SAMPO GROUP

2018

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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REPORTS FOR THE YEAR 2018
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BOARD OF DIRECTORS' REPORT

Board of Directors' Report for 2018

Sampo Group

Sampo Group's insurance operations excelled in 2018. P&C insurance operations, If and Topdanmark, both reported very low combined ratios with robust premium growth. In the life insurance operation, Mandatum Life, unit-linked premiums grew to an all-time high. Group's profit before taxes for 2018 amounted to EUR 2,094 million (2,482). The profit for the comparison year contains a positive non-recurring item of EUR 706 million because of the change in Topdanmark's accounting treatment. The total comprehensive income for the period, taking changes in the market value of assets into account, declined to EUR 1,034 million (2,146).

Earnings per share was EUR 3.04 (3.96) and marked-to-market earnings per share was EUR 1.70 (3.79). Marked-to-market earnings were burdened by the weak capital market development. Return on equity for the Group amounted to 7.5 per cent (17.1) for 2018. Net asset value per share on 31 December 2018 decreased to EUR 20.60 (25.37).

The Board proposes to the Annual General Meeting to be held on 9 April 2019 a dividend of EUR 2.85 per share (2.60). The proposed dividend payment amounts in total to EUR 1,583 million (1,444).

If segment's profit before taxes rose to EUR 848 million (818). Insurance technical result amounted to EUR 643 million (640) and combined ratio for full-year 2018 was 85.2 per cent (85.3). Return on equity was burdened by the decrease in the market value of investment assets and amounted to 11.2 per cent (21.3). Premiums grew by 2.9 per cent with fixed currencies.

Topdanmark segment's profit before taxes was EUR 199 million (848). The comparison figure contains a positive non-recurring item of EUR 706 million arising from the difference between the carrying value and the fair value of Sampo's holding on 30 September 2017 when Sampo started to consolidate Topdanmark as a subsidiary. Combined ratio was strong and amounted to 82.3 per cent. Topdanmark's Board of Directors proposes to the AGM of 2019 a dividend of DKK 15 per share. If approved Sampo plc's share of the dividend payment is EUR 84 million.

Sampo's share of Nordea's net profit for 2018 amounted to EUR 625 million (616). Nordea's RoE, excluding non-recurring items, amounted to 9.7 per cent (9.5) and core Tier 1 ratio was 15.5 per cent. In segment reporting the share of Nordea's profit is included in the segment 'Holding'. Nordea's Board of Directors is going to propose to the AGM 2019 a dividend of EUR 0.69 per share (0.68). If the AGM approves the Board's dividend proposal, Sampo plc will receive a dividend of EUR 594 million (585).

Profit before taxes for segment Mandatum rose to EUR 450 million (236). The profit includes the contribution of EUR 197 million from the Danske Bank co-operation agreement in the second quarter of 2018. Return on equity decreased to 8.7 per cent (13.3) because of the decrease in the market value of investment assets. The discount rate for with profit policies used for 2019 and 2020 is 0.25 per cent and 2.50 per cent for 2021.

Sampo Group's total investment assets, excluding Topdanmark's life insurance assets, on 31 December 2018 amounted to EUR 21.7 billion (22.2), of which 79 per cent was invested in fixed income instruments (79), 14 per cent in equities (15) and 7 per cent in other assets (6). If's share of assets was 50 per cent (52), Topdanmark's 13 per cent (13), Mandatum Life's 26 per cent (28) and Sampo plc's 11 per cent (7).

Sampo Group's equity as at 31 December 2018 amounted to EUR 12,386 million (12,848), excluding the minority share of EUR 628 million (660). Dividend payment of

EUR 1,444 million reduced the equity and the comprehensive income for the year of EUR 1,034 million increased it.

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 2018 by EUR 3,313 million (3,858) and the conglomerate solvency ratio stood at 147 per cent (154).

Sampo Group will issue a report on non-financial information in accordance with Chapter 3a, Section 5 of the Accounting Act. The report, Corporate Responsibility Report 2018, will be separate from the Board of Directors' Report and will be published in May 2019.

Income statement items are compared on a year-on-year basis and comparison figures for balance sheet items are from 31 December 2017 unless otherwise stated.

Key Figures

Sampo Group, 2018

EURm	2018	2017	Change, %
Profit before taxes *)	2,094	2,482	-16
If	848	818	4
Topdanmark *)	199	848	-77
Associate (Nordea)	625	616	1
Mandatum	450	236	91
Holding (excl. Nordea)	-3	-40	-92
Profit for the period **)	**1,778**	**2,239**	**-20**

	2018	2017	Change
Earnings per share, EUR	3.04	3.96	-0.92
EPS (incl. change in FVR), EUR	1.70	3.79	-2.09
NAV per share, EUR	20.60	25.37	-4.77
Average number of staff (FTE)	9,509	9,364	145
Group solvency ratio, %	147	154	-7
RoE, %	7.5	17.1	-9.6

*) *2017 figures contain a positive non-recurring item of EUR 706 million related to the start of consolidation of Topdanmark as a subsidiary, without which profit before taxes for Topdanmark segment would have been EUR 142 million.*

**) *of which non-controlling interests are EUR 91 million (23) for 2018 and EUR 14 million (23) for the fourth quarter of 2018.*

Exchange Rates Used in Reporting

	1-12/2018	1-9/2018	1-6/2018	1-3/2018	1-12/2017
EURSEK					
Income statement (average)	10.2583	10.2374	10.1508	9.9712	9.6351
Balance sheet (at end of period)	10.2548	10.3090	10.4530	10.2843	9.8438
DKKSEK					
Income statement (average)	1.3764	1.3741	1.3630	1.3390	1.2953
Balance sheet (at end of period)	1.3733	1.3826	1.4026	1.3799	1.3222
NOKSEK					
Income statement (average)	1.0688	1.0678	1.0582	1.0350	1.0330
Balance sheet (at end of period)	1.0308	1.0890	1.0990	1.0628	1.0004
EURDKK					
Income statement (average)	7.4533	7.4503	7.4477	7.4468	7.4387
Balance sheet (at end of period)	7.4673	7.4564	7.4525	7.4530	7.4449

Economic Environment

The global economy continued to grow at a steady pace of more than 3 per cent in 2018. The start for the year was good and the growth outlook was favourable, but soon darker clouds started to gather. Trade frictions between the US and China, the political turmoil in Europe and Brexit concerns dampened the strong global upswing. The tightening monetary policy in the US also had its weakening effect on global growth. Uncertainty and worries about slowing growth were also reflected in stock markets which experienced a rough sell-off in the second half of the year. All in all, the year 2018 will be remembered for its good start but also for the quick reversal towards growing uncertainty and concerns over global growth.

The Nordic economies continued to grow at a brisk pace, but their growth outlook weakened closer to the year end. Since the Nordic countries are exposed to global trends, they were also negatively affected by the global slowdown. Finland's economic growth was mainly boosted by private consumption that replaced exports as a key driver for growth. In Sweden, investments had the biggest contribution to the economy, whereas in Norway and Denmark private consumption served as the main growth engine.

Finland finally caught up with the global growth trend and started the year with a positive momentum. However, after a good first half of the year, growth decelerated more than expected, ending up at an annual rate of around 2.5 per cent in 2018. Exports and investments declined especially due to the global weakness. Thus, private consumption became the main driver for growth, supported by strong employment performance and rising wages.

In Finland unemployment rate declined, total employment rate continued increasing and reached the government's target of 72 per cent. Despite the positive employment development, the challenge of recruiting skilled labour has become an even bigger problem to companies and the labour market remains inflexible.

In Sweden, the economy posted a fair growth rate of above 2 per cent in 2018, but the outlook dimmed towards the year end. Investment and domestic demand weakened, the latter partly affected by increased uncertainty stemming from the housing market. Housing prices started to decline in autumn 2017 and stabilised last year, but the turbulence left its mark and weakened the krona as well. Despite the depreciating krona, export growth remained weak over the year due to stagnating global trade. The Swedish labour market was still robust: unemployment remained low at the same time as new labour entered the market. Inflation accelerated slightly during the year, and in December Riksbank hiked its policy rate for the first time since 2011. In the autumn, the parliamentary elections and difficulties to form a new government also added some uncertainty in economy.

