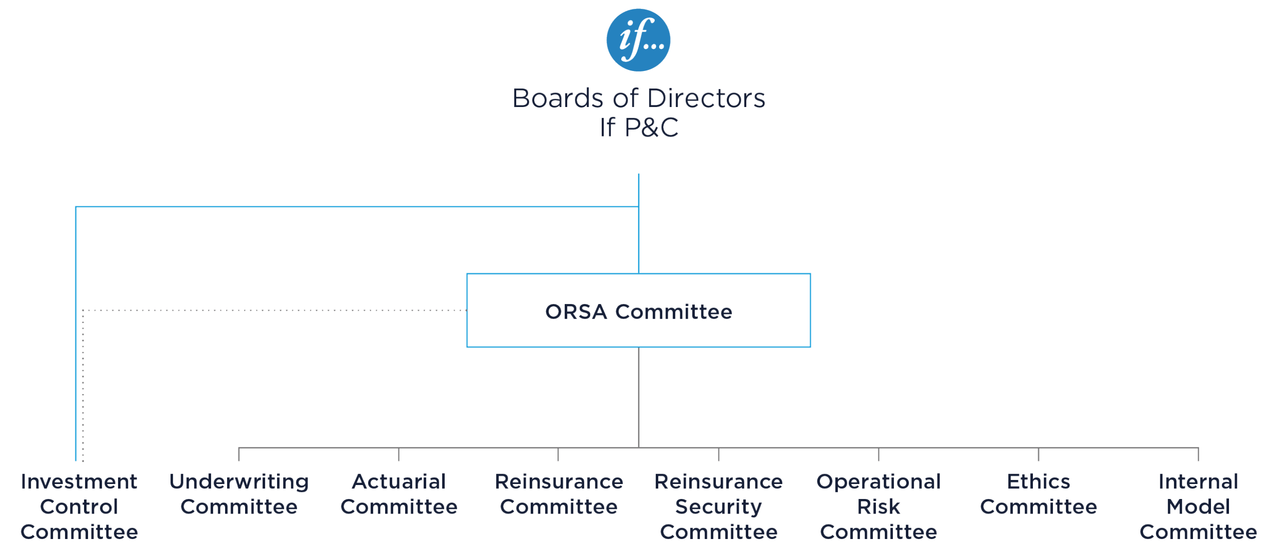
The Group Chief Risk Officer ("CRO") is responsible for the appropriateness of risk management at Group level. The CRO's responsibility is to monitor Sampo Group's aggregated risk exposure as a whole and coordinate and monitor company specific and group level risk management.

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

Risk Governance in If P&C

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

Risk Governance in If P&C



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

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

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

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

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

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

Risk Governance in Mandatum Life

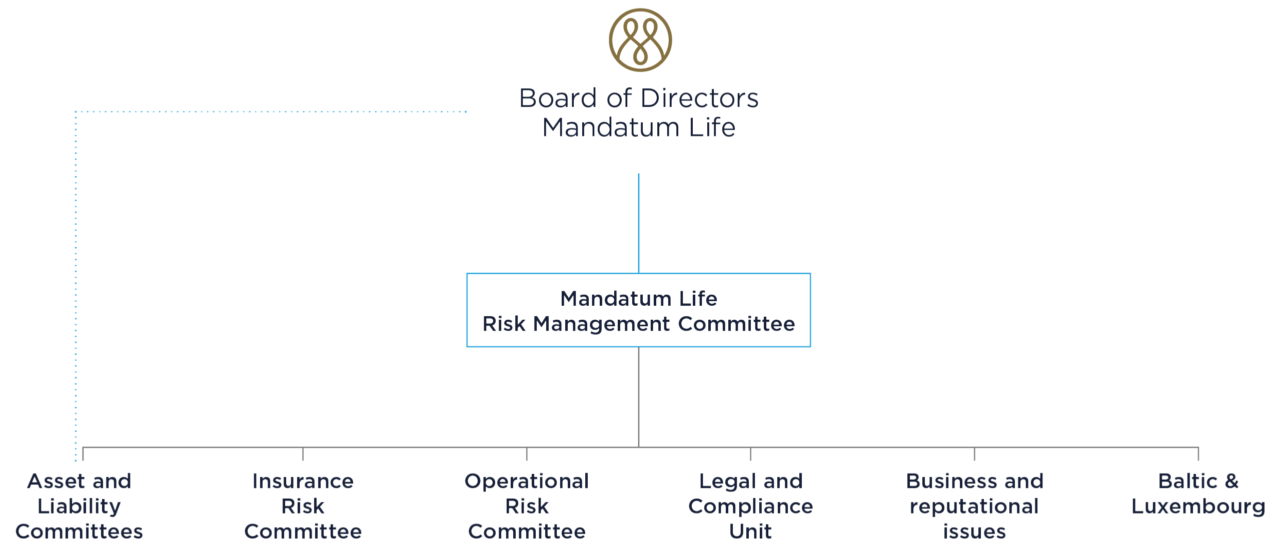
In Mandatum Life the Board of Directors is responsible for risk management and the adequacy of internal control. The Board of Directors annually approves the Risk Management Plan, Investment Policy and other risk management and internal control instructions.

The Managing Director of Mandatum Life has the overall responsibility for risk management according to the Board of Directors' instructions. The Managing Director is the Chairman of the Risk Management Committee which coordinates and monitors all risks in

Mandatum Life. The risks are divided into groups, the main groups being insurance, market, operational, legal and compliance risks as well as business and reputation risks. Each risk area has its own specialized committee or unit and a responsible person in the RMC.

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

Risk Governance in Mandatum Life



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

- The Legal and Compliance Unit takes care of compliance matters with the Head of the Unit being a member of the Risk Management Committee.
- The Baltic subsidiary has its own risk management procedures. All major incidents are also reported to Mandatum Life's Risk Management Committee.
- Internal Audit, through its audit recommendations, has a role to ensure that adequate internal controls are in place and provides Internal Audit's annual review to the Board of Directors.

Appendix 2: Risk Definitions

Underwriting Risks

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

The first component is a source of underwriting risk and the second component affects the interest rate risk in the balance sheet.

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

Technical provisions and the economic value of insurance liabilities always include a degree of uncertainty as they are based on estimates of the size, timing and the frequency of future claim payments. The uncertainty is normally greater for new portfolios for which comprehensive run off statistics are not yet available, and for portfolios which include claims that take a long time to settle. Workers' compensation, motor other and motor third party liability, personal accident and liability insurance are examples of non-life products with the latter characteristics. In principle most of the life products have the latter characteristics embedded within them also. Life insurance policies are also exposed to the behavior of policyholders, because policyholders can change their premium payment intensity or cancel the existing policy.

Non-Life Insurance Underwriting Risks

Non-life insurance underwriting risks are often divided into premium and catastrophe risks and reserve risk in order to separate the risks related to future claims of current insurance contracts from already incurred claims. The division of non-life insurance underwriting risks is illustrated in the figure Non-life Insurance Underwriting Risks below.

Non-Life Insurance Underwriting Risks

External drivers

Technical & medical innovations, changes in climate, natural disasters, economic environment, inflation, laws and regulations

Changes in the timing, frequency or severity of fires, motor accidents, windstorms, floods, thefts and other insured events

Premium and catastrophe risks

Changes in expected liability cash flows resulting from:

- Size and/or frequency of future claims related to unexpired contracts being greater than expected
- Timing of future claims payments related to unexpired contracts differs from expected.

Changes in longevity, inflation components, latent factors and precedents etc.

Reserve risk

Changes in expected liability cash flows resulting from:

- Size of claims payments related to already incurred claims being greater than expected
- Timing of claims payments differs from expected.

Changes in economic value of liabilities and technical provisions

Changes in market interest rates and regulatory discount rates

Premium Risk and Catastrophe Risk

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

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

Reserve Risk

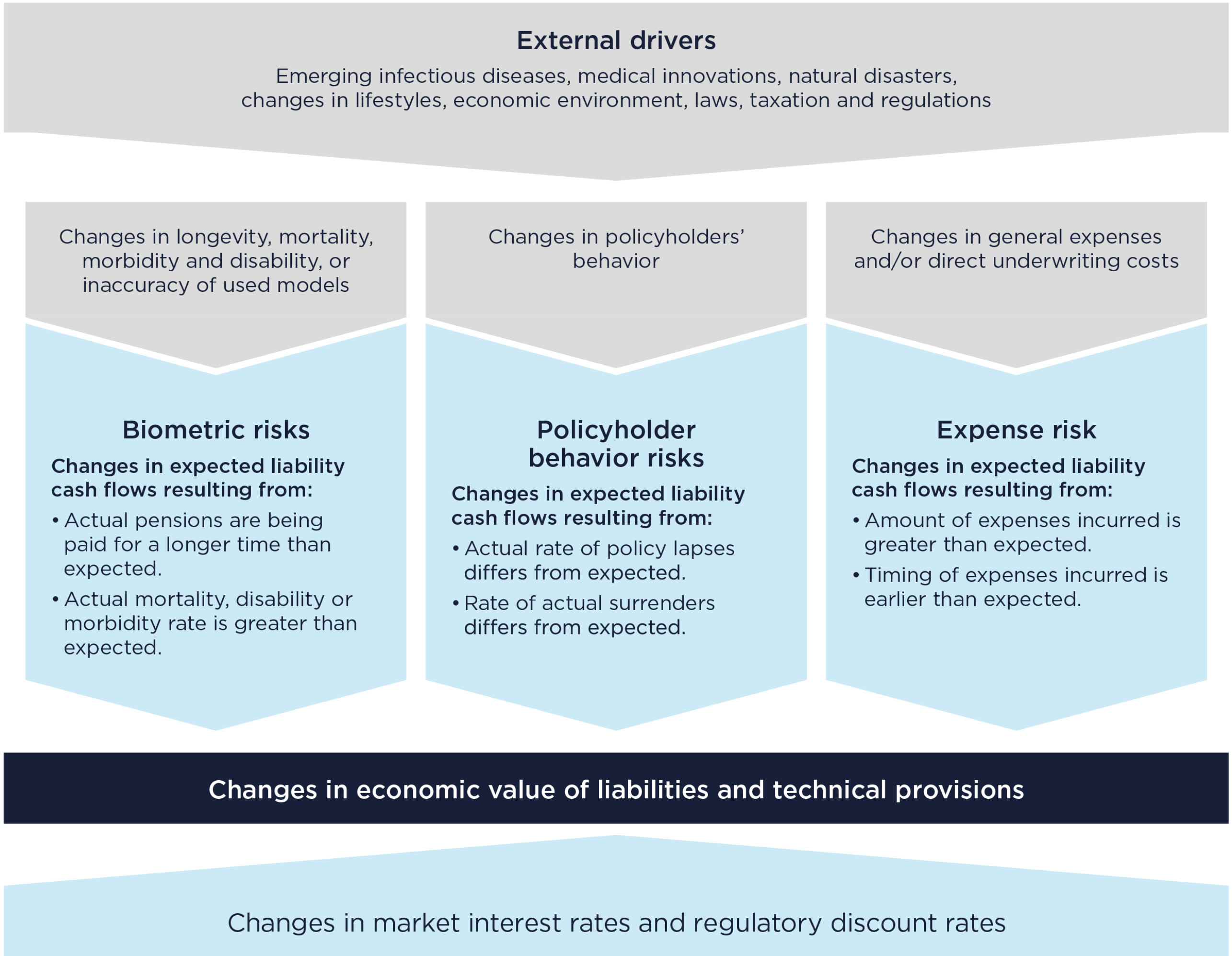
Reserve risk relates to incurred claims, resulting from insured events which have occurred at or prior to the balance sheet date. The final amount, frequency and timing of claims payments may differ from those originally expected. As a result technical provisions are not sufficient to cover the cost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

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

Life Insurance Underwriting Risks

The value of life insurance liabilities is sensitive to underwriting risks and interest rates. Underwriting risk includes biometric, policyholder behavior and expense risks as presented in the figure Life Insurance Underwriting Risks below.

Life Insurance Underwriting Risks



Biometric Risks

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

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

Policyholder Behavior and Expense Risks

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

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

Discount Rate Risk in Technical Provisions

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

Investment Portfolio Market Risks

In general, market risks refer to fluctuations in the financial results and capital base caused by changes in market values of financial assets and liabilities, as well as by changes in the economic value of insurance liabilities.

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

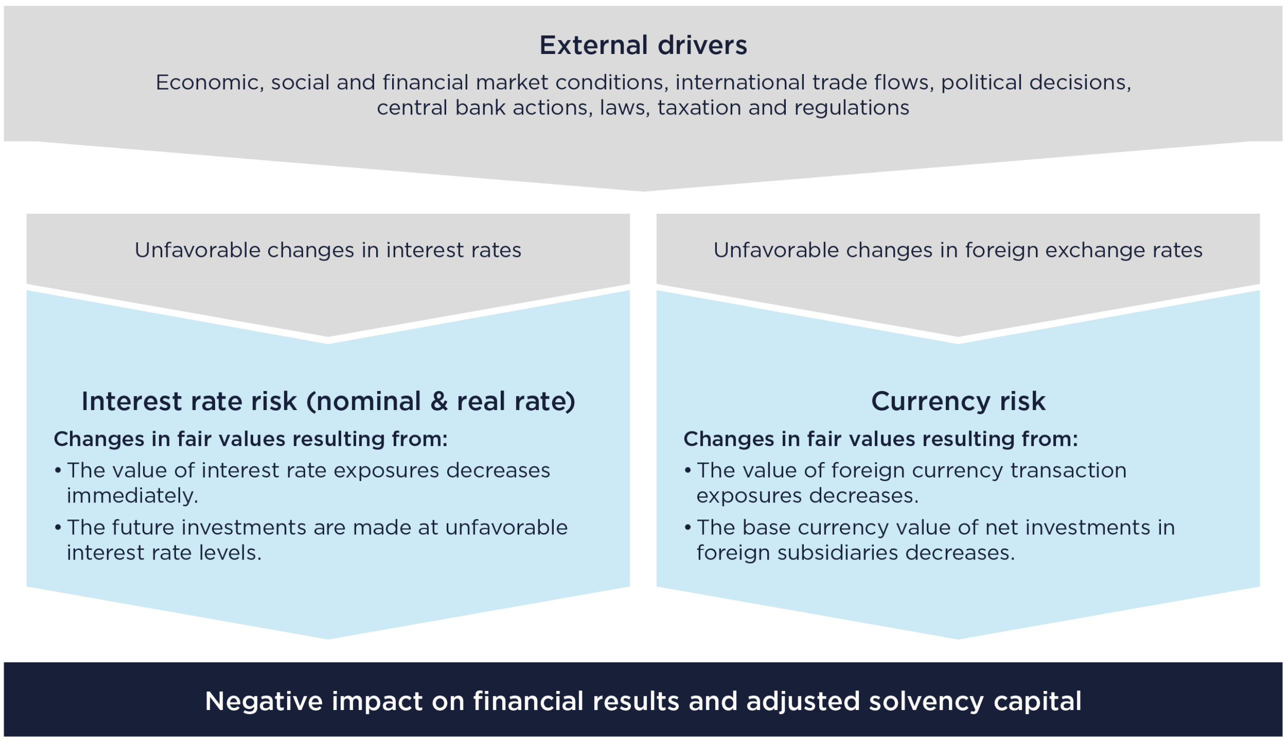
The risks caused by changes in interest rates, foreign exchange rates and inflation together with a general trend of credit spreads and equity prices are defined as **general market risks** and are managed by allocation limits and other risk limits.

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

Interest Rate and Currency Risks

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

Interest Rate and Currency Risks



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

Equity and Spread Risks

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

Equity and Spread Risks

External drivers

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

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

Equity risk

Fair value changes and credit losses resulting from:

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

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

Spread risk

Fair value changes and credit losses resulting from:

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

Negative impact on financial results

Counterparty Default Risks

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

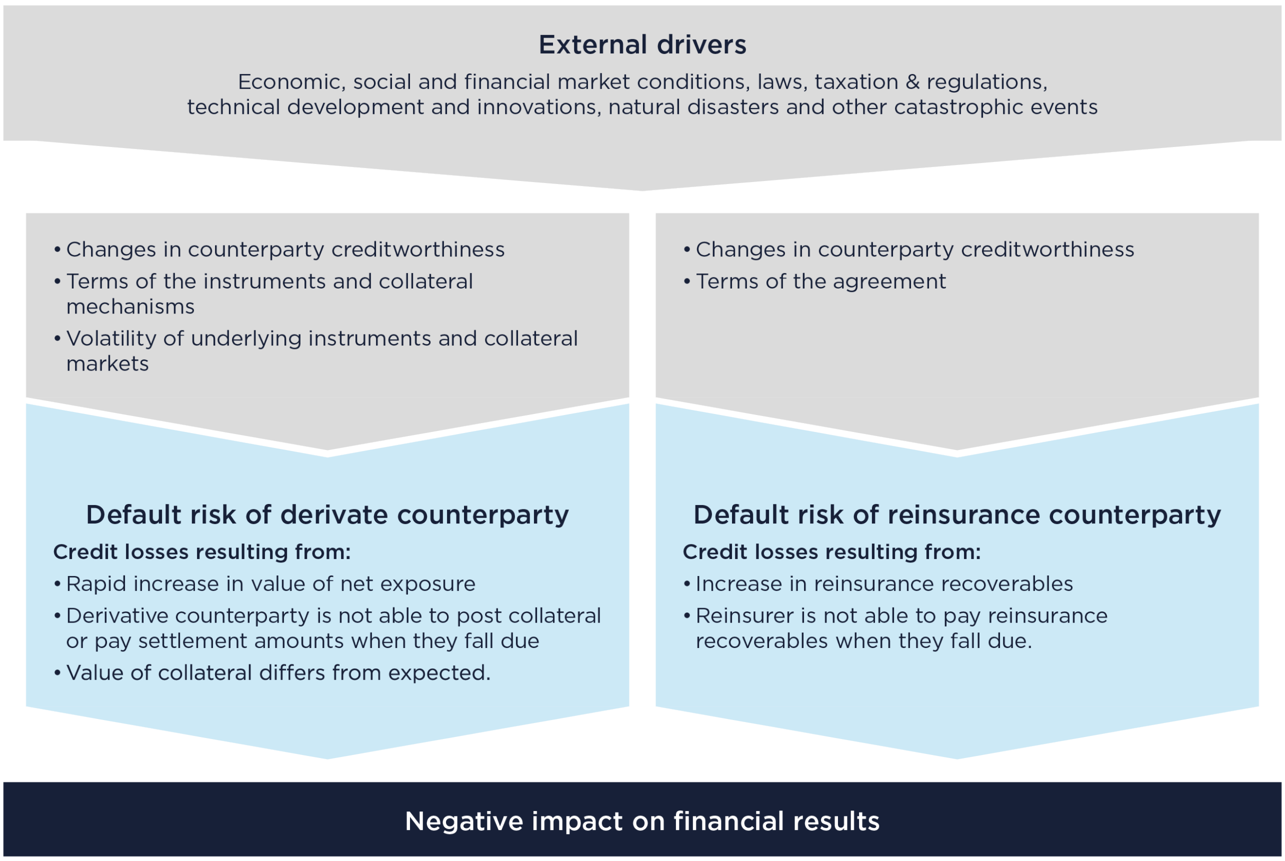
In the case of counterparty risk, the final loss depends on the positive mark-to-market value of derivatives or reinsurance recoverables at the time of default and on the recovery rate which is affected by collaterals.