In mainland Norway, GDP growth accelerated from the previous year as its economic fundamentals were aligning. Private consumption continued to grow steadily, being a key driver for economic growth. As in Sweden, the housing market stabilised and home prices turned into a slight upward trend. The Norwegian krona appreciated somewhat in the first half of the year, but towards the end of the year oil prices dropped sharply causing the krona to depreciate again. The oil investments are starting to grow gradually again which will be an important driver for growth in future. The Norwegian labour market continued to perform strongly and unemployment decreased further. Inflation picked up last year above Norges Bank's target level and the central bank raised its key policy rate in September.

Denmark enjoyed a solid year and its economy is in good shape. However, the country fell short of the growth rate achieved in 2017, partly because of some technical upside revisions made in the previous year. Private consumption was still the key growth engine, partly boosted by the increased household saving and sustained wage growth. Business investments are increasing, but export growth has slowed down. The Danish labour market is becoming even tighter as employment rate is rising. Thus, wage growth is slowly accelerating and companies were already facing some recruitment problems.

Business Areas

If

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

Profit before taxes for 2018 for the If segment was EUR 848 million (818). Combined ratio amounted to 85.2 per cent (85.3) and risk ratio was unchanged at 63.3 per cent (63.3).

In 2018 EUR 173 million (111) was released from technical reserves relating to prior year claims. Return on equity decreased to 11.2 per cent (21.3) and the fair value reserve on 31 December 2018 amounted to EUR 234 million (519).

Technical result was EUR 643 million (640). Insurance margin (technical result in relation to net premiums earned) was stable at 15.1 per cent (15.1).

Results

If, 2018

EURm	2018	2017	Change, %
Premiums, net	4,325	4,357	-1
Net income from investments	229	216	6
Other operating income	30	27	10
Claims incurred	-2,716	-2,717	0
Change in insurance liabilities	-35	-64	-45
Staff costs	-529	-543	-3
Other operating expenses	-445	-440	1
Finance costs	-15	-19	-21
Share of associates' profit/loss	4	1	194
Profit before taxes	848	818	4

Key figures	2018	2017	Change
Combined ratio, %	85.2	85.3	-0.1
Risk ratio, %	63.3	63.3	0.0
Cost ratio, %	21.9	22.0	-0.1
Expense ratio, %	16.4	16.4	0.0
Return on equity, %	11.2	21.3	-10.1
Average number of staff (FTE)	6,603	6,367	236

	Combined ratio,%			Risk ratio,%		
	2018	2017	Change	2018	2017	Change
Private	83.7	84.0	-0.4	61.8	62.0	-0.2
Commercial	86.9	88.0	-1.1	64.4	65.4	-1.0
Industrial	92.3	88.7	3.6	71.2	67.0	4.2
Baltic	88.8	88.9	-0.1	60.0	59.9	0.1
Sweden	79.7	84.5	-4.8	60.5	64.7	-4.2
Norway	85.7	80.8	4.9	63.1	57.8	5.3
Finland	88.6	88.3	0.2	66.2	66.4	-0.2
Denmark	98.1	98.8	-0.7	69.0	69.9	-0.9

Large claims for If were EUR 29 million (46) worse than expected for the full-year 2018. In BA Industrial they were EUR 2 million worse and in BA Commercial EUR 26 million worse than expected in 2018. In the fourth quarter of 2018 the large claims were EUR 10 million worse than expected. Sweden and Finland were most impacted by the large claims outcome.

Swedish discount rate used to discount the annuity reserves was at -0.41 per cent (-0.13) at the end of 2018 and had a negative effect on the full-year results of EUR 19 million. In Finland the discount rate for annuities was kept at 1.2 per cent during 2018.

Gross written premiums amounted to EUR 4,502 million (4,526) in 2018. With fixed currency rates premiums grew 2.9 per cent. All business areas and all countries, except Finland, had growth. Premiums in BA Private grew in all markets including Finland. The growth was highest in the Baltics, 6.5 per cent, and in BA Industrial, 5.0 per cent. In BA Private the premium growth amounted to 2.4 per cent and in BA Commercial 2.6 per cent.

Gross written premiums grew by 4.0 per cent in Sweden, 4.2 per cent in Norway and 2.3 per cent in Denmark. In BA Private Sweden the premium growth slowed down significantly in the second half of 2018, because of the changes in taxation of new cars introduced as of 1 July 2018. In Finland the premium development improved towards the end of the year but remained negative for the full year 2018 and was -1.3 per cent.

Cost ratio improved slightly to 21.9 per cent (22.0) and expense ratio remained at 16.4 per cent (16.4).

On 31 December 2018, the total investment assets of If amounted to EUR 10.9 billion (11.5), of which fixed income investments constituted 88 per cent (84), money market 2 per cent (3) and equity 10 per cent (13). Net income from investments amounted to EUR 229 million (216). Investment return marked-to-market for the full-year 2018 was -0.8 per cent (2.6). Duration for interest bearing assets was 1.4 years (1.4) and average maturity 2.7 years (2.7). Fixed income running yield without taking into account the FX hedging cost as at 31 December 2018 was 1.7 per cent (1.5).

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

Topdanmark

Topdanmark is the second largest non-life insurance company and the fifth largest life insurance company in Denmark. The company is listed on Nasdaq Copenhagen. In non-life insurance, Topdanmark has a 17 per cent market share. Topdanmark focuses on the private, agricultural and SME market where the company has around 600,000 customers and handles around 300,000 claims a year. In life insurance, Topdanmark has a 10 per cent market share in Denmark.

At the end of 2018 Sampo plc held 41,997,070 Topdanmark shares, corresponding to 46.7 per cent of all shares and 48.7 per cent of related voting rights in the company. The market value of the holding was EUR 1,704 million at 31 December 2018.

Sampo started to consolidate Topdanmark as a subsidiary from 30 September 2017. In Sampo Group's segment Topdanmark Sampo plc's share of Topdanmark's purchase price allocated to customer relations is amortized over a period of 10 years leading to a quarterly amortization of around EUR 5 million, net of tax (included in Other operating expenses).

Results

Topdanmark, 2018

EURm	2018	2017	Change, %
Premiums, net	2,509	498	404
Net income from investments	-280	107	-
Other operating income	3	1	226
Claims incurred	-1,198	-285	320
Change in insurance liabilities	-458	-163	181
Staff costs	-269	-68	295
Other operating expenses	-119	-39	206
Finance costs	-11	-3	305
Share of associates' profit/loss	22	94	-77
Gain from fair valuation of former associated company	-	706	-
Profit before taxes	199	848	-77

Key figures	2018	2017	Change
Combined ratio, %	82.3	-	-
Loss ratio, %	66.0	-	-
Expense ratio, %	16.3	-	-
Average number of staff (FTE)	2,314	2,412	-98

The Board of Directors recommends to the AGM of 2019 a dividend of DKK 1,350 million (EUR 181 million), i.e. DKK 15 per share. If the AGM approves the proposal, Sampo plc share of the dividend payment is EUR 84 million.

The following text is based on Topdanmark's full-year 2018 result release published on 24 January 2019.

Topdanmark's pre-tax profit amounted to EUR 199 million (848). The comparison figure contains a non-recurring profit item of EUR 706 million, i.e. the difference between the carrying value and the fair value of Sampo's holding on 30 September 2017 when Sampo started to consolidate Topdanmark as a subsidiary.

In non-life insurance premiums earned increased 1.7 per cent to EUR 1,223 million (1,208). The level of large-scale claims increased in 2018. Compared to 2017, the level was approximately EUR 15 million higher, thus deteriorating the claims trend for the Topdanmark Group by 1.2 percentage points. Weather related claims amounted to EUR 1.2 million, which was approximately EUR 22 million lower (DKK 161 million) compared to normal level.

The combined ratio amounted to 82.3 per cent in 2018. The expense ratio was 16.3 per cent.