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

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

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

Counterparty Default Risk



ALM Risks

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

Interest rate risk was defined earlier in the connection of market risks and hence in this section only liquidity risk is defined.

Liquidity Risks

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

Liquidity Risks

External drivers

Economic, social and financial market conditions, laws, taxation and regulations, market turbulences, natural disasters and other catastrophic events

- Policyholders' behavior in general
- Changes in creditworthiness and reputation of the company
- Periodic concentration of large claims and simultaneous reinsurers' insolvency
- Liability structure of the company.

Liquidity risk – Insurance liabilities

- Renewal rate of insurance policies is lower than expected.
- Claim payments over short-term are clearly higher than expected.

- Investors' behavior in general
- Market liquidity in general
- Changes in creditworthiness and funding needs of the company
- Investment portfolio structure of the company.

Liquidity risk – Investment assets and funding

- Financing is not available at reasonable terms or at all.
- Investment assets cannot be sold at reasonable prices or at all.

- Reinsurers' behavior in general
- Derivative counterparties' behavior in general
- Changes in creditworthiness of the company
- Liability structure of the company.

Liquidity risk – Derivatives and reinsurance

- Reinsurance is not available at reasonable terms or at all.
- Financial derivatives are not available at reasonable terms or at all.

Inability to enter into transactions at reasonable terms or settle financial obligations endangers the ability to manage liquidity positions, risk exposures and capital structure according to strategy

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

Operational Risks

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

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

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

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

Operational Risks

External drivers

Natural disasters, other catastrophic events, epidemics, unauthorized or criminal acts and technological development

- Competence and integrity of human resources
- Hardware, software and data
- Work process.

Operative processes

High cost or low quality of client services or internal processes resulting from:

- Internal processes are not working as expected.
- Client services are not working as expected.

- Source data integrity
- Calculation procedures
- Reporting procedures
- Access to data and reports.

Data and information

Deficiencies in decision-making and actions and non-compliance in reporting resulting from:

- Inadequate, inaccurate or untimely information and reporting.

- Internal events, accidents, failures, misconduct etc.

Resource damages

Discontinuity of operations resulting from:

- Damage to personnel
- Damage to physical property or locations
- Damage to or loss of data.

Negative impact on financial results arising from immediate costs or loss of earnings and inability to conduct business activities in accordance with strategy due to loss of reputation and customers

Appendix 3: Principles of Investment Portfolio Management

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

In financial accounting the investment portfolios are reported on a fair value basis. These fair values are determined either on the basis of direct market quotes or by using various valuation models. More information on the valuation methods of the investment assets is presented in Note 17 of Sampo Group Financial Statements. In regards to Solvency II valuation methods, there are some minor differences compared to IFRS rules. See Appendix 4 for Solvency II Valuation Methods.

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

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

Management of Equity and Spread Risks of Direct Investments

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 risk return ratios internally considered to be adequate, although the portfolio might not be necessarily as diversified as finance or portfolio theory suggests.

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

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 the opinions of analysts are used to support the internal assessment, Sampo Group's own internal assessment is always the most important factor in decision making.

2. Investment transactions shall be executable on short notice when an opportunity appears. This puts pressure on authorizations and credit limit structures and procedures which must be simultaneously (i) carried out flexibly enough to facilitate fast decision making regardless of instrument type, (ii) well-structured to ensure that investment opportunities are assessed prudently, taking into account the specific features and risks of all investment types and (iii) able to restrict the maximum exposure of a single name risk to a level that is within 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.

Management of Indirect Investments

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

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

Sampo Group does not have Asset Backed securities in its portfolios.

Control of Investment Activities

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

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

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

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

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

Appendix 4: Valuation for Solvency Purposes

Sampo Group Solvency II balance sheet is derived from Sampo's consolidated IFRS financial statements, which are adjusted in accordance with Solvency II regulation. The IFRS accounting principles "Summary of significant accounting policies" are presented in Sampo Group's Financial Statements in the Notes to the Accounts.

There are no major adjustments to the IFRS numbers necessary for Solvency II purposes. A large majority of Sampo Group's assets are valued at fair value on the IFRS balance sheet based on market values. No significant alternative valuation methods are used. The fair values of financial liabilities and properties are given in the notes to the IFRS accounts.

The determination of the fair values are presented in Sampo Group's Annual Report in the section "Summary of significant accounting policies/ Fair value and Investment property" and also in the notes "Fair values" and "Determination and hierarchy of fair values".

For comparison purposes the values derived from Sampo's consolidated IFRS financial statements are mapped in accordance with the Solvency II balance sheet presentation in the below table Solvency II adjustments, 31 December 2016. Only main rows are presented. The currency used is the group's reporting currency, the euro.

Solvency II Adjustments
31 December 2016

Assets, EURm	IFRS*	Solvency II	Adjustment
Goodwill, intangible assets and deferred acquisition cost	**825**	**-**	**-825**
Deferred tax assets	**34**	**10**	**-24**
Property, plant & equipment held for own use	**20**	**21**	**1**
Investments (other than unit-linked)	**32,610**	**32,509**	**-101**
Property other than for own use	86	134	48
Holdings in related undertakings	8,126	7,977	-149
Equities	2,179	2,179	-
Bonds	13,251	13,251	-
Collective investments undertakings	1,982	1,982	-
Derivatives	45	45	-
Deposits other than cash equivalents	22	22	-
Assets held for unit-linked contracts	6,362	6,362	-
Loans and mortgages	557	557	-
Reinsurance recoverables	**236**	**212**	**-24**
Non-life and health similar to non-life	236	209	-27
Life and health similar to life	-	3	3
Insurance and intermediaries receivables	**1,222**	**333**	**-889**
Reinsurance receivables	**15**	**15**	**0**
Receivables (trade, not insurance)	**188**	**70**	**-118**
Cash and cash equivalents	**2,549**	**2,549**	**-**
Any other assets	**258**	**125**	**-133**
Total assets	**37,955**	**35,844**	**-2,111**

Liabilities, EURm	IFRS	Solvency II	Adjustment
Technical provisions – non-life	7,212	5,879	-1,333
Technical provisions – life	6,927	6,912	-15
Technical provisions – unit-linked	6,361	5,911	-450
Provisions other than technical provision, Pension benefit obligations	114	114	-
Deferred tax liabilities	532	475	-57
Derivatives	81	81	-
Financial liabilities other than owned to credit institutions	3,548	3,548	-
Insurance and intermediaries payables	219	219	-
Reinsurance payables	36	35	0
Payables (trade, not insurance)	439	321	-118
Subordinated liabilities	219	230	11
Any other liabilities, not elsewhere shown	333	209	-124
Total liabilities	**26,021**	**23,935**	**-2,086**
Excess of assets over liabilities	**11,934**	**11,910**	**-24**

* In IFRS Sampo's financial assets consist of equity and debt instruments available for sale and fair value through profit/loss, derivatives and loans and receivables. Financial liabilities in IFRS consist of derivatives and other liabilities eg. subordinated liabilities and other debt securities in issue.

According to the Solvency II balance sheet the excess of assets over liabilities for the Group per 31.12.2016 was EUR 24 million less than the respective IFRS figure. On the asset side the main differences are due to the different treatment of intangible assets and inclusion of future undue premium receivables in technical provisions instead of assets. On the liability side there are material differences related to technical provisions due to different classification of some items and valuation principles. These differences are discussed in the next sections.

Assets

In the group Solvency II balance sheet goodwill, intangible assets and deferred acquisition costs are valued at zero.

While recognition of deferred taxes is consistent with the IFRS accounts, SII adjustments affect the carrying values in the SII balance sheet and thus give rise to additional deferred tax effects. Differences in deferred tax treatment are mainly due to elimination of certain assets (intangible assets, etc) and differences in the calculation of technical provisions.

For the year ended 2016 in its consolidated accounts Sampo recognized deferred tax assets of EUR 34 million and deferred tax liabilities (DTL) of EUR 532 million. Subsequent to Solvency II valuation adjustments, DTA decreases by EUR 24 million (leaving a SII DTA position of EUR 10 million) and DTL amount is decreased by EUR 57 million (leaving a SII DTL position of EUR 475 million).

There are no anticipated effects on the carrying amounts of Sampo's investment assets except for properties. In solvency II balance sheet investment properties are valued at fair value according to SII valuation rules. This increases the value of investment properties by EUR 48 million.

Loans and mortgages are valued at amortized cost, which is not in line with the treatment for financial assets in Solvency II. Sampo, however, considers the IFRS value to be substantially commensurate with the fair value of the loans.

Participations are reported in Sampo's SII consolidated balance sheet using the adjusted equity method, or where applicable, the IFRS equity method, with the exception of Topdanmark. Participations refers to undertakings in which Sampo Group directly or indirectly has significant influence, which is normally the case when the shareholding amounts to a minimum of 20 per cent of the capital or voting rights for all shares in the company. The carrying amount of Topdanmark is deducted from consolidated group balance sheet and instead replaced with Group's share of Topdanmark's Solvency II own funds. Sampo Group's share of Topdanmark's own funds is EUR 247 million. This corresponds with the value that would be recognized in line with article 233 of the Directive, being the proportional share of Topdanmark's own funds eligible for its SCR.

Reinsurance recoverables represent the reinsurers' share of the best estimate, less expected counterparty default. Consistently with technical provisions, these amounts are calculated in line with the SII requirements.

Under Solvency II the technical provisions should fully take into account all cash inflows and outflows. Therefore, in regard to the policies in force, the future premiums expected but not yet due are not recognized as receivables. Instead they are included in the premium provision based on a best estimate, which differs from the treatment under the IFRS, where premium receivables are recognized in the balance sheet. Thus receivables of EUR 889 million were reclassified from premium receivables to insurance liabilities. Receivables in Solvency II relate only to the amounts due for payments by policyholders, insurers, and others linked to insurance business.

The adjustment of receivables (trade receivables, not insurance receivables) relates to netting of receivable amounts in relation to the Finnish medical malpractice pool ("MMP"), public sector, which are treated as part of the SII best estimate technical provisions, whereas in Sampo Group's consolidated accounts the MMP provision public sector is recognized as other assets or other liabilities. Receivables of EUR 118 million are reclassified from trade receivables to the insurance obligation.

Technical Provisions According to Solvency II in If P&C

In Solvency II, the value of technical provisions is equal to the sum of a best estimate and a risk margin. The calculation of technical provisions according to Solvency II is described in the following chapters.

Best Estimate

The best estimate corresponds to the probability-weighted average of future cash flows, taking into account the time value of money using the risk-free interest rate term structure as published by the European Insurance and Occupational Pensions Authority ("EIOPA"). The best estimate is calculated on a gross basis, without deduction of the amounts recoverable from reinsurance contracts, and on a net basis by calculating separately the ceded amount representing amounts recoverable from reinsurance contracts.

Cash-flow projections used in the calculation of the best estimate include all claims payments that will be paid to policyholders and beneficiaries, as well as payments to builders, repair shops etc. for services rendered and expected recoveries from reinsurance contracts. Recoveries and payments for salvage and subrogation are taken into account. Cash flows for premium provision include future premium payments on existing contracts where this has a material effect on the result.

Development of with profit claims provisions are taken into account implicitly since they are part of the historical claims data and they are allocated to each claim. Claims handling expenses for incurred claims are taken into account when estimating the Claims Adjustment Reserve, while all expenses for non-incurred claims are taken into account when estimating the premium reserve.

The calculation of the best estimate should be done separately for each currency. If P&C's business is exposed to a number of different currencies. Case reserves are determined in the currency in which the claim is assumed to be paid and where the effect is material.

Actuarial and statistical methods used for calculating best estimates of technical provisions are based on recognized actuarial and statistical techniques. Reserves are calculated in a transparent manner and would be possible to be reviewed by a qualified expert.

Technical provisions are calculated within clearly defined homogeneous risk groups and lines of business. All assumptions are reviewed quarterly and recorded. The methodology is documented in "Guiding Technical Principles Policy" and "General Reserving Policy".

The basic risk-free rates are derived for the currencies DKK, EUR, GBP, NOK, SEK and USD and these currencies cover more than 99 per cent of technical provisions. For technical provisions in other currencies than these, either EUR or USD risk-free interest rate term structure is used. For each material currency, the basic risk-free interest rates are derived on the basis of the relevant swap rates of that currency, adjusted by credit risk and volatility adjustment where applicable.

Risk free rates without volatility adjustment are used for valuing Solvency II technical provisions.

Risk Margin

The risk margin is intended to represent technical provisions corresponding to the cost of capital for holding the insurance liabilities to full run-off.

In the calculation of the risk margin, it is assumed that the assets are selected in such way that the SCR for market risk that the reference undertaking is exposed to is zero, i.e. there is no residual market risk. In short, to calculate the risk margin, cash flows are recalculated to best estimates, which in turn are used to calculate a Basic SCR. The Basic SCR together with operational risk is discounted and a cost of capital is introduced to arrive at the final risk margin per legal entity.

The differences between IFRS and Solvency II technical provisions are summarised in the below table Technical Provisions in IFRS and Solvency II, 31 December 2016.

Technical Provisions in IFRS and Solvency II
31 December 2016

EURm	IFRS	SII	Difference
Technical provisions - non-life	**7,212**	**5,879**	**-1,333**
Non-life (excluding health)	5,603	4,391	-1,212
Best Estimate	5,603	4,225	-1,378
Risk margin	-	166	166
Health (similar to non-life)	1,610	1,488	-121
Best Estimate	1,610	1,406	-203
Risk margin	-	82	82
Technical provisions – life (excluding index-linked and unit-linked)	**2,167**	**2,221**	**54**
Health (similiar to life)	1,064	1,128	64
Best Estimate	1,064	1,078	14
Risk margin	-	49	49
Life (excluding health and index-linked and unit-linked)	1,103	1,093	-10
Best Estimate	1,103	1,060	-43
Risk margin	-	33	33

Uncertainties Related to the Calculations

The nature of technical provisions means that there is always uncertainty associated with the calculations since it inevitably involves assumptions about future events.

Valuation Used for Solvency Purposes Compared to Valuation in the Financial Statements

Different principles are used for calculating the technical provisions in Solvency II and in the IFRS financial statements, the latter of which rely on statutory and national requirements as defined in both national law and in IFRS and national GAAP regulations. As a result, material valuation differences mainly exist with regards to:

- Definition of premium provision in Solvency II compared with the Unearned Premium Reserve of the statutory accounts;
- Application of discounting;
- In addition to the best estimate calculations, there is also an additional requirement in Solvency II of calculating an explicit risk margin; and
- Some minor valuation differences, which also arise due to the counterparty default calculation in relation to reinsurer's share of technical provisions.

Some of the more important changes affecting If P&C's business as a result of using these different principles are included below:

- Movement to a cash flow basis for valuation of both gross and ceded business.
- The technical provisions should give a "true best estimate", defined as the mean of the full range of possible future outcomes, meaning the removal of existing statutory or other legal requirements to include explicit risk margin/other safety margins within the technical provisions.
- The requirement to hold an unearned premium provision using an accounting recognition basis is replaced by a Solvency II premium provision valued on a best estimate basis. This also includes a requirement to take into account future premium cash inflows when calculating the best estimate provisions and reinsurance recoverables. In the financial statements, the unearned premium provision is equal to the part of the written premium that is yet to be accrued to premiums earned. In Solvency II the premium provision is cash flow based and, in line with a best estimate, the premium provision only includes the part of written premiums which is dedicated to cover future claims and other expenses stemming from present insurance policies. In addition to this, premiums

expected to be received in future date and related to the future risk periods are included in the premium provision.

- The basis for recognizing existing contracts will also impact reinsurance contracts and their expected cash-flows.
- Introduction of discounting for all technical provisions, leading to increased interest rate sensitivity in the technical provisions.
- Introduction of the principle of a market consistent basis and calculation of a Solvency II defined risk margin, in addition to the best estimate provisions.
- Liabilities are segmented in accordance with Solvency II defined lines of business, as opposed to current insurance class segmentation according to local GAAP or IFRS requirements.

The largest effect is due to the revaluation of the Premium Provision which is in large part offset by the netting of the premium receivable after it has been reclassified into the best estimate provision cash inflows as well as removal of Deferred Acquisition Costs. This reduces the technical provisions by EUR 245 million. The majority of technical provisions, with the exception of vested annuities in the Claims Provision Reserves and the Annuity IBNR Provision in Finland, are not discounted in the IFRS. As a result of discounting, on the assets side ceded provisions decrease while on the liabilities side, gross provisions decrease.

The introduction of a risk margin calculation offsets the positive differences presented above.

In the IFRS consolidated accounts, recognition of a liability as an insurance contract would be dependent on the existence of significant insurance (underwriting) risk (refer IFRS 4). Based on If P&C's assessment that there is no material degree of insurance risk prevalent, the Medical Malpractice Pool public sector is not recognized as an insurance contract in the consolidated accounts, but treated as a service contract with its components recognized in other assets and other liabilities. Accordingly, a difference occurs with the Solvency II treatment where the liability should be recognized within the insurance obligations. Therefore under Solvency II treatment all receivables and liabilities related to the MMP public sector are reclassified as forming part of the Solvency II best estimate technical provisions. Under this treatment the receivables balances are netted against the liabilities in the technical provisions, as they are considered to be premium cash in-flows and thus included in the technical provisions.

Technical Provisions According to Solvency II in Mandatum Life

Recognition of insurance liabilities in life insurance business is analogical to insurance contracts recognized under IFRS 4.

Best Estimate and Risk Margin

Technical provisions according to Solvency II are equal to the sum of the best estimate and the risk margin.

The best estimate is calculated as an expected value (probability weighted average) of discounted future net cash flows. The discount curve used is the relevant risk-free interest rate term structure of Solvency II regulation which is based on market rates, credit risk adjustment and the Ultimate Forward Rate ("UFR"). Mandatum Life also applies the volatility adjustment when defining the Solvency II discount curve.

Net cash flows are produced using risk neutral market consistent economic scenarios together with parameters and assumptions derived from historical observations related to Mandatum Life's insurance policies. Market consistent scenarios are particularly needed for the valuation of economic guarantees and policyholder options embedded in insurance contracts. The best estimate for the unit-linked policies is the sum of the savings in these policies deducted with the present value of future underwriting and expense result stemming from these policies.

Risk margin is calculated based on the 6 per cent cost of capital defined in Solvency II regulation. This cost of capital is applied to the capital requirements of life and operational risks.

Overall Position, Technical Provisions
31 December 2016

EURm	IFRS value	Solvency II value	Differences
Technical provisions – life (excluding unit-linked)	**4,801**	**4,732**	**69**
Best Estimate		4,512	
Risk margin		220	
Technical provisions – unit-linked	**6,361**	**5,911**	**450**
Best Estimate		5,841	
Risk margin		70	

Material Differences in the Valuation for Solvency Purposes Compared to Valuation in Financial Statements

Technical provisions on financial statements are calculated using the parameters defined in the technical basis of the products, i.e., the applied discount rate equals the guaranteed rate of the policy and parameters related to insurance risk are the same as those used in the premium calculation. Technical provisions on financial statements for unit-linked policies are materially the same as the amount of the savings in these policies.

Technical provisions on financial statements include also reserves for decreased discount rates and longevity reserves.

The main differences between technical provisions for solvency purposes and for financial statements are:

- Applied discount rate and valuation of guarantees and options;
- Contract boundary definitions, particularly how future expected premiums are taken into consideration;
- Consideration of future years’ risk and expense result; and
- Generally the level of assumptions (prudent assumptions vs. best estimate assumptions and explicit risk margin).

Accounting principles of life insurance contracts are presented in Sampo’s Financial Statements in the Notes to the Accounts in section Summary of Significant Accounting Policies/Life insurance business.

Mandatum Life has got an approval from Financial Supervisory Authority to apply transitional measure on technical provisions for pension policies with guaranteed interest of 3.5 or 4.5 per cent.

Other Liabilities

The effects on Sampo’s liabilities other than technical provisions are fairly limited, consisting mainly of the valuation impact on financial liabilities (Other financial liabilities than debt owned to credit institutions and Subordinated debt) and payables balances related to the technical provisions.

Other liabilities than technical provisions are valued by discounting future cash flows with the government yield plus calculated spread at inception.

Deferred tax liabilities are discussed above in connection with deferred tax assets.

The reclassification of Medical Malpractice Pool public sector from a service contract to an insurance contract also has an effect on payables balances. Payables of EUR 118 million are reclassified from trade payables to the insurance obligations.

Other provisions than technical provisions and contingent liabilities do not give any additional rise to either new liabilities being recognized for solvency purposes or existing liabilities being recognized differently to their financial statement recognition. Provisions and contingent liabilities as well as pension benefits and operating leases are presented in Sampo's Financial Statements in the Notes to the Accounts. There are no major financial leasing arrangements in Sampo Group.

Financial Statements

Group's IFRS Financial Statements

Statement of Profit and Other Comprehensive Income, IFRS

EURm	Note	1-12/2016	1-12/2015
Insurance premiums written	1 8	5,375	5,522
Net income from investments	2 10 18	827	998
Other operating income		50	46
Claims incurred	3 8	-3,627	-3,917
Change in liabilities for insurance and investment contracts	4	-448	-502
Staff costs	5	-574	-438
Other operating expenses	6 8	-551	-545
Finance costs	10	-18	-68
Share of associates' profit/loss	14	837	793
Profit before taxes		**1,871**	**1,888**
Taxes	21 22 23	-221	-232
Profit for the period		**1,650**	**1,656**
Other comprehensive income for the period			
Items reclassifiable to profit or loss	23 24		
Exchange differences		-80	-35
Available-for-sale financial assets		225	-106
Share of associate's other comprehensive income		19	16
Taxes		-49	21
Total items reclassifiable to profit or loss, net of tax		**115**	**-103**
Items not reclassifiable to profit or loss			
Actuarial gains and losses from defined pension plans		-6	14
Taxes		1	-3
Total items not reclassifiable to profit or loss, net of tax		**-5**	**11**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**1,760**	**1,564**
Earnings per share (EUR)	9	**2.95**	**2.96**

Consolidated Balance Sheet, IFRS

EURm	Note	12/2016	12/2015
Assets			
Property, plant and equipment	11	27	26
Investment property	12	211	191
Intangible assets	13	612	724
Investments in associates	14	8,107	7,679
Financial assets	10 15 16 17 18 19	17,668	17,189
Investments related to unit-linked insurance contracts	10 20	3,427	5,847
Tax assets	21	27	36
Reinsurers' share of insurance liabilities	28	239	242
Other assets	25	1,761	1,708
Cash and cash equivalents	10 26	2,585	1,997
Assets held for sale	37	3,291	-
Total assets		**37,955**	**35,639**
Liabilities			
Liabilities for insurance and investment contracts	27	13,990	14,447
Liabilities for unit-linked insurance and investment contracts	28	3,407	5,841
Financial liabilities	10 16 17 29	3,847	2,375
Tax liabilities	21	527	468
Provisions	30	35	51
Employee benefits	31	79	90
Other liabilities	32	933	957
Liabilities related to assets held for sale	37	3,202	-
Total liabilities		**26,021**	**24,228**
Equity	34		
Share capital		98	98
Reserves		1,531	1,531
Retained earnings		9,700	9,325
Other components of equity		605	457
Total equity		**11,934**	**11,411**
Total equity and liabilities		**37,955**	**35,639**

Statement of Changes in Equity, IFRS

EURm	Share capital	Legal reserve	Invested unrestricted equity	Retained earnings 1)	Translation of foreign operations 2)	Available for sale financial assets 3)	Total
Equity at 1 January 2015	**98**	**4**	**1,527**	**8,655**	**-400**	**1,039**	**10,924**
Changes in equity							
Recognition of undrawn dividends				8			8
Dividends				-1,092			-1,092
Share of associate's other changes in equity				7			7
Profit for the period				1,656			1,656
Other comprehensive income for the period				90	-72	-111	-92
Equity at 31 December 2015	**98**	**4**	**1,527**	**9,325**	**-472**	**929**	**11,411**
Changes in equity							
Recognition of undrawn dividends				9			9
Dividends				-1,204			-1,204
Share of associate's other changes in equity				-42			-42
Profit for the period				1,650			1,650
Other comprehensive income for the period				-38	-47	195	110
Equity at 31 December 2016	**98**	**4**	**1,527**	**9,700**	**-518**	**1,124**	**11,934**

1) IAS 19 Pension benefits had a net effect of EURm -38 (90) on retained earnings.

2) The total comprehensive income includes also the share of the associate Nordea's other comprehensive income, in accordance with the Group's share holding. The retained earnings thus include EURm -34 (80) of Nordea's actuarial gains/losses The exchange differences include the share of Nordea's exchange differences EURm 33 (-37). Respectively, available-for-sale financial assets include EURm 19 (-26) of Nordea's valuation differences.

3) The amount recognised in equity from available-for-sale financial assets for the period totalled EURm 216 (244). The amount transferred to p/l amounted to EURm -29 (-318). EURm -11 (-10) was transferred to the Segregated Suomi portfolio.

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

Statement of Cash Flows, IFRS

EURm	2016	2015
Operating activities		
Profit before taxes	1,871	1,888
Adjustments:		
Depreciation and amortisation	18	16
Unrealised gains and losses arising from valuation	-223	-170
Realised gains and losses on investments	-92	-377
Change in liabilities for insurance and investment contracts	666	550
Other adjustments	-550	-1,037
Adjustments total	**-180**	**-1,018**
Change (+/-) in assets of operating activities		
Investments *)	-1,184	-201
Other assets	-95	56
Total	**-1,280**	**-145**
Change (+/-) in liabilities of operating activities		
Financial liabilities	20	-7
Other liabilities	35	-77
Paid taxes	-271	-318
Total	**-216**	**-401**
Net cash from operating activities	**195**	**323**
Investing activities		
Investments in group and associated undertakings	356	591
Net investment in equipment and intangible assets	-13	-8
Net cash from investing activities	**343**	**582**
Financing activities		
Dividends paid	-1,192	-1,079
Issue of debt securities	2,271	1,011
Repayments of debt securities in issue	-1,002	-931
Net cash from financing activities	**78**	**-999**
Total cash flows	**616**	**-93**
Cash and cash equivalents at 1 January	1,997	2,074
Effects of exchange rate changes	-27	15
Cash and cash equivalents at 31 December	2,585	1,997
Net increase in cash and cash equivalents	**616**	**-93**

Additional information to the statement of cash flows:	**2016**	**2015**
Interest income received	432	427
Interest expense paid	-117	-115
Dividend income received	122	93

*) 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).

NOTES TO THE ACCOUNTS

Summary of Significant Accounting Policies

Sampo Group has prepared the consolidated financial statements for 2016 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, 2016.

During the financial year, the adopted standards or annual improvements to the standards had no material impact on the Group's financial statements reporting.

In preparing the notes to the consolidated financial statements, attention has also been paid to the Finnish accounting and company legislation and applicable regulatory requirements. 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 8 February 2017.

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)	9,5525	9,4676
Danish krona (DKK)	7,4344	7,4453

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, so that premiums written are recognised as earned on a pro rata basis, adjusting them by a change in the provision for unearned premiums i.e. by the proportion of the insurance premium income that, based on the period covered by the insurance contract, belongs to the following financial year,.

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

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

Financial assets and liabilities

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

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

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 P&C Insurance and 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 there is an auction policy in the stock market of the price source. The financial derivatives are also measured at the last trade price. If the financial instrument has a counter-item that will offset its market risk, the same price source is used in assets and liabilities to that extent. If a published price quotation does not exist for a financial instrument in its entirety, but active markets exist for its component parts, the fair value is determined on the basis of the relevant market prices of the component parts.

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

Available-for-sale financial assets

Whether there is objective evidence of an impairment of available-for-sale financial assets, is evaluated in a separate assessment, which is done if the credit rating of an issuer has declined or the entity is placed on watch list, or there is a significant or prolonged decline in the fair value of an equity instrument below its original acquisition cost.

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

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

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

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. During the financial year, the fair value hedging has been applied in the life insurance business.

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.

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

Non-current assets held for sale

Non-current assets and the assets and liabilities related to discontinued operations are classified as held for sale, if their carrying amount will be recovered principally through sales transactions rather than from continuing use. For this to be the case, the sale must be highly probable, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), the management must be committed to a plan to sell the asset (or disposal group), and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Once classified, depreciation on such assets ceases.

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 years
Components of buildings	10-15 years
IT equipment and motor vehicles	3-5 years
Other equipment	3-10 years

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

Impairment of intangible assets and property, plant and equipment

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

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

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

Investment property

Investment property is held to earn rentals and for capital appreciation. The 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. The investment property of the associate Nordea in the Holding segment and that of Topdanmark in the P& insurance segment are measured at fair value in item Investments in associates.

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

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

Provisions

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

Insurance and investment contracts

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

Sampo treats the liabilities arising from contracts in the first phase of the standard according to national accounting standards, except for the equalisation reserve and 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 instalment premiums not yet due.

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

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

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

Life insurance business

Classification of insurance contracts

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

The discretionary participation feature (DPF) of a contract is a contractual right held by a policyholder to receive additional benefits, as a supplement to the guaranteed minimum benefits. The supplements are bonuses based on the reserves of policies credited to the policy reserve, additional benefits in the case of death, or lowering of insurance premiums. In Mandatum 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.

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.

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

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 2017 lowered the maximum rate to 0.25%, for the year 2018 to 0.5% and for the year 2019 to 2.25%. The segregated liabilities of the accrued benefits of group pension portfolio, transferred from Suomi Mutual to Mandatum Life on 30 December 2014, have been discounted by 0.5%.

Due to the difference in the discount rate of liabilities and the guaranteed interest of 4.5 % and 3.5 %, 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 36 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 the original insurance portfolio’s policyholders’ savings in contracts with DPF that is at least the yield of those long term bonds, which are considered to have lowest risk. 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 total return for the segregated group pension portfolio, transferred from Suomi Mutual to Mandatum Life on 30 December 2014, is based on the profit distribution policy outlined in the transfer plan of the portfolio. The profit sharing policy of the segregated group pension portfolio is explained in detail on the company’s website pages.

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 four valid share-based incentive schemes settled in cash (the long-term incentive schemes 2011 I, 2011 II, 2014 I and 2014 II 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.

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 IFRS and interpretations

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

IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on 1 Jan 2018 or after). The new standard will supersede IAS 18 and IAS 11 and related interpretations. The central criterion for revenue recognition is the passing of control. The adoption of the new standard will not have a material impact on the Group's financial statements reporting.

The amendments to IFRS 9 *Financial Instruments* (estimated effective for annual periods beginning on 1 Jan 2021 or after) supersede IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard changes the classification and measurement of financial assets and includes a new impairment model based on expected credit losses. The hedge accounting will continue to have three different hedging relationships. The adoption of the new standard will have an impact on the Group's financial statements; the effects are under valuation in the Group.

As the upcoming and IFRS 4 superseding new standard IFRS 17 *Insurance Contracts* (estimated effective for annual periods beginning on 1 Jan 2021 or after) will have an impact on the insurance liabilities valuation, the insurance companies have been given additional options regarding the adoption of IFRS 9. If certain preconditions regarding the insurance liabilities are met, the company may apply the so-called temporary exception option and defer the implementation until the adoption of IFRS 17. Another allowed option is to apply IFRS 9 from 1 Jan 2018 on, but to remove from the income statement some of the accounting mismatches caused by the different valuation methods of assets and liabilities.

Sampo Group is going to apply the temporary exemption and adopt IFRS 9 simultaneously with IFRS 17.

The adoption will have an 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, the Baltic countries and other 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 2016

EURm	P&C insurance	Life insurance	Holding	Elimination	Group
Insurance premius written	4,292	1,116	-	-32	5,375
Net income from investments	173	634	36	-16	827
Other operating income	26	23	17	-16	50
Claims incurred	-2,670	-967	-	10	-3,627
Change in liabilities for insurance and investment contracts	-6	-465	-	24	-448
Staff costs	-512	-46	-16	-	-574
Other operating expenses	-472	-78	-18	16	-551
Finance costs	-13	-7	-14	15	-18
Share of associates' profit/loss	65	0	773	-	837
Profit before taxes	**883**	**210**	**778**	**0**	**1,871**
Taxes	-178	-41	-2	-	-221
Profit for the year	**705**	**168**	**777**	**0**	**1,650**
Other comprehensive income for the period					
Items reclassifiable to profit or loss					
Exchange differences	-80	-	-	-	-80
Available-for-sale financial assets	118	82	24	-	225
Share of associate's other comprehensive income	-	-	19	-	19
Taxes	-25	-19	-5	-	-49
Total items reclassifiable to profit or loss, net of tax	**13**	**64**	**38**	**0**	**115**
Items not reclassifiable to profit or loss					
Actuarial gains and losses from defined pension plans	-6	-	-	-	-6
Taxes	1	-	-	-	1
Total items not reclassifiable to profit or loss, net of tax	**-5**	**-**	**-**	**-**	**-5**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**714**	**232**	**815**	**0**	**1,760**

Consolidated income statement by business segment for year ended 31 December 2015

EURm	P&C insurance	Life insurance	Holding	Elimination	Group
Insurance premius written	4,378	1,144	-	-	5,522
Net income from investments	304	632	76	-14	998
Other operating income	28	18	18	-17	46
Claims incurred	-2,894	-1,023	-	-	-3,917
Change in liabilities for insurance and investment contracts	-34	-462	-	-5	-502
Staff costs	-371	-47	-20	-	-438
Other operating expenses	-477	-74	-12	17	-545
Finance costs	-16	-6	-63	18	-68
Share of associates' profit/loss	42	0	751	-	793
Profit before taxes	**960**	**181**	**749**	**-2**	**1,888**
Taxes	-195	-36	-1	0	-232
Profit for the year	**765**	**144**	**749**	**-1**	**1,656**
Other comprehensive income for the period					
Items reclassifiable to profit or loss					
Exchange differences	-35	-	-	-	-35
Available-for-sale financial assets	-148	32	2	8	-106
Share of associate's other comprehensive income	-	-	16	-	16
Taxes	32	-9	0	-2	21
Total items reclassifiable to profit or loss, net of tax	**-151**	**24**	**18**	**6**	**-103**
Items not reclassifiable to profit or loss					
Actuarial gains and losses from defined pension plans	14	-	-	-	14
Taxes	-3	-	-	-	-3
Total items not reclassifiable to profit or loss, net of tax	**11**	**-**	**-**	**-**	**11**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**624**	**168**	**766**	**5**	**1,564**

Consolidated balance sheet by business segment at 31 December 2016

EURm	P&C insurance	Life insurance	Holding	Elimination	Group
Assets					
Property, plant and equipment	19	4	3	-	27
Investment property	14	201	-	-4	211
Intangible assets	541	70	0	-	612
Investments in associates	553	0	7,554	-	8,107
Financial assets	11,667	5,459	3,201	-2,659	17,668
Investments related to unit-linked insurance contracts	-	3,468	-	-41	3,427
Tax assets	24	-	7	-4	27
Reinsurers' share of insurance liabilities	236	3	-	-	239
Other assets	1,593	162	15	-9	1,761
Cash and cash equivalents	463	682	1439	-	2,585
Assets held for sale	-	3,291	-	-	3,291
Total assets	**15,111**	**13,341**	**12,220**	**-2,717**	**37,955**
Liabilities					
Liabilities for insurance and investment contracts	9,379	4,611	-	-	13,990
Liabilities for unit-linked insurance and investment contracts	-	3,448	-	-41	3,407
Financial liabilities	474	111	3,551	-289	3,847
Tax liabilities	346	181	-	0	527
Provisions	35	-	-	-	35
Employee benefits	79	-	-	-	79
Other liabilities	700	148	96	-10	933
Liabilities related to assets held for sale	-	3,202	-	-	3,202
Total liabilities	**11,013**	**11,701**	**3,647**	**-340**	**26,021**
Equity					
Share capital					98
Reserves					1,531
Retained earnings					9,700
Other components of equity					605
Total equity					**11,934**
Total equity and liabilities					**37,955**

Consolidated balance sheet by business segment at 31 December 2015

EURm	P&C insurance	Life insurance	Holding	Elimina-tion	Group
Assets					
Property, plant and equipment	19	5	3	-	26
Investment property	15	180	-	-4	191
Intangible assets	564	160	0	-	724
Investments in associates	374	0	7,305	-	7,679
Financial assets	10,566	6,039	3,243	-2,659	17,189
Investments related to unit-linked insurance	-	5,865	-	-18	5,847
Tax assets	27	-	12	-4	36
Reinsurers' share of insurance liabilities	239	3	-	-	242
Other assets	1,541	127	51	-10	1,708
Cash and cash equivalents	775	482	739	-	1,997
Total assets	**14,119**	**12,860**	**11,354**	**-2,695**	**35,639**
Liabilities					
Liabilities for insurance and investment contracts	9,433	5,014	-	-	14,447
Liabilities for unit-linked insurance and investment contracts	-	5,858	-	-18	5,841
Financial liabilities	216	133	2,314	-289	2,375
Tax liabilities	314	154	-	0	468
Provisions	51	-	-	-	51
Employee benefits	90	-	-	-	90
Other liabilities	669	167	133	-11	957
Total liabilities	**10,772**	**11,327**	**2,447**	**-318**	**24,228**
Equity					
Share capital					98
Reserves					1,531
Retained earnings					9,325
Other components of equity					457
Total equity					**11,411**
Total equity and liabilities					**35,639**