In life insurance gross premiums increased 19 per cent to EUR 1,354 million (1,109) in 2018. Unit-linked contracts represented 94 per cent of new sales in 2018.

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

Further information on Topdanmark A/S and its January-December 2018 result is available at **www.topdanmark.com**.

Associated Company Nordea

Nordea is the largest bank in the Nordic region and among the ten largest financial groups in Europe in terms of total market capitalization with around 11 million customers. 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 2018 Sampo plc held 860,440,497 Nordea shares corresponding to 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 8.76 per share. The closing price as at 31 December 2018 was EUR 7.27.

Nordea's Board of Directors is going to propose to the AGM 2019 a dividend of EUR 0.69 per share (0.68). If the AGM approves the Board's dividend proposal, Sampo plc will receive dividend of EUR 594 million (585) from Nordea on 8 April 2019.

The following text is based on Nordea's full-year 2018 result release published on 6 February 2019.

2018 featured challenges in terms of revenues. Net interest income was down 7 per cent in 2018 compared to 2017 driven mainly by margin pressure and the deconsolidation of the Baltic operations. In recent quarters, the level has stabilised, and towards the end of the year, Nordea saw volume growth and stabilising blended margins. The FICC trading environment has been challenging throughout the year, and the worsening market conditions in the fourth quarter further weighted on net fair value as well as fees and commission.

Nordea continues to deliver on its cost efficiency plans with costs below EUR 4.8 billion for 2018, excluding the goodwill write-down in Russia of EUR 141 million. Nordea is well on track to reach our 2021 target to reduce costs by 3 per cent compared to 2018 and in 2019 the target is to have lower costs than in 2018, adjusted for non-recurring costs in 2018 and 2019. Common Equity Tier 1 capital ratio was 15.5 per cent, in line with Nordea's expectations and well above the required level of 13.9 per cent.

Mandatum Life

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

Profit before taxes for Mandatum Life in 2018 amounted to EUR 450 million (236). The profit includes the contribution of EUR 197 million from the Danske Bank co-operation agreement in the second quarter of 2018. The total comprehensive income for the period after tax reflecting the changes in market values of assets amounted to EUR 112 million (188). Return on equity amounted to 8.7 per cent (13.3).

Net investment income, excluding income on unit-linked contracts, amounted to EUR 232 million (376). Net income from unit-linked contracts was EUR -259 million (405). During 2018 fair value reserve decreased to EUR 352 million (599).

Total technical reserves of Mandatum Life Group were EUR 11.2 billion (11.6). The unit-linked reserves were EUR 7.0 billion (7.1) at the end of 2018. Unit-linked reserves corresponded to 62 per cent (61) of total technical reserves.

Results

Mandatum Life, 2018

EURm	2018	2017	Change, %
Premiums written	1,074	960	12
Net income from investments	-26	782	-
Other operating income	212	10	2,093
Claims incurred	-1,116	-1,021	9
Change in liabilities for inv. and ins. contracts	426	-377	-
Staff costs	-46	-47	-3
Other operating expenses	-67	-63	7
Finance costs	-7	-7	3
Profit before taxes	450	236	91

Key figures	2018	2017	Change
Expense ratio, %	92.1	94.7	-2.6
Return on equity, %	8.7	13.3	-4.6
Average number of staff (FTE)	531	525	6

With profit reserves continued to decrease as planned during 2018 and amounted to EUR 4.2 billion (4.6) on 31 December 2018. With profit reserves related to the higher guarantees of 4.5 and 3.5 per cent decreased EUR 209 million to EUR 2.4 billion at the end of 2018.

Mandatum Life has overall supplemented its technical reserves with a total of EUR 232 million (325), of which EUR 193 million is allocated to years 2019 - 2021. The figure does not take into account the reserves relating to the segregated fund. The discount rate used for 2019 and 2020 is 0.25 per cent. For 2021 a rate of 2.50 per cent is used. Discount rate of segregated liabilities is 0.50 per cent and discount rate reserve of segregated liabilities amounted to EUR 250 million (261).

At the end of 2018 Mandatum Life Group's investment assets, excluding the assets of EUR 7.0 billion (7.1) covering unit-linked liabilities, amounted to EUR 5.6 billion (6.3) at market values.

The assets covering Mandatum Life's original with profit liabilities at the end of 2018 amounted to EUR 4.6 billion (5.2) at market values. 49 per cent (42) of the assets are in fixed income instruments, 9 per cent (16) in money market, 27 per cent (28) in equities and 15 per cent (13) in alternative investments. The investment return marked-to-market for 2018 was -2.4 per cent (6.5). The duration of fixed income assets at the end of 2018 was 2.5 years (2.0) and average maturity 2.8 years (2.2). Fixed income running yield without taking into account the FX hedging cost was 2.7 per cent (2.4) on 31 December 2018.

The assets covering the segregated fund amounted to EUR 1.0 billion (1.1), of which 77 per cent (77) was in fixed income, 5 per cent (6) in money market, 11 per cent (11) in equities and 6 per cent (6) in alternative investments. Segregated fund's investment return marked-to-market was -1.9 per cent (1.8). On 31 December 2018 the duration of fixed income assets was 2.5 years (2.6) and average maturity 3.1 years (3.3). Fixed income running yield without taking into account the FX hedging cost was 2.4 per cent (2.1).

The expense result rose to a new record. The expense result for life insurance segment amounted to EUR 35 million (33) and risk result to EUR 33 million (35).

Mandatum Life Group's premium income on own account increased to EUR 1,074 million (960). Premiums through Danske Bank channel was EUR 78 million during 2018. Premiums from unit-linked policies increased to EUR 976 million (850).

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

Holding

Sampo plc owns and controls its subsidiaries engaged in P&C and life insurance. In addition, Sampo plc held on 31 December 2018 approximately 21.2 per cent of the share capital of Nordea, the largest bank in the Nordic countries. Nordea is an associated company to Sampo plc. As of March 2018 Sampo plc also has had another associated company, NDX Intressenter AB, of which Sampo plc owns 36.25 per cent. The company was established for the takeover of Nordax Group AB.

Holding segment's profit before taxes amounted to EUR 618 million (576), of which EUR 621 million (616) relates to Sampo's share of Nordea's and NDX Intressenter's 2018 profit. Nordea's share was EUR 625 million (616) and NDX Intressenter's EUR -4 million. Segment's profit excluding the associated companies was EUR -3 million (-40).

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

Sampo plc's holding in Nordea Bank was booked in the consolidated balance sheet at EUR 7.5 billion. The market value of the holding was EUR 6.3 billion, i.e. EUR 7.27 per share, at 31 December 2018. In addition the assets on Sampo plc's balance sheet included holdings in subsidiaries for EUR 3.4 billion (2.4).

Sampo plc has during 2017 and 2018 made five investments (Asiakastieto, Intrum, Nets, Nordax and Saxo) amounting totally to approx. EUR 1 billion. Of these holdings Nordax (NDX Intressenter) is treated as an associated company, and other investments as financial assets.