Geographical information

EURm	Finland	Sweden	Norway	Denmark	Baltic	Total
2016						
Revenue from external customers						
P&C insurance	990	1,453	1,321	389	132	4,286
Life insurance	1,087	-	-	-	29	1,116
Holding	52	-	-	-	-	52
Total	**2,129**	**1,453**	**1,321**	**389**	**161**	**5,454**
Non-current assets						
P&C insurance	101	460	14	552	1	1,127
Life insurance	275	-	-	-	1	276
Holding	3	7,554	-	-	-	7,558
Total	**379**	**8,014**	**14**	**552**	**1**	**8,961**
2015						
Revenue from external customers						
P&C insurance	1,021	1,403	1,408	384	128	4,344
Life insurance	1,110	-	-	-	34	1,144
Holding	93	-	-	-	-	93
Total	**2,225**	**1,403**	**1,408**	**384**	**162**	**5,581**
Non-current assets						
P&C insurance	103	498	19	349	1	971
Life insurance	344	-	-	-	1	345
Holding	3	7,305	-	-	-	7,309
Total	**451**	**7,804**	**19**	**349**	**2**	**8,625**

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	2016	2015
Premiums from insurance contracts		
Premiums written, direct insurance	4,364	4,464
Premiums written, assumed reinsurance	94	95
Premiums written, gross	**4,458**	**4,559**
Reinsurers' share of premiums written	-166	-181
Premiums written, net	**4,292**	**4,378**
Change in unearned premium provision	-4	-39
Reinsurers' share	-2	5
Change in unearned premium provision, net	**-6**	**-34**
Premiums earned, total	**4,286**	**4,344**

Life insurance

EURm	2016	2015
Premiums from insurance contracts		
Premiums written, direct insurance	644	723
Premiums written, assumed reinsurance	3	2
Insurance contracts total, gross	**647**	**725**
Premium revenue ceded to reinsurers on insurance contracts issued	-6	-5
Insurance contracts total, net	**641**	**720**
Investment contracts	475	424
Premiums written, net [1]	**1,116**	**1,144**
Elimination items between segments	-32	-
Group, total	**5,375**	**5,522**

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	2016	2015
Premiums from insurance contracts		
Premiums from contracts with discretionary participation feature	144	146
Premiums from unit-linked contracts	498	575
Premiums from other contracts	2	2
Total	**644**	**723**
Assumed reinsurance	3	2
Premiums from investment contracts		
Premiums from contracts with discretionary participation feature	0	30
Premiums from unit-linked contracts	475	394
Total	**475**	**424**
Insurance and investment contracts, total	**1,122**	**1,149**
Reinsurers' share	-6	-5
Premiums written, total	**1,116**	**1,144**
Single and regular premiums from direct insurance		
Regular premiums, insurance contracts	277	287
Single premiums, insurance contracts	367	436
Single premiums, investment contracts	475	424
Total	**1,119**	**1,147**

2 Net income from investments

P&C insurance

EURm	2016	2015
Financial assets		
Derivative financial instruments		
Gains/losses	-7	-4
Loans and receivables		
Interest income	9	18
Financial assets available-for-sale		
Debt securities		
Interest income	177	191
Impairment losses	-15	10
Gains/losses	-11	-5
Equity securities		
Gains/losses	45	121
Impairment losses	-16	-11
Dividend income	40	47
Total	**221**	**353**
Total from financial assets	**223**	**366**
Other assets		
Investment properties		
Gains/losses	0	-1
Other	1	0
Total from other assets	**1**	**-1**
Expense on other than financial liabilities	-6	-4
Effect of discounting annuities	-28	-38
Fee and commission expenses		
Asset management	-17	-19
P&C insurance, total	**173**	**304**

Included in gains/losses from financial assets available-for-sale is a net gain of EURm 12 (83) transferred from the fair value reserve.

Life insurance

Milj.e	2016	2015
Financial assets		
Derivative financial instruments		
Gains/losses	-9	-90
Financial assets designated as at fair value through p/l		
Debt securities		
Interest income	1	1
Gains/losses	-3	1
Total	**-3**	**2**
Investments related to unit-linked contracts		
Debt securities		
Interest income	50	58
Gains/losses	4	-40
Equity securities		
Gains/losses	198	219
Dividend income	32	22
Loans and receivables		
Interest income	0	1
Other financial assets		
Gains/losses	-8	-21
Total	**276**	**239**
Loans and receivables		
Interest income	4	3
Gains/losses	6	27
Total	**10**	**30**
Financial assets available-for-sale		
Debt securities		
Interest income	102	96
Gains/losses	30	48
Equity securities		
Gains/losses	101	192
Impairment losses	-15	-19
Dividend income	122	108
Total	**340**	**423**
Total financial assets	**614**	**604**

Other assets		
Investment properties		
Gains/losses	3	2
Other	6	13
Total other assets	**9**	**15**
Net fee income		
Asset management	-15	-17
Fee income	26	29
Total	**11**	**13**
Life insurance, total	**634**	**632**

Included in gains/losses from financial assets available-for-sale is a net gain of EURm 106 (259) transferred from the fair value reserve.

Holding

EURm	2016	2015
Financial assets		
Derivative financial instruments		
Gains/losses	12	7
Loans and receivables	-5	9
Financial assets available-for-sale		
Debt securities		
Interest income	34	28
Gains/losses	10	15
Equity securities		
Gains/losses	-26	13
Impairment losses	-1	0
Dividend income	12	5
Total	**29**	**60**
Holding, total	**36**	**76**

Included in gains/losses from financial assets available for-sale is a net gain of EURm -27 (12) transferred from the fair value reserve.

Elimination items between segments	-16	-14

EURm	2016	2015
Group, total	**827**	**998**

The changes in the fair value reserve are disclosed in the Statement of changes in equity. Other income and expenses comprise rental income, maintenance expenses and depreciation of investment property. All the income and expenses arising from investments are included in Net income from investments. Gains/losses include realised gains/losses on sales, 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 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

	2016			2015		
EURm	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
P&C insurance						
Claims cost attributable to current-year operations						
Claims paid	-1,643	11	-1,633	-1,607	17	-1,590
Change in provision for claims outstanding (incurred and reported losses)	-666	40	-626	-691	20	-672
Change in provision for claims outstanding (incurred but not reported losses, IBNR)	-557	11	-546	-574	12	-562
Claims-adjustment costs	1	-	1	-1	-	-1
Change in claims provision for annuities	-8	-	-8	-8	-	-8
Total claims cost attributable to current-year operations	**-2,873**	**62**	**-2,811**	**-2,881**	**48**	**-2,833**
Claims costs attributable to prior-year operations						
Claims paid	-1,055	56	-999	-1,011	45	-966
Annuities paid	-124	0	-124	-204	0	-204
Change in provision for claims outstanding (incurred and reported losses)	588	-20	568	635	-26	609
Change in provision for claims outstanding (incurred but not reported losses, IBNR)	721	-33	688	516	-16	500
Total claims cost attributable to prior-year operations	**130**	**3**	**133**	**-64**	**3**	**-61**
Insurance claims paid						
Claims paid	-2,698	67	-2,632	-2,618	61	-2,557
Annuities paid	-132	-	-132	-132	-	-132
Claims portfolio	1	7	8	16	-	-
Total claims paid	**-2,828**	**73**	**-2,755**	**-2,734**	**61**	**-2,689**
Change in provision for claims outstanding						
Change in provision for claims outstanding (incurred and reported losses)	-78	20	-57	-56	-6	-62
Change in provision for claims outstanding (incurred but not reported losses, IBNR)	119	-22	97	-127	-4	-131
Change in claims provision for annuities	44	-	44	-11	0	-11
Claims-adjustment costs	1	-	1	-1	-	-1
Total change in provision for claims outstanding	**87**	**-2**	**85**	**-195**	**-10**	**-205**
P&C insurance, total	**-2,741**	**71**	**-2,670**	**2,929**	**51**	**-2,894**

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 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 2016 amounted to EURm 277 (261). The non-discounted value was EURm 367 (351). The exchange effect on the discounted provisions was a decrease of EURm 10. The real increase was EURm 9.

Interest rate used in calculating the technical provisions of annuities (%)

	2016	2015
Sweden	1.65%	2.01%
Finland	1.50%	1.50%
Denmark	0.72%	1.71%

Life insurance

	Claims paid		Change in provision for claims outstanding		Claims incurred	
EURm	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Insurance contracts						
Life insurance						
Contracts with discretionary participation feature (DPF)	-43	-47	2	2	-41	-45
Other contracts	0	0	0	0	0	-1
Unit-linked contracts	-205	-183	2	14	-203	-170
Total	**-248**	**-231**	**4**	**16**	**-244**	**-215**
Pension insurance						
Contracts with discretionary participation feature (DPF)	-425	-397	92	-19	-334	-417
Unit-linked contracts	-18	-15	-19	-21	-37	-36
Total	**-443**	**-412**	**73**	**-40**	**-370**	**-453**
Assumed reinsurance	-1	0	0	0	0	-1
Insurance contracts total, gross	**-692**	**-644**	**77**	**-25**	**-615**	**-668**
Reinsurers' share	3	3	0	0	3	3
Insurance contracts total, net	**-689**	**-641**	**77**	**-25**	**-612**	**-666**
Investment contracts						
Capital redemption policies						
Contracts with discretionary participation feature (DPF)	0	0	-	-	0	0
Unit-linked contracts	-355	-358	-	-	-355	-358
Investment contracts, total	**-355**	**-358**	**-**	**-**	**-355**	**-358**
Life insurance, total	**-1,044**	**-999**	**77**	**-25**	**-967**	**-1,023**

Claims paid by type of benefit

EURm	2016	2015
Insurance contracts		
Life insurance		
Surrender benefits	-7	-8
Death benefits	-21	-19
Maturity benefits	-6	-10
Other	-10	-10
Total	**-44**	**-48**
Life insurance, unit-linked		
Surrender benefits	-149	-132
Death benefits	-45	-41
Maturity benefits	-10	-10
Total	**-205**	**-183**
Pension insurance		
Pension payments	-415	-386
Surrender benefits	-2	-6
Death benefits	-9	-5
Total	**-425**	**-397**
Pension insurance, unit-linked		
Pension payments	-4	-1
Surrender benefits	-10	-11
Death benefits	-4	-3
Total	**-18**	**-15**
Assumed reinsurance	-1	0
Insurance contracts total, gross	**-692**	**-644**
Reinsurers' share	3	3
Insurance contracts total, net	**-689**	**-641**
Investment contracts		
Capital redemption policy, with-profit		
Surrender benefits	-372	-375
Loss adjustment expenses	17	17
Total	**-355**	**-358**
Investment contracts total, gross	**-355**	**-358**
Claims paid total, gross	-1,047	-1,001
Claims paid total, net	-1,044	-999
Elimination items between segments	10	-

EURm	2016	2015
Group, total	**-3,627**	**-3,917**

4 Change in liabilities for insurance and investment contracts

P&C insurance

EURm	2016	2015
Change in unearned premium provision	-4	-39
Reinsurers' share	-2	5
Change in unearned premium provision, net	**-6**	**-34**

Life insurance

EURm	2016	2015
Insurance contracts		
Life-insurance		
Contracts with discretionary participation feature (DPF)	23	15
Unit-linked contracts	-252	-292
Total	**-228**	**-278**
Pension insurance		
Contracts with discretionary participation feature (DPF)	67	94
Unit-linked contracts	-116	-143
Total	**-49**	**-49**
Insurance contracts total	**-277**	**-327**
Investment contracts		
Capital redemption policy		
Contracts with discretionary participation feature (DPF)	10	-33
Unit-linked contracts	-198	-102
Investment contracts, total	**-188**	**-135**
Change in liabilities for insurance and investment contracts in total, net	**-465**	**-462**
Elimination items between segments	24	-5
Group, total	**-448**	**-502**

5 Staff costs

P&C insurance

EURm	2016	2015
Staff costs		
Wages and salaries	-368	-373
Cash-settled share-based payments	-6	-17
Pension costs		
- defined contribution plans	-66	213
- defined benefit plans (Note 31)	5	-137
Other social security costs	-76	-57
P&C insurance, total	**-512**	**-371**

Life insurance

EURm	2016	2015
Staff costs		
Wages and salaries	-36	-35
Cash-settled share-based payments	-1	-4
Pension costs - defined contribution plans	-6	-6
Other social security costs	-3	-3
Life insurance, total	**-46**	**-47**

Holding

EURm	2016	2015
Staff costs		
Wages and salaries	-9	-8
Cash-settled share-based payments	-4	-8
Pension costs - defined contribution plans	-2	-2
Other social security costs	-1	-1
Holding, total	**-16**	**-20**

EURm	2016	2015
Group, total	**-574**	**-438**

More information on share-based payments in note 36 Incentive schemes.

6 Other operating expenses

P&C insurance

EURm	2016	2015
IT costs	-103	-114
Other staff costs	-14	-15
Marketing expenses	-38	-38
Depreciation and amortisation	-12	-9
Rental expenses	-46	-45
Change in deferred acquisition costs	-10	-5
Direct insurance comissions	-163	-167
Commissions on reinsurance ceded	12	14
Other	-98	-98
P&C insurance, total	**-472**	**-477**

Life insurance

EURm	2016	2015
IT costs	-18	-17
Other staff costs	-2	-2
Marketing expenses	-4	-4
Depreciation and amortisation	-2	-2
Rental expenses	-4	-4
Direct insurance comissions	-8	-9
Comissions of reinsurance assumed	-1	-1
Commissions on reinsurance ceded	2	1
Other	-42	-38
Life insurance, total	**-78**	**-74**

Item Other for P&C and Life Insurance includes e.g. expenses related to communication, external services and other administrative expenses.

Holding

EURm	2016	2015
IT costs	-1	-1
Marketing expenses	-1	-1
Rental expenses	-1	-1
Other	-15	-9
Holding, total	**-18**	**-12**
Item Other includes e.g. consultancy fees and rental and other administrative expenses.		
Elimination items between segments	16	17

EURm	2016	2015
Group, total	**-551**	**-545**

7 Result analysis of P&C insurance

EURm	2016	2015
Insurance premiums earned	4,286	4,344
Claims incurred	-2,905	-3,143
Operating expenses	-713	-566
Other insurance technical income and expense	-7	-1
Allocated investment return transferred from the non-technical account	-3	23
Technical result	**658**	**657**
Net investment income account	188	325
Allocated investment return transferred to the technical account	-26	-60
Other income and expense	63	38
Operating result	**883**	**960**

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

EURm	2016	2015
Claims-adjustment expenses (claims paid)	-235	-249
Acquisition expenses (operating expenses)	-490	-497
Joint administrative expenses for insurance business (operating expenses)	-226	-78
Administrative expenses pertaining to other technical operations (operating expenses)	-33	-71
Asset management costs (investment expenses)	-17	-19
Total	**-1,002**	**-914**

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							
2016	729	615	1,301	119	1,244	198	2
2015	754	635	1,294	125	1,296	202	2
Premiums earned, gross							
2016	737	620	1,271	121	1,254	201	2
2015	740	636	1,266	123	1,299	204	2
Claims incurred, gross 1)							
2016	-490	-372	-912	-72	-852	-93	-1
2015	-525	-581	-854	-83	-851	-132	-1
Operating expenses, gross 2)							
2016	-129	-134	-191	-20	-197	-32	0
2015	-133	-136	-184	-21	-210	-33	0
Profit/loss from ceded reinsurance							
2016	-4	0	-2	-11	-65	-31	0
2015	-9	-1	-1	-12	-76	-12	-
Technical result before investment return							
2016	**115**	**114**	**166**	**18**	**139**	**45**	**2**
2015	**73**	**-83**	**226**	**7**	**162**	**28**	**1**

EURm	Legal expenses	Other	Total direct insurance	Reinsurance assumed	Elimination	Total
Premiums written, gross						
2016	46	109	4,364	94	-	**4,458**
2015	45	114	4,465	94	0	**4,559**
Premiums earned, gross						
2016	46	108	4,360	94	-	**4,454**
2015	44	111	4,424	96	0	**4,520**
Claims incurred, gross 1)						
2016	-29	-72	-2,892	-89	4	**-2,976**
2015	-27	-99	-3,153	-48	7	**-3,194**
Operating expenses, gross 2)						
2016	-7	-21	-731	-16	15	**-732**
2015	-7	-16	-740	-17	135	**-622**
Profit/loss from ceded reinsurance						
2016	0	-12	-125	40	-	**-85**
2015	-	-7	-117	6	0	**-112**
Technical result before investment return						
2016	**10**	**4**	**613**	**28**	**19**	**660**
2015	**9**	**-10**	**414**	**37**	**142**	**592**

1) Activity-based operating costs EURm 235 (249) have been allocated to claims incurred.

2) Includes other technical income EURm 26 (28) and other technical expenses EURm 33 (28).

9 Earnings per share

EURm	2016	2015
Earnings per share		
Profit or loss attributable to the equity holders of the parent company	1,650	1,656
Weighted average number of shares outstanding during the period	560	560
Earnings per share (EUR per share)	2.95	2.96

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, Cash and cash equivalents and Assets held for sale.

			2016		
EURm	**Carrying amount**	**Interest inc./exp.**	**Gains/ losses**	**Impairment losses**	**Dividend income**
FINANCIAL ASSETS					
Financial assets at fair value through p/l					
Derivative financial instruments	45	-21	18	-	-
Financial assets designated as at fair value through p/l	24	1	0	-	0
Loans and receivables	2,689	13	6	-	-
Financial assets available-for-sale	17,705	298	146	-47	175
Financial assets, group total	**20,463**	**290**	**169**	**-47**	**175**
FINANCIAL LIABILITIES					
Financial liabilities at fair value through p/l					
Derivative financial instruments	81	-	-		
Other financial liabilities	3,766	-52	34		
Financial liabilities, group total	**3,847**	**-52**	**34**		

EURm	2015 Carrying amount	Interest inc./exp.	Gains/ losses	Impairment losses	Dividend income
FINANCIAL ASSETS					
Financial assets at fair value through p/l					
Derivative financial instruments	53	-9	-79	-	-
Financial assets designated as at fair value through p/l	48	1	2	-	0
Loans and receivables	2,129	20	44	-	-
Financial assets available-for-sale	16,955	295	382	-20	159
Financial assets, group total	**19,185**	**307**	**350**	**-20**	**160**
FINANCIAL LIABILITIES					
Financial liabilities at fair value through p/l					
Derivative financial instruments	63	-	-		
Other financial liabilities	2,312	-59	-8		
Financial liabilities, group total	**2,375**	**-59**	**-8**		

11 Property, plant and equipment

P&C insurance

EURm	2016 Equipment	2015 Equipment
At 1 Jan.		
Cost	65	63
Accumulated depreciation	-47	-46
Net carrying amount at 1 Jan.	**19**	**16**
At 31 Dec.		
Cost	65	65
Accumulated depreciation	-46	-47
Net carrying amount at 31 Dec.	**19**	**19**

Life insurance

	2016			2015		
EURm	**Land and buildings**	**Equipment**	**Total**	**Land and buildings**	**Equipment**	**Total**
At 1 Jan.						
Cost	4	8	12	4	8	12
Accumulated depreciation	-1	-7	-8	-1	-7	-7
Net carrying amount at 1 Jan.	**4**	**1**	**5**	**4**	**1**	**5**
At 31 Dec.						
Cost	4	8	12	4	8	12
Accumulated depreciation	-1	-7	-8	-1	-7	-8
Net carrying amount at 31 Dec.	**4**	**1**	**4**	**4**	**1**	**5**

Holding

	2016			2015		
EURm	**Land and buildings**	**Equipment**	**Total**	**Land and buildings**	**Equipment**	**Total**
At 1 Jan.						
Cost	2	4	6	2	5	7
Accumulated depreciation	-1	-2	-3	-1	-3	-4
Net carrying amount at 1 Jan.	**1**	**2**	**3**	**1**	**2**	**3**
At 31 Dec.						
Cost	2	4	5	2	4	6
Accumulated depreciation	-1	-1	-2	-1	-2	-3
Net carrying amount at 31 Dec.	**1**	**2**	**3**	**1**	**2**	**3**

EURm	**2016**	**2015**
Group, total	**27**	**26**

Equipment in different segments comprise IT equipment and furniture.

12 Investment property

P&C insurance

EURm	2016	2015
At 1 Jan.		
Cost	25	29
Accumulated depreciation	-8	-8
Accumulated impairment losses	-2	-1
Net carrying amount at 1 Jan.	**15**	**20**
Opening net carrying amount	**15**	**20**
Disposals	-	-4
Depreciation	-1	-1
Impairment losses	0	-1
Exchange differences	0	0
Closing net carrying amount	**14**	**15**
At 31 Dec.		
Cost	25	25
Accumulated depreciation	-9	-8
Accumulated impairment losses	-2	-2
Net carrying amount at 31 Dec.	**14**	**15**
Rental income from investment property	3	2
Property rented out under operating lease		
Non-cancellable minimum rental		
- not later than one year	1	1
- later than one year and not later than five years	1	1
Total	**2**	**2**
Expenses arising from investment property		
- direct operating expenses arising from investment property generating rental income during the period	-1	-1
- direct operating expenses arising from investment property not generating rental income during the period	-1	-1
Total	**-2**	**-2**
Fair value of investment property at 31 Dec.	**22**	**22**

Life insurance

EURm	2016	2015
At 1 Jan.		
Cost	257	247
Accumulated depreciation	-55	-51
Accumulated impairment losses	-23	-17
Net carrying amount at 1 Jan.	**180**	**179**
Opening net carrying amount	**180**	**179**
Additions	41	27
Disposals	-18	-17
Depreciation	-3	-4
Impairment losses	1	-6
Closing net carrying amount	**201**	**180**
At 31 Dec.		
Cost	280	257
Accumulated depreciation	-58	-55
Accumulated impairment losses	-22	-23
Net carrying amount at 31 Dec.	**201**	**180**
Rental income from investment property	20	21
Property rented out under operating lease		
Non-cancellable minimum rental		
- not later than one year	9	9
- later than one year and not later than five years	13	6
- later than five years	3	0
Total	**25**	**14**
Expenses arising from investment property		
- direct operating expenses arising from investment property generating rental income during the period	-9	-9
- direct operating expenses arising from investment property not generating rental income during the period	-1	-1
Total	**-10**	**-10**
Fair value of investment property at 31 Dec.	**222**	**203**
Elimination items between segments	-4	-4

EURm	2016	2015
Group, total	**211**	**191**

Fair values for the Group's investment property are entirely determined by the Group based on the market evidence. The determination and hierarchy of financial assets and liabilities at fair value is disclosed in note 17. Based on the principles of this determination, the investment property falls under 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 *)	Other intangible assets	Total
	2016		
At 1 Jan.			
Cost	547	24	570
Accumulated amortisation	-	-6	-6
Net carrying amount at 1 Jan.	**547**	**17**	**564**
At 31 Dec.			
Cost	526	23	549
Accumulated amortisation	-	-8	-8
Net carrying amount at 31 Dec.	**526**	**16**	**541**

EURm	Goodwill *)	Other intangible assets	Total
	2015		
At 1 Jan.			
Cost	535	24	559
Accumulated amortisation	-	-5	-5
Net carrying amount at 1 Jan.	**535**	**20**	**554**
At 31 Dec.			
Cost	547	24	570
Accumulated amortisation	-	-6	-6
Net carrying amount at 31 Dec.	**547**	**17**	**564**

*) The change in the cost is due to exchange differences.

Life insurance

EURm	2016 Goodwill	2016 Other intangible assets	2016 Total	2015 Goodwill	2015 Other intangible assets	2015 Total
At 1 Jan.						
Cost	153	43	196	153	43	196
Accumulated amortisation	-	-36	-36	-	-36	-36
Net carrying amount at 1 Jan.	**153**	**7**	**160**	**153**	**7**	**160**
At 31 Dec.						
Cost	153	44	197	153	43	196
Accumulated amortisation	-	-38	-38	-	-36	-36
Net carrying amount at 31 Dec.	**153**	**6**	**159**	**153**	**7**	**160**
Assets held for sale	-89	-	-89			
Net carrying amount at 31 Dec.	**64**	**6**	**70**			

EURm	2016	2015
Group, total	**612**	**724**

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 7.2% and for Mandatum Life 7.6%. These are lower than last year due to the decrease in the interest rates of Nordic bonds.

Forecasts for If, approved by the management, cover years 2017 – 2019. The cash flows beyond that have been extrapolated using a 2% growth rate. A 2% growth rate for years beyond 2026 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 410. With the calculation method used, e.g. an increase of about 2% 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. 2016

EURm Name	Domicile	Carrying amount	Fair value *)	Interest held %
Nordea Bank Abp	Sweden	7,554	9,124	21.25
Topdanmark A/S	Denmark	554	955	45.38
Autovahinkokeskus Oy	Finland	3		35.54
CAP Group AB	Sweden	2		21.98
Svithun Assuranse AS	Norway	1		33.00
Contemi Holding AS	Norway	0		28.57
SOS International A/S	Denmark	7		25.20

Associates that have been accounted for by the equity method at 31 Dec. 2015

EURm Name	Domicile	Carrying amount	Fair value *)	Interest held %
Nordea Bank Abp	Sweden	7,305	8,735	21.25
Topdanmark A/S	Denmark	362	827	32.9
Autovahinkokeskus Oy	Finland	3		35.54
CAP Group AB	Sweden	2		21.98
Urzus Group AS	Norway	1		28.57
Svithun Assuranse AS	Norway	1		33.00
Watercircles Skandinavia AS (Norway)	Norway	3		35.75
Contemi Holding AS	Norway	1		28.57

*) Published price quatation

Changes in investments in associates

	2016			2015		
EURm	Nordea	Other associates	Total	Nordea	Other associates	Total
At beginning of year	7,305	374	7,679	7,065	382	7,447
Share of loss/profit	773	65	837	751	42	793
Additions	-	205	205	-	1	1
Disposals	-551	-5	-555	-533	-1	-534
Changes in the equity of associates	27	-86	-59	23	-51	-28
Exchange differences	-	0	0	-	0	0
At end of year	**7,554**	**553**	**8,107**	**7,305**	**374**	**7,679**

The carrying amount of investments in associates included goodwill EURm 1,201 (1,101), 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 700 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.

Financial information on Nordea

EURm	2016	2015
Assets	615,659	646,868
Liabilities	583,249	615,836
Revenue	9,927	10,140
Other comprehensive income items	165	13
Comprehensive income statement	3,766	3,675
Dividend income from the associate during the financial year	551	533

Sampo's share of Nordea's loss/profit consists of the following as of 31 Dec. 2016

EURm	2016	2015
Share of loss/profit of the associate	800	778
Amortisation of the customer rlations	-35	-35
Change in deferred tax	8	8
Share of the loss/profit of an associate	**773**	**751**

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. Fair value hedging has been applied during the financial year both in P&C and Life insurance.

EURm	2016	2015
P&C insurance		
Derivative financial instruments	14	21
Loans and receivables	84	108
Financial assets available-for-sale	11,569	10,437
P&C insurance, total	**11,667**	**10,566**
Life insurance		
Derivative financial instruments	13	11
Financial assets designated as at fair value through p/l	24	48
Loans and receivables	20	24
Financial assets available-for-sale	5,612	5,956
Total	**5,670**	**6,039**
Assets held for sale	-210	-
Life insurance, total	**5,459**	**6,039**
Holding		
Derivative financial instruments	18	21
Loans and receivables	0	1
Financial assets available-for-sale	814	852
Investments in subsidiaries	2,370	2,370
Holding, total	**3,201**	**3,243**
Elimination items between segments	-2,659	-2,659
Group, total	**17,668**	**17,189**

P&C insurance

Derivative financial instruments

	2016			2015		
	Contract/	Fair value		Contract/	Fair value	
EURm	notional amount	Assets	Liabilities	notional amount	Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
OTC derivatives						
Intrerest rate swaps	67	0	4	2,069	0	2
Foreign exchange derivatives						
OTC derivatives						
Currency forwards	3,148	13	63	2,777	19	15
Currency options, bought and sold	30	0	0	101	1	0
Total foreign exchange derivatives	**3,178**	**13**	**63**	**2,878**	**21**	**15**
Equity derivatives						
OTC derivatives						
Equity and equity index options	0	1	-	-	-	-
Total derivatives held for trading	**3,245**	**14**	**67**	**4,948**	**21**	**17**

Other financial assets

EURm	2016	2015
Loans and receivables		
Deposits with ceding undertakings	1	1
Other	83	108
Total loans and receivables	**84**	**108**
Financial assets available-for-sale		
Debt securities		
Issued by public bodies	1,246	1,392
Certificates of deposit issued by banks	3,407	3,120
Other debt securities	5,370	4,404
Total debt securities	**10,022**	**8,916**
Equity securities		
Listed	1,524	1,497
Unlisted	23	25
Total	**1,547**	**1,522**
Total financial assets available-for-sale	**11,569**	**10,437**

Financial assets available-for-sale for P&C insurance include impairment losses EURm 227 (197).

P&C insurance, total financial assets	**11,667**	**10,566**

Life insurance

Derivative financial instruments

	2016			2015		
	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	144	1	0	4,618	0	1
Credit risk swaps	-	-	-	643	-	0
Total	**144**	**1**	**0**	**5,261**	**0**	**2**
Foreign exchange derivatives						
OTC derivatives						
Currency forwards	1,691	10	11	1,633	8	22
Currency options, bought and sold	63	0	0	156	1	1
Total foreign exchange derivatives	**1,754**	**10**	**11**	**1,789**	**9**	**22**
Total derivatives held for trading	**1,898**	**10**	**11**	**7,050**	**9**	**24**
Derivatives held for hedging						
Fair value hedges						
Currency forwards	534	2	0	602	2	9
Total	**534**	**2**	**0**	**602**	**2**	**9**
Total derivatives held for hedging	**534**	**2**	**0**	**602**	**2**	**9**
Total derivatives	**2,432**	**13**	**11**	**7,651**	**11**	**33**

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 19 (-69). Net result from hedged risks in fair value hedges of available for sale financial assets amounted to EURm -19 (68).

Other financial assets

EURm	2016	2015
Financial assets designated as at fair value through p/l		
Debt securities		
Issued by public bodies	15	13
Issued by banks	7	10
Other debt securities	0	23
Total debt securities	**22**	**47**
Listed equity securities	2	2
Total financial assets designated as at fair value through p/l	**24**	**48**
Loans and receivables		
Loans	20	24
Financial assets available-for-sale		
Debt securities		
Issued by public bodies	19	30
Issued by banks	563	488
Other debt securities	2,523	2,896
Total debt securities	**3,105**	**3,414**
Equity securities		
Listed	1,727	1,669
Unlisted	779	873
Total	**2,507**	**2,542**
Total financial assets available-for-sale	**5,612**	**5,956**

Financial assets available-for-sale for life insurance include impairment losses EURm 15 (19).

Total financial assets	**5,670**	**6,039**
Assets held for sale	-210	-
Life insurance, total financial assets	**5,459**	**6,039**

Financial assets available for sale / debt securities: Debt securities available for sale include EURm 2,925 (3,334) investments in bonds and EURm 180 (95) investments in money market instruments.

Financial assets available for sale / shares and participations: Listed equity securities include EURm 913 (831) listed equities. Unlisted equity securities include EURm 727 (768) investments in capital trusts.

Holding

Derivative financial instruments

	2016			2015		
	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	523	12	-	800	10	-
Foreign exchange derivatives						
OTC-derivatives						
Currency forwards	478	4	1	74	1	2
Equity derivatives						
OTC-derivatives						
Equity and euqity index options	9	2	3	60	10	10
Total derivatives	**1,010**	**18**	**3**	**933**	**21**	**12**

Other financial assets

EURm	2016	2015
Loans and receivables		
Deposits	0	1
Financial assets available-for-sale		
Debt securities		
Certificates of deposit issued by banks	250	196
Other debt securities	415	407
Total debt securities	**666**	**603**
Equity securities		
Listed	129	228
Unlisted	20	20
Total	**148**	**248**
Total financial assets available-for-sale	**814**	**852**

Financial assets available-for-sale for Holding business do not include impairment losses.

Investments in subsidiaries	2,370	2,370
Holding, total financial assets	**3,201**	**3,243**
Elimination items between segments	-2,659	-2,659

EURm	2016	2015
Group, total	**17,668**	**17,189**

16 Fair values

	2016		2015	
EURm	Fair value	Carrying ammount	Fair value	Carrying amount
Financial assets, group				
Financial assets	17,880	17,879	17,192	17,189
Investments related to unit-linked contracts	3,427	3,427	5,847	5,847
Other assets	49	49	28	28
Cash and cash equivalents	2,585	2,585	1,997	1,997
Total	**23,941**	**23,940**	**25,064**	**25,060**
Financial liablities, group				
Financial liabilities	3,910	3,847	2,424	2,375
Other liabilities	31	31	64	64
Total	**3,941**	**3,878**	**2,488**	**2,439**

In the table above are presented fair values and carrying amounts of financial assets and liabilities. Assets held for sale are included in the figures. 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.

The figures include the financial assets classified as Assets held for sale.

EURm	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT 31 DEC. 2016				
Derivative financial instruments				
Interest rate swaps	-	12	-	12
Foreign exchange derivatives	-	30	-	30
Equity derivatives	-	3	-	3
	-	**45**	**-**	**45**
Financial assets designated at fair value through profit or loss				
Equity securities	2	-	-	2
Debt securities	18	4	0	22
	20	**4**	**0**	**24**
Financial assets related to unit-linked insurance				
Equity securities	664	13	14	692
Debt securities	748	650	27	1,424
Derivative financial instruments	2,954	902	154	4,009
Mutual funds	-	2	-	2
	4,366	**1,567**	**194**	**6,128**
Financial assets available-for-sale				
Equity securities	2,123	-	48	2,171
Debt securities	9,410	4,036	58	13,504
Mutual funds	1,212	60	758	2,030
	12,746	**4,096**	**863**	**17,705**
Total financial assests measured at fair value	**17,132**	**5,713**	**1,057**	**23,902**

FINANCIAL LIABILITIES AT 31 DEC. 2016				
Derivative financial instruments				
Interest rate derivatives	-	4	-	4
Foreign exchange derivatives	-	74	-	74
Equity derivatives	-	3	-	3
Total financial liabilities measured at fair value	**-**	**81**	**-**	**81**

EURm	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT 31 DEC. 2015				
Derivative financial instruments				
Interest rate swaps	-	10	-	10
Foreign exchange derivatives	-	33	-	33
Equity derivatives	-	10	-	10
	-	**53**	**-**	**53**
Financial assets designated at fair value through profit or loss				
Equity securities	2	-	-	2
Debt securities	18	29	0	47
	20	**29**	**0**	**48**
Financial assets related to unit-linked insurance				
Equity securities	616	7	17	639
Debt securities	751	453	27	1,231
Derivative financial instruments	2,720	987	46	3,753
Mutual funds	-	7	-	7
	4,087	**1,454**	**89**	**5,630**
Financial assets available-for-sale				
Equity securities	2,129	-	46	2,175
Debt securities	9,227	3,327	89	12,643
Mutual funds	1,296	39	801	2,136
	12,652	**3,366**	**936**	**16,954**
Total financial assests measured at fair value	**16,759**	**4,901**	**1,026**	**22,686**

EURm	Taso 1	Taso 2	Taso 3	Total
FINANCIAL LIABILITIES AT 31 DEC. 2015				
Derivative financial instruments				
Interest rate derivatives	-	4	-	4
Foreign exchange derivatives	-	48	-	48
Equity derivatives	-	10	-	10
Total financial liabilities measured at fair value	**-**	**63**	**-**	**63**

Transfers between levels 1 and 2

	2016		2015	
	Transfers from level 2 to level 1	**Transfers from level 1 to level 2**	**Transfers from level 2 to level 1**	**Transfers from level 1 to level 2**
Financial assets related to unit-linked insurance				
Debt securities	3	4	324	4
Financial assets available-for-sale				
Debt securities	459	502	339	257

Sensitivity analysis of fair values

The sensitivity of financial assets and liabilites to changes in exchange rates is assessed on business area level due to different base currencies. In P&C insurance, 10 percentage point depreciation of all other currencies against SEK would result in an increase recognised in profit/loss of EURm 10 (9) and in a decrease recognised directly in equity of EURm 8 (3). In Life insurance, 10 percentage point depreciation of all other currencies against EUR would result in an increase recognised in profit/loss of EURm 12 (23) and in a decrease recognised directly in equity of EURm 94 (79). 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 163 (68).

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. 2016.

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	0	-2	0	0
Effect recognised directly in equity	255	-239	-670	-195
Total effect	**256**	**-241**	**-670**	**-195**

18 Movements in level 3 financial instruments measured at fair value

EURm	At 1 Jan.	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.	Gains/ losses included in p/l for financial assets 31 Dec. 2016
FINANCIAL ASSETS AT 31 DEC. 2016								
Financial assets related to unit-linked insurance								
Equity securities	17	-6	-	12	-9	-	14	-4
Debt securities	27	0	-	0	0	-	27	0
Mutual funds	46	-3	-	129	-19	-	154	-2
	89	**-9**	**-**	**142**	**-29**	**-**	**194**	**-5**
Financial assets available-for-sale								
Equity securities	46	2	-1	6	-4	0	48	-2
Debt securities	90	1	0	213	-246	0	58	0
Mutual funds	801	0	-20	174	-198	0	757	-21
	936	**4**	**-22**	**393**	**-448**	**0**	**863**	**-22**
Total financial assests measured at fair value	**1,026**	**-5**	**-22**	**535**	**-477**	**0**	**1,057**	**-27**

EURm	Realised gains	2016 Fair value gains and losses	Total
Total gains or losses included in profir or loss for the financial year	-5	-22	**-26**
Total gains or losses included in profit and loss for assets held at the end of the financial year	-6	-22	**-27**

EURm	At 1 Jan.	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.	Gains/ losses included in p/l for financial assets 31 Dec. 2015
FINANCIAL ASSETS AT 31 DEC. 2015								
Financial assets related to unit-linked insurance								
Equity securities	16	2	-	3	-4	-	17	1
Debt securities	24	0	-	0	0	3	27	0
Mutual funds	57	2	-	11	-23	-	46	2
	96	**3**	**-**	**14**	**-27**	**3**	**89**	**3**
Financial assets available-for-sale								
Equity securities	228	14	-2	0	-194	-	46	2
Debt securities	78	9	0	90	-86	-	90	0
Mutual funds	748	25	13	174	-159	-	801	7
	1,054	**48**	**10**	**264**	**-440**	**-**	**936**	**9**
Total financial assests measured at fair value	**1,150**	**51**	**10**	**278**	**-467**	**3**	**1,026**	**12**

EURm	Realised gains	2015 Fair value gains and losses	Total
Total gains or losses included in profir or loss for the financial year	51	6	**57**
Total gains or losses included in profit and loss for assets held at the end of the financial year	6	6	**12**

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

EURm	2016 Carrying amount	2016 Effect of reasonably possible alternative assumptions (+ / -)	2015 Carrying amount	2015 Effect of reasonably possible alternative assumptions (+ / -)
Financial assets				
Financial assets available-for-sale				
Equity securities	48	-10	46	-9
Debt securities	58	-2	89	-2
Mutual funds	758	-152	801	-160
Total	**863**	**-163**	**936**	**-171**

The value of financial assets regarding the debt security instruments has been tested by assuming a rise of 1 per cent unit in interest rate level in all maturities. For other financial assets, the prices were assumed to go down by 20 per cent. Sampo Group bears no investment risks related to unit-linked insurance, so a change in assumptions regarding these assets does not affect profit or loss. On the basis of the these alternative assumptions, a possible change in interest levels would cause a descend of EURm 2 (2) for the debt instruments, and EURm 162 (169) 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 1.4 per cent (1.5).