Results

Holding, 2018

EURm	2018	2017	Change, %
Net investment income	2	10	-85
Other operating income	17	18	-6
Staff costs	-11	-18	-40
Other operating expenses	-14	-14	2
Finance costs	3	-36	-
Share of associates' profit	621	616	1
Profit before taxes	618	576	8

	2018	2017	Change
Average number of staff (FTE)	61	60	1

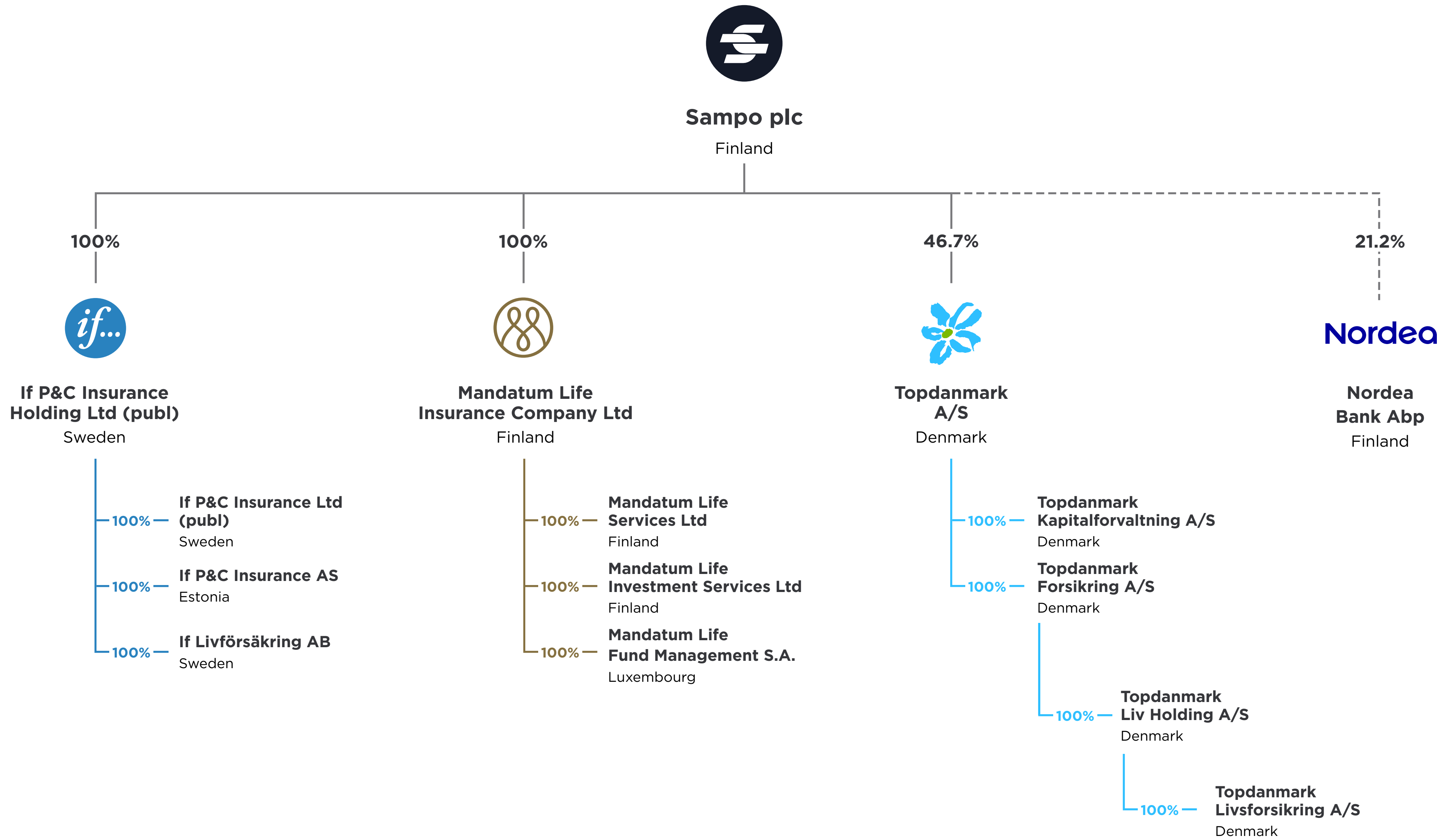
Other Developments

Changes in the Group Structure

In February 2018, Nordic Capital Fund VIII and Sampo plc, through NDX Intressenter AB, made a recommended mandatory public cash offer to acquire Nordax Group AB. The offer was accepted by the shareholders of Nordax. Following the completion of the offer, Nordic Capital held 63,75 and Sampo 36,25 per cent of the shares and votes in NDX Intressenter. NDX Intressenter became Sampo's associated company in March 2018.

Sampo Group Legal Structure

31 December 2018



Mandatum Life's Portfolio Transfer to Danske Bank

Mandatum Life disclosed on 27 October 2016 that it would use its right to sell the insurance portfolio distributed by Danske Bank's Finnish branch network to Danske Bank or a third party appointed by Danske Bank. As a result of the valuation process, conducted by external valuators, the value of the insurance portfolio on 31 December 2016 was determined to be EUR 334 million. After the correction for the theoretical result since 2017, Mandatum Life was to receive EUR 297 million at the end of 2018.

On 24 April 2018 Mandatum Life and Danske Bank, however, agreed to continue their co-operation and that the transfer of the insurance portfolio agreed earlier would not take place. The agreed transaction was subject to confirmation of the tax treatment. Mandatum Life received a transaction price of EUR 197 million from Danske Bank for the above arrangement. The amount was subject to corporate tax.

The companies received a negative pre-ruling on the tax treatment of the transaction on 29 May 2018. Despite the ruling Mandatum Life and Danske Bank agreed on 19 June 2018 to continue their co-operation as agreed in April 2018. The parties of the transaction have appealed against the pre-ruling. If the tax treatment remains negative, Mandatum Life's financial risk is EUR 13 million.

Danske Bank paid the agreed transaction price of EUR 197 million in late June 2018.

Changes in Group Management

Peter Johansson, 61, retired from Sampo's Group CFO position as of 1 January 2019. He was Group CFO and a member of the Sampo Group Executive Board since 2001. **Knut Arne Alsaker**, 45, took over as the new Group CFO as of 1 of January 2019. He was earlier CFO of If Group and a member of the Sampo Group Executive Committee. Knut Arne has an extensive background in Sampo Group and has previously worked as Chief Risk Officer and Head of Reinsurance.

Organization
31 December 2018

Group CEO and President
Kari Stadigh

- **If**
  Torbjörn Magnusson
  - **Deputy CEO** – Ricard Wennerklint
  - **Finance***)** – Knut Arne Alsaker
  - **Legal Affairs** – Dag Rehme
  - **Private** – Morten Thorsrud
  - **Commercial** – Ivar Martinsen
  - **Industrial** – Poul Steffensen
  - **Baltic** – Andris Morozovs
  - **Risk Management** – Karin Friberg
  - **Human Resources** – Johan Börjesson
  - **Marketing and Communications** – Katarina Mohlin
  - **IT** – Kjell Rune Tveita
- **Mandatum Life**
  Petri Niemisvirta
  - **Finance** – Jukka Kurki
  - **Investment Solutions** – Lauri Vaittinen
  - **Danske Bank and Alliances** – Risto Honkanen
  - **Key Customers and Sales Support** – Tarja Tyni
  - **Private Customers, Customer Service, IT and Baltics** – Sanna Rajaniemi
  - **Business Development** – Petri Vieraankivi
  - **Legal Affairs** – Timo Vuokila
  - **Marketing and Communications** – Niina Riihelä
- **Investments**
  Patrick Lapveteläinen
- **Group Finance*)**
  Peter Johansson
- **Risk Management**
  Teemu Seikkula (Acting)
- **Investor Relations and Group Communications**
  Jarmo Salonen
- **Internal Audit**)**
  Tarja Mylén (Acting)
- **Topdanmark**
  Peter Hermann
  - **Finance** – Lars Thykier
  - **Operations** – Brian Rothemejer Jacobsen
  - **Technology** – Thomas Erichsen

*) Knut Arne Alsaker as of 1 January 2019
**) Ann-Marie Andtback Beckman as of 1 March 2019
***) Måns Edsman as of 1 January 2019

Governance

In 2018 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** and at **www.sampo.com/year2018**.

Annual General Meeting

The Annual General Meeting of Sampo plc, held on 19 April 2018, decided to distribute a dividend of EUR 2.60 per share for 2017. The dividend was paid on 3 May 2018. The Annual General Meeting adopted the financial accounts for 2017 and discharged the Board of Directors and the Group CEO and President from liability for the financial year.

The Annual General Meeting elected eight members to the Board of Directors. The following members were re-elected to the Board: **Christian Clausen**, **Jannica Fagerholm**, **Adine Grate Axén**, **Veli-Matti Mattila**, **Risto Murto**, **Eira Palin-Lehtinen** and **Björn Wahlroos**. **Antti Mäkinen** was elected as a new member to the Board. The Members of the Board were elected for a term continuing until the close of the next Annual General Meeting.