20 Investments related to unit-linked insurance contracts

Life insurance

EURm	2016	2015
Financial assets designated at fair value through p/l		
Debt securities		
Issued by public bodies	68	49
Other debt securities	1,358	1,199
Total	**1,426**	**1,248**
Equity securities		
Listed	4,388	4,328
Unlisted	313	64
Total	**4,701**	**4,392**
Total financial assets designated at fair value through p/l	330	217
Other	2	7
Total	**6,460**	**5,865**

Assets held for sale	-2,992	-
Investment related to unit-linked contracts, total	**3,468**	**5,865**
Elimination items between segments	-41	-18
Group total	**3,427**	**5,847**

The historical cost of the equity securities related to unit-linked contracts was EURm 3,813 (3,645) and that of the debt securities EURm 1,437 (1,305).

21 Deferred tax assets and liabilities

Changes in deferred tax during the financial period 2016

EURm	1.1.	Recognised in comprehensive income statement	Recognised in equity	Exchange differences	31.12.
Deferred tax assets					
Tax losses carried forward	15	0	0	0	15
Employee benefits	35	-8	1	0	28
Other deductible temporary differences	19	-7	0	1	13
Total	**68**	**-15**	**1**	**1**	**56**
Netting of deferred taxes					-28
Deferred tax assets in the balance sheet					**27**
Deferred tax liabilities					
Depreciation differences and untaxed reserves	251	6	0	0	257
Changes in fair values	221	-2	48	-2	265
Other taxable temporary differences	28	4	1	0	33
Total	**500**	**8**	**49**	**-2**	**555**
Netting of deferred taxes					-28
Total deferred tax liabilities in the balance sheet					**527**

Changes in deferred tax during the financial period 2015

EURm	1.1.	Recognised in comprehensive income statement	Recognised in equity	Exchange differences	31.12.
Deferred tax assets					
Tax losses carried forward	15	0	-	0	15
Changes in fair values	85	-50	-3	3	35
Other deductible temporary differences	8	-14	4	-1	-3
Total	**107**	**-63**	**0**	**2**	**46**
Netting of deferred taxes					-12
Deferred tax assets in the balance sheet					**35**
Deferred tax liabilities					
Depreciation differences and untaxed reserves	275	-21	-	-3	251
Changes in fair values	231	4	-16	2	221
Other taxable temporary differences	19	12	-25	1	7
Total	**526**	**-5**	**-41**	**0**	**479**
Netting of deferred taxes					-12
Total deferred tax liabilities in the balance sheet					**468**

In Sampo plc, EURm 24 of deferred tax asset has not been recognised on unused tax losses. The first losses will expire in 2019.

In life insurance, EURm 4 of deferred tax asset has not been recognised on unused tax losses.

22 Taxes

EURm	2016	2015
Profit before tax	1,871	1,888
Tax calculated at parent company's tax rate	-374	-378
Different tax rates on overseas earnings	-14	-25
Income not subject to tax	7	2
Expenses not allowable for tax purposes	-4	-2
Consolidation procedures and eliminations	165	168
Tax losses for which no deferred tax asset has been recognised	2	0
Changes in tax rates	0	5
Tax from previous years	-3	-1
Total	**-221**	**-232**

23 Components of other comprehensive income

EURm	2016	2015
Other comprehensive income:		
Items reclassifiable to profit or loss		
Exchange differences	-80	-35
Available-for-sale financial assets		
Gains/losses arising during the year	302	257
Reclassification adjustments	-66	-353
The share of the segretated Suomi portfolio	-11	-10
Share of associate's other comprehensive income	19	16
Taxes	-49	21
Total items reclassifiable to profit or loss, net of tax	**115**	**-103**
Items not reclassifiable to profit or loss		
Actuarial gains and losses from defined pension plans	-6	14
Taxes	1	-3
Total items not reclassifiable to profit or loss, net of tax	**-5**	**11**

24 Tax effects relating to components of other comprehensive income

	2016			2015		
	Before-tax amount	**Tax**	**Net-of-tax amount**	**Before-tax amount**	**Tax**	**Net-of-tax amount**
Items reclassifiable to profit or loss						
Exchange differences	-80	-	-80	-35	-	-35
Available-for-sale financial assets	225	-49	176	-106	21	-85
Share of associate's other comprehensive income	19	-	19	16	-	16
Total	**164**	**-49**	**115**	**-124**	**21**	**-103**

25 Other assets

P&C insurance

EURm	2016	2015
Interests	55	54
Assets arising from direct insurance operations	1,174	1,132
Assets arising from reinsurance operations	51	38
Settlement receivables	2	2
Deferred acquisition costs [1)]	123	131
Assets related to Patient Insurance Pool	120	120
Other	66	62
P&C insurance, total	**1,593**	**1,541**

Other assets include non-current assets EURm 114 (112).

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

1) Change in deferred acquisition costs in the period

EURm	2016	2015
At 1 Jan.	**131**	**138**
Net change in the period	-10	-4
Exchange differences	2	-2
At 31 Dec.	**123**	**131**

Life insurance

EURm	2016	2015
Interests	26	30
Receivables from policyholders	8	9
Assets arising from reinsurance operations	0	0
Settlement receivables	47	21
Assets pledged for trading in derivatives	18	19
Other	63	48
Life insurance, total	**162**	**127**

Item Other comprise e.g. pensions paid in advance and receivables from co-operation companies.

Holding

EURm	2016	2015
Interests	10	38
Settlement receivables	0	5
Other	5	8
Holding, total	**15**	**51**

Item Other includes e.g. asset management fee receivables.

Elimination items between segments	-9	-10

EURm	2016	2015
Group, total	**1,761**	**1,708**

26 Cash and cash equivalents

P&C insurance

EURm	2016	2015
Cash at bank and in hand	441	368
Short-term deposits (max 3 months)	22	407
P&C insurance, total	**463**	**775**

Life insurance

EURm	2016	2015
Cash at bank and in hand	682	378
Short-term deposits (max 3 months)	-	104
Life insurance, total	**682**	**482**

Holding

EURm	2016	2015
Cash	1,439	739
Group, total	**2,585**	**1,997**

27 Liabilities from insurance and investment contracts

P&C insurance

Change in insurance liabilities

	2016			2015		
EURm	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Provision for unearned premiums						
At 1 Jan.	**2,017**	**46**	**1,971**	**1,999**	**41**	**1,958**
Exchange differences	20	1	21	-20	1	-20
Change in provision	4	-2	2	39	5	44
At 31 Dec.	**2,042**	**44**	**1,997**	**2,017**	**46**	**1,971**

	2016			2015		
EURm	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Provision for claims outstanding						
At 1 Jan.	**7,416**	**193**	**7,223**	**7,185**	**197**	**6,988**
Acquired/disposed insurance holdings	28	-	28	38	-	38
Exchange differences	-19	1	-20	-1	6	-8
Change in provision	-87	-2	-86	195	-10	205
At 31 Dec.	**7,338**	**192**	**7,146**	**7,416**	**193**	**7,223**

Liabilities from insurance contracts

EURm	**2016**	**2015**
Provision for unearned premiums	2,042	2,017
Provision for claims outstanding	7,338	7,416
Incurred and reported losses	1,596	1,657
Incurred but not reported losses (IBNR)	3,327	3,352
Provisions for claims-adjustment costs	267	269
Provisions for annuities and sickness benefits	2,148	2,138
P&C insurance total	**9,379**	**9,433**
Reinsurers' share		
Provision for unearned premiums	44	46
Provision for claims outstanding	192	193
Incurred and reported losses	114	95
Incurred but not reported losses (IBNR)	78	98
Total reinsurers' share	**236**	**239**

As the P&C insurance is exposed to various exchange rates, comparing the balance sheet data from year to year can be misleading.

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	< 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
At the close of the claims year	14,689	2,570	2,696	2,699	2,810	2,893	2,932	2,831	2,814	2,845	2,886	
One year later	14,631	2,566	2,653	2,650	2,849	3,007	2,919	2,859	2,807	2,864		
Two years later	14,543	2,531	2,597	2,622	2,796	3,003	2,935	2,860	2,815			
Three years later	14,551	2,500	2,570	2,582	2,794	2,991	2,924	2,865				
Four years later	14,542	2,455	2,547	2,564	2,787	2,963	2,892					
Five years later	14,449	2,431	2,533	2,541	2,785	2,948						
Six years later	14,347	2,422	2,514	2,539	2,768							
Seven years later	14,342	2,409	2,520	2,511								
Eight years later	14,352	2,408	2,500									
Nine years later	14,462	2,390										
Ten years later	14,429											
Current estimate of total claims costs	14,429	2,390	2,500	2,511	2,768	2,948	2,892	2,865	2,815	2,864	2,886	41,868
Total disbursed	11,640	2,177	2,278	2,280	2,506	2,649	2,562	2,477	2,332	2,255	1,640	34,797
Provision reported in the balance sheet	**2,788**	**213**	**223**	**231**	**262**	**298**	**330**	**388**	**483**	**609**	**1,246**	**7,071**
of which established vested annuities	1,523	82	71	61	77	75	71	81	64	37	8	2,148
Provision for claims-adjustment costs												267
Total provision reported in the BS												**7,338**

Claims costs after reinsurance

Estimated claims cost

EURm	< 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
At the close of the claims year	13,663	2,473	2,580	2,586	2,673	2,736	2,737	2,782	2,775	2,799	2,825	
One year later	13,589	2,462	2,549	2,554	2,719	2,809	2,722	2,810	2,764	2,814		
Two years later	13,510	2,436	2,496	2,524	2,677	2,796	2,738	2,812	2,756			
Three years later	13,480	2,406	2,470	2,498	2,671	2,791	2,738	2,819				
Four years later	13,489	2,363	2,451	2,481	2,668	2,760	2,711					
Five years later	13,418	2,340	2,439	2,457	2,665	2,749						
Six years later	13,332	2,332	2,420	2,455	2,648							
Seven years later	13,333	2,319	2,427	2,431								
Eight years later	13,354	2,318	2,408									
Nine years later	13,454	2,300										
Ten years later	13,417											
Current estimate of total claims costs	13,417	2,300	2,408	2,431	2,648	2,749	2,711	2,819	2,756	2,814	2,825	39,877
Total disbursed	10,676	2,089	2,188	2,204	2,391	2,458	2,390	2,445	2,305	2,223	1,630	32,998
Provision reported in the balance sheet	**2,741**	**210**	**220**	**227**	**257**	**291**	**321**	**373**	**451**	**591**	**1,195**	**6,879**
of which established vested annuities	1,523	82	71	61	77	75	71	81	64	37	8	2,148
Provision for claims-adjustment costs												267
Total provision reported in the BS												**7,146**

Life insurance

Change in liabilities arising from other than unit-linked insurance and investment contracts

EURm	Insurance contracts	Investment contracts	Total
At 1 Jan. 2016	**4,979**	**36**	**5,014**
Premiums	149	0	149
Claims paid	-469	0	-470
Expense charge	-37	0	-37
Guaranteed interest	138	0	138
Bonuses	5	-	5
Other	29	-8	21
Total at 31 Dec. 2016	**4,794**	**28**	**4,821**
Liabilities related to assets held for sale			-210
Life insurance, total			**4,611**
Reinsurers' share	-3	0	-3
Net liability at 31 Dec. 2016	**4,791**	**28**	**4,608**

EURm	Insurance contracts	Investment contracts	Total
At 1 Jan. 2015	**5,058**	**4**	**5,062**
Premiums	148	30	178
Claims paid	-445	0	-445
Expense charge	-38	0	-38
Guaranteed interest	153	0	153
Bonuses	0	-	0
Portfolio transfers	17	-	17
Other	85	1	86
At 31 Dec. 2015	4,978	36	5,014
Reinsurers' share	-3	-	-3
Net liability at 31 Dec. 2015	**4,976**	**36**	**5,012**

Change in liabilities arising from unit-linked insurance and investment contracts

EURm	Insurance contracts	Investment contracts	Total
At 1 Jan. 2016	**4,042**	**1,817**	**5,858**
Premiums	498	475	973
Claims paid	-222	-355	-577
Expense charge	-43	-20	-64
Other	153	97	250
At 31 Dec. 2016	**4,427**	**2,013**	**6,440**
Liabilities related to assets held for sale			-2,992
Life insurance total			**3,448**
At 1 Jan. 2015	**3,599**	**1,714**	**5,312**
Premiums	575	394	969
Claims paid	-198	-358	-556
Expense charge	-44	-22	-66
Other	110	89	200
At 31 Dec. 2015	**4,042**	**1,817**	**5,858**

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	2016	2015
Insurance contracts		
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	2,425	2,516
Provision for claims outstanding	2,366	2,461
Total	**4,791**	**4,976**
Assumed reinsurance		
Provision for unearned premiums	0	1
Provision for claims outstanding	1	1
Total	**1**	**2**
Insurance contracts total		
Provision for unearned premiums	2,426	2,517
Provision for claims outstanding	2,368	2,462
Total	**4,794**	**4,978**
Investment contracts		
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	28	36
Liabilities for insurance and investment contracts total		
Provision for unearned premiums	2,454	2,552
Provision for claims outstanding	2,368	2,462
Life insurance total	**4,821**	**5,014**
Liabilities related to assets held for sale	-210	-
Liabilities for insurance and investment contracts total, life insurance	**4,611**	**5,014**
Reinsurers' share		
Provision for claims outstanding	-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	2016	2015
Group, total	**13,990**	**14,447**

28 Liabilities from unit-linked insurance and investment contracts

Life insurance

EURm	2016	2015
Unit-linked insurance contracts	4,427	4,042
Unit-linked investment contracts	2,013	1,817
Total	**6,440**	**5,858**
Liabilities related to assets held for sale	-2,992	-
Life insurance, total	**3,448**	**5,858**
Elimination items between segments	-41	-18

EURm	2016	2015
Group, total	**3,407**	**5,841**

29 Financial liabilities

The segment financial liabilities include derivatives, debt securities and other financial liabilities.

P&C insurance

EURm			2016	2015
Derivative financial instruments (note 15)			67	17
Subordinated debt securities				
Subordinated loans				
Euro-denominated loans	**Maturity**	**Interest**		
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%	92	90
Preferred capital note, 2016 (nominal value 1,500 MSEK)	30 years	3 months Stibor + 2,25%	154	-
Preferred capital note, 2016 (nominal value 500 MSEK)	30 years	2.42%	52	-
Total subordinated debt securities			**407**	**199**
P&C insurance, total financial liabilities			**474**	**216**

The loan 2011 was issued with fixed interest rates for the first ten years, after which it becomes subject to variable interest rates. The subordinated loan issued in 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.

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

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

The loan issued in 2011 and both loans issued in 2016 are all listed on the Luxembourg Exchange.

The purpose of the loans is to secure the good financial standing. All loans and their terms are approved by supervisory authorities and they are utilised for solvency purposes.

Life insurance

EURm	2016	2015
Derivative financial instruments (note 15)	11	33
Subordinated debt securities		
Subordinated loans	100	100
Life insurance, total	**111**	**133**

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

Holding

EURm	2016	2015
Derivative financial instruments (note 15)	3	12
Debt securities in issue		
Commercial papers	671	305
Bonds *)	2,877	1,997
Total	**3,548**	**2,302**
Holding, total	**3,551**	**2,314**

*) The determination and hierarchy of financial assets and liabilities at fair value is disclosed in note 17. Based on the principles of this determination, the bonds of the Holding Company fall under level 2.

Elimination items between segments	-289	-339

EURm	2016	2015
Group, total	**3,847**	**2,375**

30 Provisions

P&C insurance

EURm	2016
At 1 Jan. 2016	**51**
Exchange rate differences	-1
Additions	9
Amounts used during the period	-22
Unused amounts reversed during the period	-1
At 31 Dec. 2016	**35**
Current (less than 1 year)	8
Non-current (more than 1 year)	27
Total	**35**

EURm 11 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 21 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	2016	2015
Present value of estimated pension obligation, including social costs	294	303
Fair value of plan assets	214	213
Net pension obligation recognised in the balance sheet	**79**	**90**

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, 2006 regardless of age. In May 2015, If decided that all employees born in 1958 or later that were covered by the Norwegian defined-benefit pension plan would be switched to a defined-contribution plan as of January 2016. As of the same date, it was also decided that existing retirees would no longer be covered by the plan, and that future retirees would cease being covered by the plan when they are no longer employed by If. Accordingly, the Norwegian pension plan now consists solely of active people employed prior to 2006 and born no later than 1957.

The pension benefits referred to are old-age pension and survivors' pension in Sweden. For Norway, old-age pension and survivors' pension are included, as well as disability pension up to July, 1, 2016. Following an amendment to the plan, all employees will instead be covered by a defined-contribution plan for disability pension. A common feature of the defined-benefit plans is that the employees and survivors encompassed by the plans are entitled to a guaranteed pension that depends on the employees' service period and pensionable salary at the time of retirement. The dominating benefit is the old-age pension, which refers in part to temporary pension before the anticipated retirement age and in part to a life-long pension after the anticipated retirement age.

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

The anticipated retirement age in connection with life-long pension is 65 years for Sweden and 67 years for Norway. In Sweden, life-long old-age pension following a complete service period is payable at a rate of approximately 10% of the pensionable salary between 0 and 7.5 income base amounts, 65% of salary between 7.5 and 20 income base amounts and 32.5% between 20 and 30 income base amounts. In Norway, life-long old-age pension following a complete service period is payable at a rate of approximately 70% of the pensionable salary up to 12 National Insurance base amounts, together with the estimated statutory old-age pension. Paid-up policies and pension payments from the Swedish plans are normally indexed upwards in an amount corresponding to the change in the consumer price index. However, there is no agreement guaranteeing the value and future supplements in addition to the contractual pension benefit could either rise of fall. Pension payments from the Norwegian plans are were earlier indexed upwards in an amount corresponding to 80 -100% of the change in the consumer price index. Instead, as of January 2016, a paid-up policy is issued on retirement, whereby If is no longer responsible for and has no obligation in respect of future indexation of the insured plans.