At its organizational meeting, the Board elected Björn Wahlroos as Chairman and 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 Christian Clausen, Jannica Fagerholm (Chairman), Adine Grate Axén and Antti Mäkinen to the Audit Committee.

All the Board members have been determined to be independent of the company under the rules of the Finnish Corporate Governance Code 2015. Furthermore, all Board members but Antti Mäkinen have been determined to be independent of the major shareholders. **The curriculum vitaes of the Board Members** are available at **www.sampo.com/year2018.**

The Annual General Meeting decided to pay the following fees to the members of the Board of Directors until the close of the 2019 Annual General Meeting:the Chairman of the Board will be paid an annual fee of EUR 175,000, the Vice Chairperson of the Board and the Chairperson of the Audit Committee will be paid EUR 115,000, the members of the Audit Committee will be paid EUR 96,000 and the other members of the Board of Directors will be paid EUR 90,000 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. Kristina Sandin, APA, will act as the principally responsible auditor.

Based on the proposal made by the Board of Directors, the Annual General Meeting decided to amend Sections 9 and 12 of the Articles of Association.

There were 3,371 shareholders represented at the beginning of the meeting holding altogether 362,200,385 shares and 367,000,385 votes in the company.

Corporate Responsibility

Sampo plc and the whole Sampo Group is aware of its corporate responsibility and all Group companies are dedicated to being responsible corporate citizens. Sampo is committed to developing corporate responsibility of the Group in general as well as the corporate responsibility related reporting. This is in the interests of and expected by the Group's various internal and external stakeholders.

In 2018, Sampo Group decided to strengthen its focus on corporate responsibility further. As a result, Sampo restructured its corporate responsibility organization. The Corporate Responsibility function operates under the Group Chief Financial Officer (CFO) as of 1 January 2019. In addition, Sampo appointed a Head of Corporate Responsibility to be responsible for the development and coordination of corporate responsibility on a group-level.

During 2018, it was decided to establish a group-level Corporate Responsibility Steering Group and a Corporate Responsibility Program for Sampo. Corporate responsibility covers a wide range of topics relevant for key business operations, therefore a steering group and program would help guide the work on a group-level. Further developments regarding the steering group and the program can be expected during 2019. During the year, Sampo also supplemented the investment policies of the Group companies to include instructions on how to take ESG issues into account in investment analysis and decision-making.

Sampo Group will issue a report on non-financial information in accordance with Chapter 3a, Section 5 of the Accounting Act. The report, **Sampo Group Corporate Responsibility Report 2018**, will be separate from the Board of Directors' Report and published in May 2019 at **www.sampo.com/year2018**.

In addition to the group-level report, further information on If and Topdanmark's corporate responsibility activities can be found in their respective reports. **The reports of If and Topdanmark** are available at **www.sampo.com/year2018**. More information on Mandatum Life's activities can be found from the company website **english.mandatumlife.fi/csr**.

Personnel

The average number of Sampo Group's employees (FTE) in 2018 amounted to 9,509 (9,364).

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

In geographical terms Denmark had 31 per cent of the personnel, Finland 24 per cent, Sweden 22 per cent and Norway 14 per cent. The share of other countries was 10 per cent.

The total number of staff in If increased 4 per cent. As of 31 December 2018 If employed 6,680 persons.

Topdanmark employed 2,309 persons at the end of the year and the total number of staff decreased 4 per cent.

The total number of staff in Mandatum Life increased 2 per cent. As of 31 December 2018 Mandatum Life employed 533 persons.

Sampo plc had 61 employees (60) at the end of 2018.

At the end of the year, the total number of staff in Sampo Group totaled 9,582 persons.

More detailed information on personnel in Sampo Group is available in **Sampo Group Corporate Responsibility Report 2018** to be published in May 2019 at **www.sampo.com/year2018**.

Remuneration

Sampo plc's Board of Directors has established the Sampo Group Remuneration Principles, which apply to all Sampo Group companies. The Remuneration Principles are available at **www.sampo.com/remuneration**.

Sampo Group's remuneration strategy shall be responsible towards employees and shareholders. This means that the long-term financial stability and value creation of Sampo Group shall guide the remuneration design.

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

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

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

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

The decision on payout of variable compensation shall be based on the assessment of the incurred risk exposure and the fulfillment of solvency capital requirements. Furthermore, the payment of a certain portion of the variable compensation payable to the Senior Executive Management and to certain key persons shall be deferred for a defined period of time as required in the regulatory framework applicable to each Sampo Group company. After the deferral period, a retrospective risk adjustment review shall be carried out and the Board of Directors of each Sampo Group company shall decide whether the deferred variable compensation shall be paid/released in full, partly or cancelled in whole. In 2018, altogether EUR 7.0 million (6.4) of short-term and long-term incentives has been deferred.

In October 2018 the remaining incentive units of the scheme 2017:1 were allocated by the decision of the Group CEO and President Kari Stadigh. Altogether 85,000 units were allocated to 9 participants who are either new recruits or current employees with materially changed circumstances. None of the remaining incentive units were allocated to the Group CEO or Group Executive Committee members. The scheme will vest in three annual instalments starting from three years from the allocation of the units.

In the 2014:1 schemes, 1 453 725 allocated incentive units remain and will vest in 2019. In the 2017:1 schemes, 4 063 000 allocated incentive units remain and will vest during 2020–2023.

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

A deferral rule applies to incentive rewards paid to key employees who are considered as identified staff and are subject to the deferral rule in accordance with the remuneration policies of the relevant Sampo Group companies in force at the launch of the incentive schemes. At payout from the schemes, the identified staff shall acquire Sampo A shares with a certain part of the installment after deducting income tax and other comparable charges. The shares are subject to disposal restrictions for three years, after which the Board of Directors shall decide on the possible release.

In 2018 EUR 23 million (19), including social cost, was paid on the basis of the long-term incentive schemes. EUR 36 million (37), including social costs, was paid as short-term incentives during the same period. The result impact of the long-term incentive schemes in force in 2018 was EUR 5 million (28).

Sampo Group will publish in March 2019 the **Remuneration Report 2018** at **www.sampo.com/year2018**. The Remuneration Report 2018 is part of the Remuneration Statement, which is available at **www.sampo.com/remunerationstatement.** The statement has been prepared in accordance with the Corporate Governance Code issued by the Securities Market Association and effective as of 1 January 2016.

Risk Management

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

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

Thirdly, 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.

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

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

A more detailed description of Sampo Group's risk management activities, governance, risks and capitalization is available in the **Risk Management Report 2018** at www.sampo.com/year2018.

Shares, Share Capital and Shareholders

Shares and Share Capital

As at 31 December 2018, Sampo plc had 555,351,850 shares, which were divided into 554,151,850 A shares and 1,200,000 B shares. Total number of votes attached to the shares is 560,151,850. Each A share entitles the holder to one vote and each B share entitles the holder to five votes at the General Meeting of Shareholders. According to the company's Articles of Association, A shares must number at least 179,000,000 and no more than 711,200,000. Meanwhile, B shares must number at least zero and no more than 4,800,000. As at 31 December 2018 Sampo plc's share capital amounted to EUR 98 million (98) and the equity capital in total to EUR 12,386 million (12,848).

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

Shareholders by the Number of Shares Held

Sampo plc, 31 December 2018

Number of shares	Shareholders, number	Shareholders, %	Shares, number	Shares, %	Voting rights, number	Voting rights, %
1–100	52,285	45.03	2,640,043	0.48	2,640,043	0.47
101–500	42,823	36.88	10,657,839	1.92	10,657,839	1.90
501–1,000	10,219	8.80	7,744,816	1.40	7,744,816	1.38
1,001–5,000	8,923	7.69	18,875,996	3.40	18,875,996	3.37
5,001–10,000	1,001	0.86	7,127,169	1.28	7,127,169	1.27
10,001–50,000	689	0.59	13,665,293	2.46	13,665,293	2.44
50,001–100,000	69	0.06	4,965,426	0.89	4,965,426	0.89
100,001–500,000	74	0.06	14,876,717	2.68	14,876,717	2.66
500,001–	32	0.03	474,798,551	85.50	479,598,551	85.62
Total	**116,115**	**100**	**555,351,850**	**100**	**560,151,850**	**100**

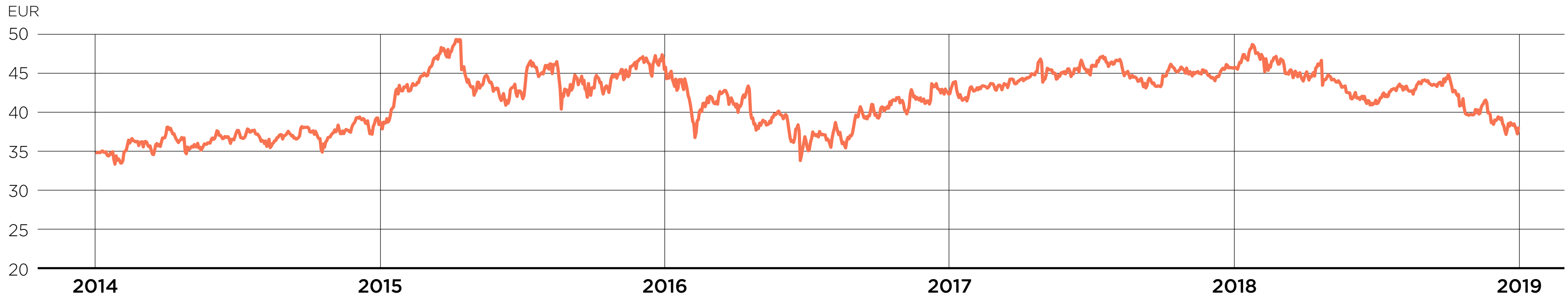
of which nominee registered	13		362,634,848	65.30	362,634,848	64.74
On waiting list, total	-		-	-	-	-
Total number of shares issued			555,351,850	100	560,151,850	100

Sampo A shares have been quoted on the main list of the Nasdaq Helsinki since 1988 and all of the B shares are held by Kaleva Mutual Insurance Company. B shares can be converted into A shares at the request of the holder.

At the end of the financial year, neither Sampo plc nor its Group companies held any Sampo A shares.

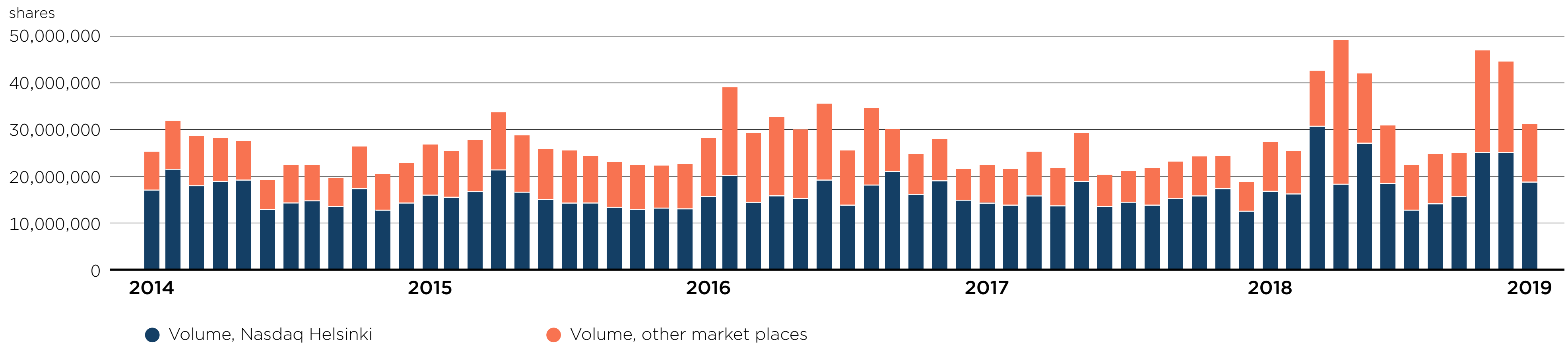
Share Price Performance

Sampo plc, 2014–2018



Monthly Trading Volume

Sampo plc, 2014–2018



Authorizations Granted to the Board

The Annual General Meeting of 2018 authorized the Board to repurchase a maximum of 50,000,000 Sampo A shares. Shares are repurchased in other proportion than the shareholders' proportional shareholdings (directed repurchase). The maximum price to be paid is 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 2018 and has not purchased its own shares after the end of the reporting period

Shareholders

The number of Sampo plc's shareholders increased during 2018 by 7,448 holders to 116,115 as at 31 December 2018. The holdings of nominee-registered and foreign share-holders increased to 66.9 per cent (62.0) of the shares and 66.3 per cent of the votes (61.9).

Shareholders

Sampo plc, 31 December 2018

A and B shares	Number of shares	% of share capital	% of votes
Solidium Oy	56,057,360	10.09	10.01
Varma Mutual Pension Insurance Company	22,248,420	4.01	3.97
Wahlroos Björn	6,633,436	1.19	1.18
Ilmarinen Mutual Pension Insurance Company	4,045,893	0.73	0.72
State Pension Fund	3,750,000	0.68	0.67
Schweizerische Nationalbank	2,774,230	0.50	0.50
Kaleva Mutual Insurance Company *)	2,672,719	0.48	1.33
Keva	2,548,036	0.46	0.45
Elo Mutual Pension Insurance Company	2,495,000	0.45	0.45
Nordea Allemansfond Alfa	1,748,568	0.31	0.31
OP-Suomi-sijoitusrahasto	1,726,901	0.31	0.31
Svenska litteratursällskapet i Finland	1,617,950	0.29	0.29
OP Life Insurance Company	1,195,412	0.22	0.21
Oy Lival Ab	1,074,397	0.19	0.19
Nordea Swedish Stars	1,046,911	0.19	0.19
Nordea Pro Finland Fund	1,038,171	0.19	0.19
ODIN Norden	1,012,996	0.18	0.18
Nordea Nordic Fund	976,358	0.18	0.17
Xact Norden 30 (Ucits Etf)	841,124	0.15	0.15
Sigrid Jusélius Foundation	751,400	0.14	0.13
Foreign and nominee registered total	371,371,028	66.87	66.30
Other	67,725,540	12.20	12.09
Total	**555,351,850**	**100**	**100**

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

Shareholders by Sector

Sampo plc, (A and B shares), 31 December 2018

Sector	Number of shares	%
Corporations	66,767,576	12.02
Financial institutions and insurance corporations	16,029,373	2.89
Public institutions	36,472,449	6.57
Non-profit institutions	11,694,869	2.11
Households	53,016,555	9.55
Foreign ownership and nominee registered	371,371,028	66.87
Total	**555,351,850**	**100**

During 2018 Sampo plc received altogether 31 notifications of change in holding pursuant to Chapter 9, Section 5 of the Securities Markets Act, of which 26 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, four to Capital Group and one notification to Varma Mutual Pension Insurance Co. The notified changes are illustrated in the table below.