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

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

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

When applying IAS 19, the pension 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 obligation is discounted to the present value using interest rates based on the extrapolated yield-curves in Sweden and in Norway for AAA and AA corporate bonds, including mortgage-backed bonds, as at 30 November, approximately updated to reflect market conditions mid-December. The discount rate chosen takes into account the duration of the company's pension obligations. After a deduction for the plan assets, a net asset or net liability is recognized in the balance sheet.

The following tables contain a number of material assumptions, specifications of pension costs, assets and liabilities and a sensitivity analysis showing the potential effect on the obligations of reasonable changes in those assumptions as at the end of the fiscal year. As apparent from the tables, the said amendments to the insured plan in Norway have been taken into account when preparing the annual accounts for 2015 and had a material impact on both recognized costs and assets and obligations.

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

Specification of employee benefit obligations by country

	2016			2015		
	Sweden	Norway	Total	Sweden	Norway	Total
Recognised in income statement and other comprehensive income						
Current service cost	5	4	9	6	9	15
Past service cost	0	-7	-6	0	-156	-156
Interest expense on net pension liability	1	1	2	1	3	4
Total in income statement	**7**	**-2**	**5**	**7**	**-144**	**-137**
Remeasurement of the net pension liability	8	-2	6	-9	-4	-14
Total in comprehensive income statement	**15**	**-4**	**11**	**-2**	**-148**	**-150**
Recognised in balance sheet						
Present value of estimated pension liability, including social costs	206	87	294	196	107	303
Fair value of plan assets	166	49	214	156	57	213
Net liability recognised in balance sheet	**41**	**39**	**79**	**40**	**49**	**90**

	2016		2015	
Distribution by asset class	Sweden	Norway	Sweden	Norway
Debt instruments, level 1	39%	54%	39%	50%
Debt instruments, level 2	0%	13%	1%	13%
Equity instruments, level 1	28%	6%	26%	5%
Equity instruments, level 3	10%	3%	10%	3%
Property, level 3	11%	12%	10%	12%
Other, level 1	2%	9%	4%	14%
Other, level 2	6%	3%	6%	3%
Other, level 3	4%	0%	4%	0%

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

	Sweden	Sweden	Norway	Norway
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Discount rate	2.75%	3.00%	2.75%	2.50%
Future salary increases	2.75%	2.75%	3.00%	3.00%
Price inflation	1.75%	1.75%	2.00%	2.00%
Mortality table	FFFS 2007:31 +1 year	FFFS 2007:31 +1 year	K2013	K2013
Average duration of pension liabilities	22 years	21 years	13 years	14 years
Expected contributions to the defined benefit plans during 2017 and 2016	91	10	25	4

	2016			2015		
Sensitivity analysis of effect of reasonably possible changes	Sweden	Norway	Total	Sweden	Norway	Total
Discount rate, +0,50%	-25	-6	**-31**	-23	-7	**-30**
Discount rate, -0,50%	28	6	**35**	27	8	**35**
Future salary increases, +0,25%	8	1	**9**	8	1	**9**
Future salary increases, -0,25%	-8	-1	**-8**	-7	-1	**-9**
Expected longevity, +1 year	8	2	**10**	7	2	**10**

EURm	2016 Funded plans	2016 Unfunded plans	2016 Total	2015 Funded plans	2015 Unfunded plans	2015 Total
Analysis of the employee benefit obligation						
Present value of estimated pension liability, including social costs	260	33	**294**	267	36	**303**
Fair value of plan assets	214	-	**214**	213	-	**213**
Net pension liability recognised in the balance sheet	**46**	**33**	**79**	**54**	**36**	**90**

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

EURm	2016	2015
Pension liabilities:		
At the beginning of the year	303	664
Earned during the financial year	9	15
Costs pertaining to prior-year service	-6	-156
Interest cost	8	15
Actuarial gains (-)/losses (+) on financial assumptions	8	4
Actuarial gains (-)/losses (+), experience adjustments	2	-14
Exchange differences on foreign plans	-2	-7
Benefits paid	-22	-25
Settlements	-7	-194
Defined benefit plans at 31 Dec.	**294**	**303**
Reconciliation of plan assets:		
At the beginning of the year	213	399
Interest income	6	11
Difference between actual return and calculated interest income	5	4
Contributions paid	16	26
Exchange differences on foreign plans	-3	-10
Benefits paid	-14	-16
Settlements	-7	-200
Plan assets at 31 Dec.	**214**	**213**

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 2016 is EURm 48.

32 Other liabilities

P&C insurance

EURm	2016	2015
Liabilities arising out of direct insurance operations	177	163
Liabilities arising out of reinsurance operations	29	30
Liabilities related to Patient Insurance Pool	118	115
Premium taxes	49	49
Tax liabilities	114	91
Prepayments and accrued income	174	181
Other	39	39
P&C insurance, total	**700**	**669**

The non-current share of other liabilities is EURm 96 (108).

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	2016	2015
Interests	7	10
Tax liabilities	0	5
Liabilities arising out of direct insurance operations	30	21
Liabilities arising out of reinsurance operations	5	4
Settlement liabilities	31	61
Guarantees received	2	0
Other liabilities	73	66
Life insurance, total	**148**	**167**

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	2016	2015
Interests	25	34
Guarantees for trading in derivatives	17	38
Liability for dividend distribution	38	35
Other	16	26
Holding, total	**96**	**133**
Item Other includes e.g. reservations for share-based incentive programmes and other incentive salaries.		
Elimination items between segments	-10	-11

EURm	2016	2015
Group, total	**933**	**957**

33 Contingent liabilities and commitments

P&C insurance

EURm	2016	2015
Off-balance sheet items		
Guarantees	4	5
Other irrevocable commitments	15	15
Total	**19**	**20**

Assets pledged as collateral for liabilities or contingent liabilities

	2016		2015	
EURm	Assets pledged	Liabilities/ commitments	Assets pledged	Liabilities/ commitments
Assets pledged as collateral				
Investments				
- Investment securities	231	147	242	159
Total	**231**	**147**	**242**	**159**

EURm	2016	2015
Assets pledged as security for derivative contracts, carrying value		
Investment securities	16	0

The pledged assets are included in the balance sheet item Other assets.

EURm	2016	2015
Commitments for non-cancellable operating leases		
Minimum lease payments		
not later than one year	31	32
later than one year and not later than five years	103	98
later than five years	45	48
Total	**180**	**178**
Lease and sublease payments recognised as an expense in the period		
- minimum lease payments	-33	-20

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

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

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

If P&C Insurance Company Ltd has outstanding commitments to private equity funds totalling EURm 15, 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	2016	2015
Off-balance sheet items		
Investment commitments	657	397
Acquisition of IT-software	2	1
Total	**658**	**398**

EURm	2016	2015
Assets pledged as security for derivative contracts, carrying value		
Cash and cash equivalents	18	19

The pledged assets are included in the balance sheet item Other assets.

EURm	2016	2015
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	7	8
later than five years	6	7
Total	**15**	**18**
Lease and sublease payments recognised as an expense in the period		
- minimum lease payments	-4	-4
- sublease payments	0	0
Total	**-4**	**-4**

Holding

EURm	2016	2015
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	4	0
later than five years	1	-
Total	**6**	**1**

The Group had at the end of 2015 premises a total of 159,160 m^2 (171,254) 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 the end of the financial year 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, 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	2016	2015
Short-term employee benefits	9	8
Post employment benefits	2	4
Other long-term benefits	14	13
Total	**26**	**25**

In addition, deferred compensation EUR 66,786 (119,269) was paid to former members of the Group Executive Committee during the financial year.

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

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

Other long-term benefits consist of the benefits under long-term incentive schemes accounted for for the year (see Note 36).

Related party transactions of the key management

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

Associates

Outstanding balances with related parties/Associate Nordea

EURm	2016	2015
Assets	2,500	2,004
Liabilities	90	102

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 2011 I - 2014 I

The Board of Directors of Sampo plc has decided on the long-term incentive schemes 2011 I - 2014 I for the management and key employees of Sampo Group. The Board has authorised the CEO to decide who will be included in the scheme, as well as the number of calculated incentive units granted for each individual used in determining the amount of the incentive reward. In the schemes, the number of calculated incentive units granted for the members of the Group Executive Committee is decided by the Board of Directors. Some 120 persons were included in the schemes at the end of year 2016.

The amount of the performance-related bonus is based on the value performance of Sampo's A share and on the insurance margin (IM) and on Sampo's return on the risk adjusted capital (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 18.37 - 43.38. The maximum value of one incentive unit varies between eur 33.37 - 62.38, reduced by the dividend-adjusted starting price. In all the schemes, the incentive reward depends on two benchmarks. If the IM is 6 per cent or more, the IM-based reward is paid in full. If the IM is between 4 - 5.99 per cent, half of the incentive reward is paid. No IM-related reward will be paid out, if the IM stays below these. In addition, the return on the risk adjusted capital is taken into account. If the return is at least risk free return + 4 per cent, the RORAC-based incentive reward is paid out in full. If the return is risk free return + 2 percent, but less than risk free return + 4 per cent, the payout is 50 per cent. If the return stays below these benchmarks, no RORAC-based reward will be paid out.

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

		2011 I	2011 I/2	2014 I	2014 I/2
Terms approved *)		14.9.2011	14.9.2011	17.9.2014	17.9.2014
Granted (1,000) 31 Dec. 2013		4,134	100	-	-
Granted (1,000) 31 Dec. 2014		2,855	100	4,434	-
Granted (1,000) 31 Dec. 2015		1,415	70	4,380	62
Granted (1,000) 31 Dec. 2016		0	35	4,211	62
End of performance period I 30 %		Q2-2014	Q2-2015	Q2-2017	Q2-2018
End of performance period II 35 %		Q2-2015	Q2-2016	Q2-2018	Q2-2019
End of performance period III 35 %		Q2-2016	Q2-2017	Q2-2019	Q2-2020
Payment I 30 %		9-2014	9-2015	9-2017	9-2018
Payment II 35 %		9-2015	9-2016	9-2018	9-2019
Payment III 35 %		9-2016	9-2017	9-2019	9-2020
Price of Sampo A at terms approval date *)		18.10	18.10	37.22	37.22
Starting price **)		18.37	24.07	38.26	43.38
Dividend-adjusted starting price at 31 Dec. 2016		10.07	16.97	34.16	41.23
Sampo A - closing price 31 Dec. 2016	42.59				
Total intrinsic value, meur		0	1	21	0
Total debt	22				
Total cost for the financial period, meur (incl. social costs)	15				

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

37 Assets and liabilities related to assets held for sale

In October 2016, Mandatum Life Insurance Company announced that it will not continue the distribution agreement of insurance policies with Danske Bank Plc after 31 December 2016 and that it will use its right to sell the insurance portfolio acquired via Danske Bank to Danske Bank A/S. The value evaluation will last approximately until the summer 2017. The porfolio transfer requires the approval of the authorities, expected to take place at the earliest at the end of year 2017.

The insurance porfolio targeted in the agreement is mainly included in the 'Unit-linked contracts' segment. Assets and liabilities are valued at book value. The effect of the with profit insurance portfolio on the investment result in the 'Other contracts' segment is deemed insignificant. The insurance risk result in the 'Other contrats' segment also consists mainly of other insurance portfolio than that targeted in the agreement. The effect of the transfer of the insurance portflio is expected to weaken the result significantly and this will mainly show in the 'Unit-linked contract' segment. The premium income of the insurance porflio in 2016 was EUR 304 and claims cost EUR 253.

Assets and liabilities of the portfolio at 31 Dec. 2016

Assets	
Financial assets	210
Investments related to unit-linked insurance contracts	2,992
Goodwill	89
Total	3,291

Liabilities	
Liabilities for insurance and investment contracts	210
Liabilities for unit-linked insurance and investment contracts	2,992
Total	**3,202**

38 Auditors' fees

EURm	**2016**	**2015**
Auditing fees	-2	-2
Other fees	0	0
Total	**-3**	**-3**

39 Legal proceedings

There are a number of legal proceedings against the Group companies outstanding on 31 Dec. 2016, arising in the ordinary course of business. The companies estimate it unlikely that any significant loss will arise from these proceedings.

40 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	1,265
If P&C Insurance Company Ltd	100	464
If P&C Insurance AS	100	46
Support Services AS	100	0
CJSC If Insurance	100	9
If Livförsäkring Ab	100	8
Life insurance		
Mandatum Life Insurance Company Ltd	100	484
Innova Services Ltd	100	3
Mandatum Life Services Ltd	100	1
Mandatum Life Investment Services Ltd	100	2
Saka Hallikiinteistöt GP Oy	100	0
Mandatum Life Vuokratontit I GP Oy	100	0
Mandatum Life Fund Management S.A.	100	1
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.

41 Investments in shares and participations other than subsidiaries and associates

Holdings exceeding EURm 5 and holdings in listed companies exceeding five per cent specified.

The table does not include life insurance's investments related to unit-linked insurance contracts.

P&C insurance

	Country	Holding %	Carrying amount/Fair value
Listed companies			
A P Moller - Maersk	Denmark	0.03%	9
ABB	Switzerland	0.20%	89
Atlas Copco A+B	Sweden	0.14%	45
BB Tools	Sweden	0.64%	4
Clas Ohlson	Sweden	4.75%	44
CTT Systems	Sweden	4.08%	6
Beijer Ab Gl	Sweden	0.44%	4
Gunnebo AB	Sweden	11.67%	36
Hennes Mauritz AB	Sweden	0.21%	94
Husqvarna AB	Sweden	1.01%	43
Husqvarna AB	Sweden	0.39%	17
Investor AB	Sweden	0.13%	35
Lindab Intl AB	Sweden	4.94%	30
Nederman Holding AB	Sweden	9.90%	23
Nobia AB	Sweden	10.10%	157
Nolato AB	Sweden	0.92%	7
Sandvik AB	Sweden	0.44%	65
Sectra AB	Sweden	11.04%	57
Svedbergs i Dalstrop	Sweden	11.45%	11
Teliasonera AB	Sweden	0.37%	62
VBG Group AB	Sweden	3.94%	9
Veidekke ASA	Norway	6.90%	125
Volvo AB	Sweden	0.06%	14
Volvo AB	Sweden	0.40%	95
Yara Intl ASA	Norway	0.38%	39
Marine Harvest ASA	Norway	0.23%	16
Team Tankers Intl AS	Norway	0.91%	2
Dof ASA	Norway	4.50%	8
Solstad Offshore ASA	Norway	0.70%	1
Total listed companies			**1,144**
Other			1

Unit trusts		
Danske Invest	Finland	79
Danske Invest	Finland	20
PEQ Eqt III	Guernsey	0
PEQ Eqt IV	Guernsey	0
PEQ GS Loan Partn I	Cayman islands	2
Investec Asset Mgmt	Great Britain	52
Lyxor Int AM	France	0
PEQ Mandatum I	Finland	1
PEQ Mandatum II	Finland	2
PEQ Mandatum II	Finland	4
PEQ Private Egy mkt	Finland	0
State Street Global	Finland	68
PEQ Eqt Mid Market	Great Britain	10
Handelsbanken Fonder	Sweden	25
Hermes Investment	Ireland	52
Blackrock AM DE	Denmark	20
PEQ OMP Capital	Norway	2
Blackrock AM DE	Denmark	63
Total unit trusts		**401**
P&C insurance, total shares and participations		**1,547**

Life insurance

	Country	Holding %	Carrying amount/Fair value
Listed companies			
Amer Sports Plc - A	Finland	3.21%	96
Asiakastieto Group Plc	Finland	9.27%	27
BASF SE	Germany	0.01%	9
Bayerische Motoren Werke AG	Germany	0.02%	12
British American Tobacco Plc	United Kingdom	0.01%	8
CapMan Plc - B	Finland	7.49%	13
Caverion Plc	Finland	2.27%	23
Comptel Plc	Finland	18.79%	49
Continental AG	Germany	0.03%	10
Deutsche Post AG	Germany	0.02%	9
DNA Oy	Finland	1.02%	14
Elecster Plc - A	Finland	6.43%	1
F-Secure Plc	Finland	3.65%	20
GlaxoSmithKline Plc	United Kingdom	0.01%	9
Kuehne + Nagel International AG	Switzerland	0.06%	9
Lassila & Tikanoja Plc	Finland	5.96%	44
LVMH Moet Hennessy Louis Vuitton SA	France	0.01%	6
Metso Plc	Finland	0.73%	30
Nestle SA	Switzerland	0.00%	10
Nokia Plc	Finland	0.03%	8
Nokian Renkaat Plc	Finland	0.44%	21
Oriola-KD Plc	Finland	2.51%	20
Roche Holding AG	Switzerland	0.01%	11
Royal Dutch Shell Plc	United Kingdom	0.01%	6
SAP AG	Germany	0.01%	10
Schneider Electric SA	France	0.03%	11
Stora Enso Plc - R	Finland	0.17%	10
Syngenta AG	Switzerland	0.02%	7
Teleste Plc	Finland	8.84%	15
Tikkurila Plc	Finland	3.66%	30
Tokmanni Group Plc	Finland	3.99%	20
Unilever NV - CVA	Netherlands	0.01%	8
UPM-Kymmene Plc	Finland	0.69%	86
Uponor Plc	Finland	1.44%	17
Vaisala Plc	Finland	4.21%	26
Valmet Corp	Finland	0.62%	13
Wärtsilä Plc Abp	Finland	0.16%	14
YIT Plc	Finland	0.79%	8
Total listed companies			**740**
Other listed companies			177
Listed companies in total			**918**
Other equity securities			
Pension Corporation Group Limited	Guernsey		8
Total			**8**

Unit trusts		
Allianz RCM Europe Equity Growth W	Luxembourg	75
Comgest Growth Asia Ex Japan USD I Acc Class	Ireland	62
Danske Invest Europe High Dividend I	Luxembourg	60
DJ STOXX 600 Opt Healthcare	Ireland	30
Financial Select Sector Spdr	United States	11
Fourton Odysseus	Finland	47
Fourton Stamina Non-Ucits	Finland	27
Investec Gsf-Asia Pacific-I	United Kingdom	72
iShares Core S&P 500 ETF	United States	251
iShares SMI ETF	Switzerland	56
KJK Fund SICAV-SIF Baltic States B1 C	Finland	13
Lansdowne Clean Energy Funds	United Kingdom	5
LUX Mandatum Life Nordic High Yield Total Return Fund SICAV-SIF G EUR Share Class	Luxembourg	14
MFS European Value Fund Z	Luxembourg	56
MFS Mer-Europe Sm Cos-I1Eur	Luxembourg	18
The Forest Company Limited	Guernsey	7
Unideutschland XS	Germany	27
Total unit trusts		**831**