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

Flagging Notifications in 2018

Date of change	Company	Shares, total	Voting rights, total
2 Jan 2018	BlackRock, Inc.	5.07%	5.03%
5 Jan 2018	BlackRock, Inc.	5.01%	Below 5 %
5 Jan 2018	Capital Income Builder (CIB)	5.07%	5.02%
8 Jan 2018	BlackRock, Inc.	5.04%	5.00%
9 Jan 2018	BlackRock, Inc.	Below 5%	Below 5%
10 Jan 2018	BlackRock, Inc.	5.04%	Below 5%
17 Jan 2018	BlackRock, Inc.	Below 5%	Below 5%
18 Jan 2018	BlackRock, Inc.	5.03%	Below 5%
19 Jan 2018	BlackRock, Inc.	5,06%	5,01%
22 Jan 2018	BlackRock, Inc.	5.02%	Below 5%
23 Jan 2018	BlackRock, Inc.	5.01%	Below 5%
25 Jan 2018	BlackRock, Inc.	Below 5%	Below 5%
2 Feb 2018	BlackRock, Inc.	5.06%	5.02%
5 Feb 2018	BlackRock, Inc.	5.09%	5.05%
6 Feb 2018	BlackRock, Inc.	5.02%	Below 5%
12 Feb 2018	BlackRock, Inc.	5.12%	5.08%
13 Feb 2018	BlackRock, Inc.	5.03%	Below 5 %
14 Feb 2018	BlackRock, Inc.	Below 5%	Below 5%
21 Feb 2018	BlackRock, Inc.	5.004%	Below 5%
23 Feb 2018	BlackRock, Inc.	5.14%	5.10%
27 Feb 2018	BlackRock, Inc.	5.03%	Below 5%
2 Mar 2018	BlackRock, Inc.	Below 5%	Below 5%
9 Mar 2018	BlackRock, Inc.	5.01%	Below 5%
12 Mar 2018	BlackRock, Inc.	5.05%	5.00%
13 Mar 2018	BlackRock, Inc.	5.53%	5.48%
19 Apr 2018	BlackRock, Inc.	6.06%	6.01%
23 Apr 2018	BlackRock, Inc.	6.07%	6.02%
17 May 2018	Varma Mutual Pension Insurance Company	4.01%	3.97%
17 Oct 2018	Capital Income Builder (CIB)	5.03%	4.99%
20 Oct 2018	Capital Income Builder (CIB)	4.98%	4.94%
13 Nov 2018	The Capital Group Companies, Inc.	4.98%	4.93%

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 2018, members of Sampo plc's Board of Directors and their close family members owned either directly or indirectly 6,663,732 (10,523,345) Sampo A shares. Their combined holdings constituted 1.2 per cent (1.9) of the share capital and related votes.

Members of the Group Executive Committee and their spouses owned either directly or indirectly 887,565 (849,557) Sampo A shares representing 0.2 per cent (0.2) of the share capital and related votes.

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

Sampo plc, 31 December 2018 and 31 December 2017

The Board of Directors	**31 Dec 2018**	**31 Dec 2017**
Wahlroos	6,633,436	10,501,265
Palin-Lehtinen	6,358	5,682
Clausen	1,479	929
Fagerholm	3,598	2,826
Grate Axén	6,272	5,590
Mattila	6,203	5,680
Murto	1,922	1,373
Mäkinen	4,464	-
Total	**6,663,732**	**10,523,345**
Board of Directors ownership of shares, %	1.2	1.9
Board of Directors share of votes, %	1.2	1.9

Group Executive Committee	**31 Dec 2018**	**31 Dec 2017**
Stadigh	302,429	286,558
Alsaker	30,219	26,626
Johansson	44,983	54,983
Lapveteläinen	250,033	245,272
Magnusson	39,842	32,932
Martinsen	50,455	46,691
Niemisvirta	82,270	77,413
Thorsrud	51,591	47,485
Wennerklint	35,743	31,597
Total	**887,565**	**849,557**
Group Executive Committee's ownership of shares, %	0.2	0.2
Group Executive Committee's share of votes, %	0.2	0.2

Financial Standing

Internal Dividends

Sampo plc, Sampo Group's parent company, received almost EUR 1.7 billion in dividends from its subsidiaries and associated company Nordea during 2018. The following dividend payments were received:

- Mandatum Life; EUR 150 million in March 2018 and EUR 150 million in September 2018,
- Nordea; EUR 585 million in March 2018,
- Topdanmark; EUR 107 million in April 2018 and
- If; SEK 7.0 billion (EUR 675 million) in December 2018.

On 6 February 2019 Nordea's Board of Directors announced that it is going to propose to the Annual General meeting to be held on 28 March 2019, a dividend of EUR 0.69 per share. With its current holding Sampo plc's share amounts to EUR 594 million if approved by the AGM. The dividend is proposed to be paid on 8 April 2019.

Topdanmark's Board of Directors proposed to the Annual General Meeting of 3 April 2019 a dividend of DKK 15 per share. If the AGM approves the proposal, Sampo's share of the Topdanmark's total dividend amounts to EUR 84 million.

A dividend of EUR 150 million is planned to be paid by Mandatum Life during the first quarter of 2019. If normally pays its dividend towards the end of the calendar year.

Ratings

Relevant ratings for Sampo Group companies on 31 December 2018 are presented in the table below.

	Moody's		Standard & Poor's	
Rated company	**Rating**	**Outlook**	**Rating**	**Outlook**
Sampo plc – Long-term Issuer Rating	A3	Stable	A-	Stable
If P&C Insurance Ltd (publ) (Sweden) – Insurance Financial Strength Rating	A1	Stable	A+	Stable

Solvency

Sampo Group's capital requirement is dependent on the capital requirements of the business areas and the parent company. Sampo Group's capital requirement and the amount of group's own funds are calculated by both the conglomerate rules (FICO) and the Solvency II directive.

Until the end of 2018 the total minimum capital requirement under FICO rules was calculated based on the subsidiaries' standard formula capital requirements. At the year-end 2018 Sampo started using Partial Internal Model (PIM) Solvency Capital Requirements (SCR) for most of non-life insurance business of If and Topdanmark in FICO calculations. This decreased the total minimum capital requirement by approximately EUR 470 million in the fourth quarter of 2018.

In Solvency II Sampo Group has not, however, an approved Group PIM, although the PIMs of If and Topdanmark are approved by their respective local regulators, and therefore the Standard Formula SCRs are applied in Solvency II on a group-level. The treatment of Nordea's capital requirement in Sampo is similar under FICO and Solvency II and the effects of any changes are similar as well.

In the fourth quarter of 2018 Nordea's Risk Exposure Amount (REA) increased EUR 35 billion to EUR 156 billion stemming mainly from migration of existing items from Pillar 2 to Pillar 1 due to the re-domiciliation of the bank from Sweden to Finland. At the same time, the systemic risk buffer (SRB) decreased temporarily to zero per cent. As a consequence of these two effects, the nominal capital requirement for Sampo was EUR 3,779 million on

31 December 2018. However, the SRB has to be applied in Finland starting 1 January 2019 (2 per cent in the first half of 2019 and 3 per cent from 1 July 2019) which will increase Nordea's capital requirement for Sampo accordingly in 2019 and decrease the Group solvency ratio. As the situation develops Sampo will be looking into different measures to counter the impact.

Group's conglomerate solvency ratio (own funds in relation to minimum requirements for own funds) amounted to 147 per cent (154) as at 31 December 2018. The components of the calculation are described in the table below.

The Group solvency calculated according to the Solvency II directive amounted to 140 per cent (156) on 31 December 2018.

If, Topdanmark and Mandatum Life have since 1 January 2016 applied Solvency II rules in their regulatory solvency calculations. If Group companies use either partial internal models or standard model for calculation of their solo solvency position. Mandatum Life reports in accordance with standard formula for Solvency II. Topdanmark uses a partial internal model to report its stand-alone solvency position.

If Group has an A+ rating from S&P which will continue to require significantly more capital than the standard formula and therefore the use of standard formula has no practical implications on If Group's capital position. On 31 December 2018 If Group's pro forma Solvency II capital requirement under standard formula amounted to EUR 1,833 million (1,938) and own funds to EUR 3,599 million (3,818). Solvency ratio amounted to 196 per cent (197).

Sampo Group Solvency

EURm	31 Dec 2018	31 Dec 2017
Group capital	13,014	13,508
Goodwill, other intangibles, foreseeable dividends and distributions and deductibles	-5,269	-5,004
Sectoral items	2,586	2,517
Group's own funds, total	10,330	11,021
Minimum requirements for own funds, total	7,017	7,164
Group solvency	3,313	3,858
Group solvency ratio	147	154
(Own funds % of minimum requirements)	147	154

S&P A+ rating requirement for If Group amounted to EUR 2,949 million (3,098) at the end of 2018 and the capital base was EUR 3,149 million (3,408). On 31 December 2018 If Group's Solvency II capital requirement under partial internal model was EUR 1,305 million (1,510) and own funds EUR 3,599 million (3,875). Solvency ratio amounted to 276 per cent (257).