Capital trusts		
Activa Capital Fund II FCPR	France	6
Amanda III Eastern Private Equity L.P.	Finland	12
Amanda IV West L.P.	Finland	19
Apollo Offshore Energy Opportunity Fund Limited	Cayman Islands	9
Avenue Energy Opportunities Fund L.P.	United States	19
Avenue Special Situations Fund VI (C-Feeder), L.P.	Cayman Islands	11
Broad Street Loan Partners 2013 Europe L.P.	United Kingdom	45
Broad Street Real Estate Credit Partners II Treaty Fund, L.P.	Cayman Islands	10
Capman Buyout IX Fund A L.P.	Guernsey	5
CapMan Hotels RE Ky	Finland	10
CapMan RE II Ky	Finland	7
Capman Real Estate I Ky	Finland	11
Capman Real Estate II Ky	Finland	8
EQT Auris Co-Investment L.P.	United Kingdom	18
EQT Credit (No.2) L.P.	Guernsey	37
EQT kfzteile24 Co-Investment L.P.	United Kingdom	9
EQT Mid Market (No.1) Feeder Limited Partnership	United Kingdom	10
EQT VI (No.1) L.P.	Guernsey	37
Financial Credit Investment I, L.P.	Cayman Islands	16
Fortress Credit Opportunities Fund II (C) L.P.	Cayman Islands	46
Fortress Credit Opportunities Fund III (C) L.P.	Cayman Islands	29
Fortress Credit Opportunities Fund IV (C) L.P.	Cayman Islands	16
Fortress Life Settlement Fund (C) L.P.	Cayman Islands	10
Highbridge Liquid Loan Opportunities Fund, L.P	Cayman Islands	61
Lunar Capital Partners III L.P.	Cayman Islands	9
M&G Debt Opportunities Fund	United Kingdom	7
M&G Debt Opportunities Fund II	Ireland	29
MB Equity Fund IV Ky	Finland	12
Mount Kellet Capital Partners (Cayman), L.P.	Cayman Islands	10
Mount Kellett Capital Partners (Cayman) II, L.P.	Cayman Islands	11
Oaktree Real Estate Debt Fund (Cayman), L.P.	Cayman Islands	7
Petershill II Offshore LP	Cayman Islands	13
Russia Partners II, L.P.	Cayman Islands	5
Specialty Fund III	Cayman Islands	33
Verdane Capital VII K/S	Denmark	14
Verdane Capital VIII K/S	Denmark	8
Victory Park Capital Fund II (Cayman), L.P.	Cayman Islands	17
Total capital trusts		**640**
Other shares and participations		112
Life insurance, total shares and participations		**2,509**

Holding

	Country	Holding %	Carrying amount/Fair value
Listed companies			
Aktia Plc	Finland	5.7%	37
Asiakastieto Group Plc	Finland	10.1%	29
Domestic other than listed companies			
LUX Mandatum Life European Small & Mid Cap Equity Fund SICAV-SIF G EUR Share Class	Luxembourg	0.0%	11
LUX Mandatum Life Finland Equity Fund SICAV-SIF G EUR Share Class	Luxembourg	0.0%	11
Keskinäinen työeläkevakuutusyhtiö Varma	Finland	80.3%	14
Other			47
Holding, total shares and participations			**148**

42 Events after the balance sheet date

In the meeting of 8 Feb. 2017, the Board of Directors decided to propose at the Annual General Meeting on 27 April 2017 a dividend distribution of EUR 2.30 per share, or total EUR 1.288.000.000, for 2016. The dividends to be paid will be accounted for in the equity in 2017 as a deduction of retained earnings.

Sampo plc's Financial Statements

Sampo plc's Income Statement

EURm	Note	2016	2015
Other operating income	1	17	18
Staff expenses			
Salaries and remunerations		-13	-17
Social security costs			
Pension costs		-2	-2
Other		-1	-1
Depreciation and impairment			
Depreciation according to plan		0	0
Other operating expenses	2	-18	-12
Operating profit		**-17**	**-14**
Financial income and expense	4		
Income from shares in Group companies		1,004	696
Income from other shares		563	538
Other interest and financial income			
Group companies		15	16
Other		19	12
Other investment income and expense		-31	-5
Other interest income		22	36
Interest and other financial expense			
Group companies		0	0
Other		-63	-74
Exchange result		55	23
Proft before taxes		**1,567**	**1,229**
Income taxes			
Income taxes for the financial year		-1	-0.32
Tax from previous years		0	0
Deferred taxes		-1	0
Profit for the financial year		**1,565**	**1,228**

Sampo plc's Balance Sheet

EURm	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets		0	0
Property, plant and equipment			
Buildings		1	1
Equipment		0	0
Other		2	2
Investments			
Shares in Group companies		2,370	2,370
Receivables from Group companies	5	298	296
Shares in participating undertakings		6,530	5,557
Receivables from participating undertakings		339	196
Other shares and participations	6	148	248
Other receivables	7	28	111
Short-term receivables			
Deferred tax assets	14	7	12
Other receivables	8	6	18
Prepayments and accrued income	9	26	53
Cash at bank and in hand		1,439	739
TOTAL ASSETS		**11,196**	**9,606**
LIABILITIES			
Equity	10		
Share capital		98	98
Fair value reserve		28	8
Invested unrestricted equity		1,527	1,527
Other reserves		273	273
Retained earnings		4,059	4,026
Profit for the financial year		1,565	1,228
		7,549	**7,159**
Liabilities			
Long-term liabilities			
Bonds		2,877	1,997
Short-term liabilities			
Debt securities		671	305
Other liabilities	12	58	83
Accruals and deferred income	13	41	62
TOTAL LIABILITIES		**11,196**	**9,606**

Sampo plc's Statement of Cash Flows

EURm	2016	2015
Operating activities		
Profit before taxes	1,567	1,229
Adjustments:		
Depreciation and amortisation	0	0
Unrealised gains and losses arising from valuation	1	0
Realised gains and losses on investments	26	-13
Other adjustments	-563	-446
Adjustments total	**-535**	**-458**
Change (+/-) in assets of operating activities		
Investments *)	40	-262
Other assets	31	-5
Total	**71**	**-267**
Change (+/-) in liabilities of operating activities		
Financial liabilities	-9	2
Other liabilities	-25	-5
Paid interests	-14	-63
Paid taxes	-10	0
Total	**-58**	**-67**
Net cash from operating activities	**1,044**	**437**
Investing activities		
Investments in group and associated undertakings	-422	533
Net investment in equipment and intangible assets	0	0
Net cash used in investing activities	**-422**	**533**
Financing activities		
Dividends paid	-1,192	-1,079
Issue of debt securities	2,271	1,011
Repayments of debt securities in issue	-1,002	-931
Net cash from financing activities	**78**	**-999**
Total cash flows	**699**	**-28**
Cash and cash equivalents at 1 January	739	768
Cash and cash equivalents at 31 December	1,439	739
Net change in cash and cash equivalents	**699**	**-28**

*) Investments include both investment property and financial assets.

Additional information to the statement of cash flows:

EURm	2016	2015
Interest income received	84	63
Interest expense paid	-71	-74
Dividend income received	1,567	1,125

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

Notes to Sampo plc's Financial Statements

Notes on the Income statement 1–4

1 Other operating income

EURm	2016	2015
Income from property occupied for own activities	0	0
Other	17	18
Total	**17**	**18**

2 Other operating expenses

EURm	2016	2015
Rental expenses	-1	-1
Expense on property occupied for own activities	0	0
Other	-17	-11
Total	**-18**	**-12**

Item Other includes e.g. administration and IT expenses and fees for external services.

3 Auditors' fees

EURm	2016	2015
Authorised Public Accountants Ernst & Young Oy		
Auditing fees	-0.2	-0.2
Other fees	-0.1	-0.0
Total	**-0.3**	**-0.2**

4 Financial income and expense

EURm	2016	2015
Received dividends in total	1,567	1,235
Interest income in total	56	64
Interest expense in total	-63	-74
Gains on disposal in total	0	17
Losses on disposal in total	-26	-5
Exchange result	55	23
Other	-5	-18
Total	**1,584**	**1,243**

Notes on the assets 5–9

5 Receivables from group companies

EURm	2016	2015
Cost at beginning of year	296	325
Additions	2	0
Disposals	-	-28
Carrying amount at end of year	**298**	**296**

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

6 Other shares and participations

	2016	Fair value changes		2015	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	148	-27	9	248	12	-12

7 Other investment receivables

	2016	Fair value changes		2015	Fair value changes	
EURm	Fair value	Recognised in p/l	Recognised in fair value reserve	Fair value	Recognised in p/l	Recognised in fair value reserve
Bonds	28	0	-6	111	0	-2

8 Other receivables

EURm	2016	2015
Trading receivables	0	5
Derivatives	2	6
Other	5	8
Total	**6**	**18**

9 Prepayments and accrued income

EURm	2016	2015
Accrued interest	10	38
Derivatives	12	15
Other	4	1
Total	**26**	**53**

Notes on the liabilities 10–13

10 Movements in the parent company's equity

	Restricted equity			Unrestricted equity		
EURm	**Share capital**	**Fair value reserve**	**Invested unrestricted capital**	**Other reserves**	**Retained earnings**	**Total**
Carrying amoun at 1 Jan. 2015	**98**	**7**	**1,527**	**273**	**5,110**	**7,014**
Dividends					-1,092	-1,092
Recognition of undrawn dividends					8	8
Financial assets available-for-sale						
- recognised in equity		11				11
- recognised in p/l		-10				-10
Profit for the year					1,228	1,228
Carrying amount at 31 Dec. 2015	**98**	**8**	**1,527**	**273**	**5,254**	**7,159**

	Restricted equity			Unrestricted equity		
EURm	**Share capital**	**Fair value reserve**	**Invested unrestricted capital**	**Other reserves**	**Retained earnings**	**Total**
Carrying amount at 1 Jan. 2016	**98**	**8**	**1,527**	**273**	**5,254**	**7,159**
Dividends					-1,204	-1,204
Recognition of undrawn dividends					9	9
Financial assets available-for-sale						0
- recognised in equity		-2				-2
- recognised in p/l		22				22
Profit for the year					1,565	1,565
Carrying amount at 31 Dec. 2016	**98**	**28**	**1,527**	**273**	**5,624**	**7,549**

Distributable assets

EURm	**2016**	**2015**
Parent company		
Profit for the year	1,565	1,228
Retained earnings	4,059	4,026
Invested unrestricted capital	1,527	1,527
Other reserves	273	273
Total	**7,424**	**7,053**

11 Share capital

Information on share capital is disclosed in Note 34 in the consolidated financial statements.

12 Other liabilities

EURm	2016	2015
Unredeemed dividends	38	35
Derivatives	3	5
Guarantees for derivate contracts	17	38
Other	1	6
Total	**58**	**83**

13 Accruals and deferred income

EURm	2016	2015
Deferred interest	25	34
Derivatives	1	6
Other	15	22
Total	**41**	**62**

Notes on the income taxes 14

14 Deferred tax assets and liabilities

EURm	2016	2015
Deferred tax assets		
Losses	14	14
Deferred tax liabilities		
Fair value reserve	-7	-2
Total, net	**7**	**12**

Notes on the liabilities and commitments 15–16

15 Pension liabilities

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

16 Future rental commitments

EURm	2016	2015
Not more than one year	1	1
Over one year but not more than five years	4	0
Over five years	1	-
Total	**6**	**1**

Notes on the staff and management 17–19

17 Staff numbers

EURm	2016 Average during the year	2015 Average during the year
Full-time staff	56	56
Part-time staff	3	3
Temporary staff	2	1
Total	**61**	**60**

18 Board fees and management remuneration

EUR thousand		2016	2015
Managing Director	Kari Stadigh	4,936	4,290
Members of the Board of Directors			
Björn Wahlroos		160	160
Christian Clausen		80	-
Jannica Fagerholm		80	80
Adine Grate Axén		80	80
Veli-Matti Mattila		80	80
Risto Murto		80	80
Eira Palin-Lehtinen		100	100
Per Arthur Sørlie		80	80

In addition to the above, the company has in accordance with the decision of the Annual General Meeting in 2016 compensated transfer tax of in total EUR 5,311.02 related to the acquisition of the company shares (EUR 1,277.3 pertaining to the Chairman, EUR 809.53 pertaining to the Vice Chairman and EUR 3,224.19 pertaining to the other members of the Board).

Pension liability

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

19 Pension contributions to the ceo, deputy ceo and the members of the board

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)	455	155	610
Deputy CEO	-	-	-
Former Chairmen of the Board			
Kalevi Keinänen 2)	-	-	-
Former Presidents/CEO:s			
Harri Hollmen 3)	-	-	-
	455	**155**	**610**

1) The Group CEO is entitled to a defined contribution pension in accordance with the pension contract in force. The annual pension premium is fixed at EUR 400,000. The supplementary pension premiums for 2016 included payments to a supplementary TEL-L group pension plan, which based on changes in legislation was removed as of 31 December 2016 and forms a paid-up policy.

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). No annual index adjustment in 2016.

3) Group pension agreement with a retirement age of 60 and a pension benefit of 60 per cent of the pensionable TyEL-salary. No annual index adjustment in 2016.

Notes on shares held 20

20 Shares held as of 31 Dec, 2016

Company name	Percentage of share capital held	Carrying amount EURm
Group undertakings		
P&C insurance		
If Skadeförsäkring Holding AB, Stockholm Sweden	100.00	1,886
Life insurance		
Mandatum Life Ltd, Helsinki Finland	100.00	484
Other		
Sampo Capital Oy, Helsinki Finland	100.00	1

Approval of the Financial Statements and the Board of Directors' Report

Helsinki, 8 February 2017

Sampo Plc

Board of Directors

Christian Clausen

Jannica Fagerholm

Adine Grate Axén

Veli-Matti Mattila

Risto Murto

Eira Palin-Lehtinen

Per Arthur Sørlie

Björn Wahlroos
Chairman

Kari Stadigh
Group CEO

Auditor's Report

To the Annual General Meeting of Sampo plc
(Translation of the Finnish original)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Sampo plc (business identity code 0142213-3) for the year ended 31 December 2016. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the Group's financial position as well as its financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the Group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

1. **Valuation of insurance contract liabilities (2016: EURm 20,600; 2015: EURm 20,288)**

   Refer to the Summary of significant accounting policies, Accounting policies regarding management judgment and key sources of estimation uncertainties and Notes 27 and 28.

   The Group has insurance contract liabilities representing 79% of the Group's total liabilities and it is thus the single largest liability for the Group. The insurance contract liabilities comprise life and non-life insurance contract liabilities.

   The life insurance contract liabilities are based on estimate of future claims payments. The estimate is based on assumptions which include uncertainty. Changes in assumptions can result in material impacts to the valuation of the liabilities. Key assumption areas include interest rate and life expectancy of policy holders.

   The estimation of non-life insurance contract liabilities involves significant assumptions to be made in provisions for claims outstanding. Key assumption areas include inflation rate and life expectancy of beneficiaries. The liabilities are based on a best estimate of ultimate cost of all claims incurred but not settled, whether reported or not, together with claims handling costs.

Our audit procedures included evaluation of the governance around the overall Group reserving process, and included testing the operating effectiveness of key controls over the identification, measurement and management of the Group's calculation of insurance liabilities. We evaluated the appropriateness of methodologies and assumptions used, and independently re-projected the reserve balances for certain classes of business. We involved our own internal actuarial specialists to assist us in assessing the appropriateness of assumptions used. We assessed the adequacy of disclosures relating to insurance contracts liabilities.

2. **Valuation of financial assets (2016: EURm 24,087; 2015: EURm 23,036)**

   Refer to the Summary of significant accounting policies, Accounting policies regarding management judgment and key sources of estimation uncertainties and Notes 10 and 15 - 20.

   The Group's investment portfolio excluding investments in associates represents 63% of the Group's total assets. Fair value measurement can be subjective, specifically for areas where fair value is based on a model based valuation. Valuation techniques for private equity funds, non-listed bonds and non-listed equities involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could lead to different estimates of fair value. Specific areas of audit focus include the valuation of level 2 and 3 assets according to IFRS where valuation techniques use unobservable inputs. Of financial assets level 2 assets amount to EURm 5,713 and level 3 assets to EURm 1,057 (refer to note 17).

   Our audit procedures included testing the effectiveness of controls in place over recording fair values of assets using unobservable input. We performed additional procedures for areas of higher risk and estimation, involving our valuation specialists. In respect of the investments in private equity funds, we evaluated and tested the procedures of the Group to determine the fair value of these investments. The procedures include assessment of fund net asset value based on the fair value of underlying investment, independent broker valuations and evidence of underlying financial data. We assessed the adequacy of disclosures relating to the financial assets.

3. **Associated company Nordea (2016: EURm 7,554; 2015: EURm 7,305)**

   Refer to the Summary of significant accounting policies and note 14.

   The Group's ownership in Nordea Bank Abp is 21.25%. Nordea Bank Abp is an associated company of the Group, and is accounted for based on equity accounting. The holding in Nordea Bank Abp represents 20% of the Group's total assets.

   Our audit procedures included testing the effectiveness of controls in place over recognizing the Group's share of Nordea's financial information, and assessing a potential indicator of impairment by comparing the book value of the Nordea holding to the market value of the Group's ownership at the reporting date. We assessed the adequacy of disclosures relating to associated companies.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the Group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the Group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

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

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

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

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

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

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

Other Reporting Requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our report thereon. We obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Opinions based on the assignment of the Annual General Meeting

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, March 1, 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Tomi Englund
Authorized Public Accountant

Calendar and Contacts

Financial Information and Annual General Meeting 2017

Sampo will publish two Interim Statements and a Half-year Financial Report in 2017. These quarterly reports and related supplementary materials will be available at www.sampo.com/result. The website also includes releases published by Sampo, monthly updated shareholder data and other investor information. Sampo plc's Annual General Meeting will be held in April.

Annual General Meeting

13 April 2017

The Record Date

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.

19 April 2017

Deadline for Registration

Shareholder may register for the Annual General Meeting until 19 April 2017 at 4 pm (CET +1):

- www.sampo.com/agm
- By telephone to +358 10 516 0028 from Monday to Friday, 8 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

27 April 2017

Annual General Meeting

Sampo plc's Annual General Meeting will be held on 27 April, 2017 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 at www.sampo.com/agm.

Dividend

28 April 2017

Ex-dividend Date

After the ex-dividend date, the dividend from any shares traded is paid to the seller of the shares.

2 May 2017

Dividend Record Date

The right to the dividend is held by the shareholder who is marked in the Shareholders Register on the dividend record date.

9 May 2017

Dividend Payment Date

The Board of Directors proposes that the dividend will be paid to shareholders on 9 May 2017.

Quarterly Reports

11 May 2017

Interim Statement for the Period of January - March 2017

9 August 2017

Half-year Financial Report 2017

2 November 2017

Interim Statement for the Period of January - September 2017

!

The quarterly 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

Contact information for Group Subsidiaries
www.if-insurance.com
www.mandatumlife.com

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

Essi Nikitin
IR Manager

Tel. +358 10 516 0066
essi.nikitin@sampo.fi

Shareholder Services

Pirkko Rantanen
Service Manager, Shareholder Services

Tel. +358 10 516 0068
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
Communications Manager, Media Relations

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
CR Manager

Tel. +358 10 516 0067
johanna.tynkkynen@sampo.fi