Topdanmark calculates most of its non-life and health risks and their respective solvency capital requirement by a partial internal model approved by the DFSA. Other risks are calculated by Solvency II SCR standard formula. Topdanmark's solvency ratio under the partial internal model was 196 per cent (204) at the end of 2018.

On 31 December 2018 Topdanmark's Solvency II capital requirement under standard formula amounted to EUR 534 million and own funds to EUR 872 million. Solvency ratio amounted to 163 per cent (166).

Mandatum Life's solvency ratio after transitional measures remained strong despite the dividend payment and the negative capital market development and was 176 per cent (182) on 31 December 2018. Own funds of EUR 1,740 million (1,977) exceed Solvency Capital Requirement (SCR) of EUR 990 million (1,087) by EUR 750 million. Without transitional measures, own funds would have amounted to EUR 1,348 million (1,555) and the solvency capital requirement to EUR 1,030 million (1,220) leading to a solvency ratio of 131 per cent (127).

More information on Sampo Group's capital policy is available in the **Risk Management Report 2018** at **www.sampo.com/year2018**.

Debt Financing

Sampo plc's debt financing on 31 December 2018 amounted to EUR 4,067 million (3,177) and interest bearing assets to EUR 1,959 million (1,754). Interest bearing assets include bank accounts, fixed income instruments and EUR 489 million (496) of hybrid capital and subordinated debt instruments issued by the subsidiaries and associated companies. Altogether, excluding cash and equivalents, the fixed income instruments' yield was over 5 per cent.

At the end of 2018 the interest bearing net debt of Sampo plc amounted to EUR 2,108 million (1,423). The net debt calculation takes into account interest bearing assets and liabilities. Gross debt to Sampo plc's equity was 52 per cent (41) and financial leverage 34 per cent (29).

On 21 February 2018 Sampo plc issued under its EMTN Programme senior unsecured fixed rate notes of EUR 500 million maturing on 21 February 2028.

On 22 March 2018 If P&C Insurance Holding Ltd. (Sweden) issued perpetual floating rate callable restricted Tier1 notes of SEK 1,000 million callable on 22 March 2023.

On 23 May 2018 Sampo plc issued under its EMTN Programme senior unsecured floating rate notes of SEK 1,300 million and unsecured fixed rate notes of SEK 700 million both maturing on 23 May 2022.

On 7 September 2018 Sampo plc issued under its EMTN Programme senior unsecured fixed rate notes of NOK 1,000 million maturing on 7 September 2028.

On 27 September 2018 Sampo plc issued under its EMTN Programme senior unsecured fixed rate notes of EUR 500 million maturing on 27 September 2030.

On 31 December 2018 financial liabilities in Sampo plc's balance sheet consisted of issued senior bonds and notes of EUR 3,943 million (2,884) and EUR 124 million (293) of CPs issued. The average interest, net of interest rate swaps, on Sampo plc's debt as of 31 December 2018 was 0.81 per cent (0.93).

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

Outstanding Debt Instruments

Sampo plc, 31 December 2018

Instrument & Nominal	Coupon	Swap	Effective Rate	Maturity
CP's issued 125 EURm	Euribor + Margin		0.2500%	Average 3M
Senior Bond 500 EURm	1.125%	---	1.1640%	24 May 2019
Senior Bond 2,000 SEKm	Stibor3M + 0.77%	Euribor3M + 0.586125%	0.2671%	28 May 2020
Senior Bond 1,000 SEKm	1.250%	EUR 1.007%	1.0070%	28 May 2020
Senior Bond 500 EURm	1.500%	---	1.5920%	16 Sep 2021
Senior Bond 700 SEKm	0.875%	Euribor6M + 0.3761%	0.1061%	23 May 2022
Senior Bond 1,300 SEKm	Stibor3M + 0.55%	Euribor6M + 0.3881%	0.1181%	23 May 2022
Senior Bond 750 EURm	1.000%	---	1.0060%	18 Sep 2023
Senior Bond 500 EURm	1.250%	EUR6M + 0.735%	0.4660%	20 May 2025
Senior Bond 500 EURm	1.625%	EUR6M + 0.562%	0.2960%	21 Feb 2028
Senior Bond 1,000 NOKm	3.100%	Euribor6M + 0.77%	0.5010%	7 Sep 2028
Senior Bond 500 EURm	2.250%	Euribor6M + 1.079%	0.8120%	27 Sep 2030
Public debt 3,936 EURm			**0.7921%**	
Private placements 124 EURm			0.8770%	
Total 4,087 EURm			**0.8060%**	

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 2019

Sampo Group's business areas are expected to report good operating results for 2019.

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

If P&C is expected to reach a combined ratio of 86–90 per cent in 2019.

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

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

The Major Risks and Uncertainties to the Group in the Near-Term

In its current day-to-day business activities Sampo Group is exposed to various risks and uncertainties mainly through its separately managed business areas including the parent company Sampo plc.

Major risks affecting the Group companies' profitability and its variation are market, credit, insurance and operational risks that are quantified independently by the business areas. 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 macroeconomic, political and other sources of uncertainty which can in various ways affect financial services industry negatively. Especially the political risks are at an elevated level at the moment.

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

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 totalled EUR 7,792,358,111.04 of which profit for the financial year was EUR 1,668,757,866.27.

The Board proposes to the Annual General Meeting a dividend of EUR 2.85 per share to company's 555,351,850 shares. The dividends to be paid are EUR 1,582,752,772.50 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 11 April 2019. The Board proposes that the dividend be paid on 18 April 2019.

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		2018	2017	2016	2015	2014
Profit before taxes	EURm	2,094	2,482	1,871	1,888	1,759
Return on equity (at fair values)	%	7.5	17.1	15.0	14.0	10.9
Return on assets (at fair values)	%	3.2	7.6	7.3	7.2	5.6
Equity/assets ratio	%	25.1	26.1	31.5	32.1	31.5
Group solvency [1)]	EURm	3,313	3,858	3,849	3,179	4,282
Group solvency ratio [1)]	%	147	154	154	145	187
Average number of staff		9,509	9,364	6,780	6,755	6,739

If		2018	2017	2016	2015	2014
Premiums written before reinsurers' share	EURm	4,502	4,525	4,458	4,559	4,634
Premiums earned	EURm	4,290	4,293	4,286	4,344	4,457
Profit before taxes	EURm	848	818	824	960	931
Return on equity (at fair values)	%	11.2	21.3	25.3	21.5	18.1
Risk ratio [2)]	%	63.3	63.3	62.3	66.6	65.1
Cost ratio [2)]	%	21.9	22.0	22.1	18.8	22.5
Loss ratio [2)]	%	68.8	68.9	67.8	72.4	70.9
Expense ratio [2)]	%	16.4	16.4	16.6	13.0	16.7
Combined ratio	%	85.2	85.3	84.4	85.4	87.7
Average number of staff		6,603	6,367	6,180	6,176	6,173

Topdanmark[*)]		2018	2017	2016	2015	2014
Premiums written before reinsurers' share, P&C insurance	EURm	1,235	210	-	-	-
Premiums earned, P&C insurance	EURm	1,144	281	-	-	-
Profit before taxes	EURm	199	848	-	-	-
Loss ratio [2)]	%	66.0	64.0	-	-	-
Expense ratio [2)]	%	16.3	16.4	-	-	-
Combined ratio	%	82.3	80.5	-	-	-
Premiums written before reinsurers' share, life insurance	EURm	1,357	294	-	-	-
Average number of staff		2,314	2,412	-	-	-

Mandatum		**2018**	**2017**	**2016**	**2015**	**2014**
Premiums written before reinsurers' share	EURm	1,082	967	1,122	1,149	1,110
Profit before taxes	EURm	450	236	210	181	163
Return on equity (at fair values)	%	8.7	13.3	15.9	12.7	11.4
Expense ratio	%	92.1	94.7	100.5	100.0	104.1
Average number of staff		531	525	543	522	509

Holding		**2018**	**2017**	**2016**	**2015**	**2014**
Profit before taxes	EURm	618	576	778	749	669
Average number of staff		61	60	57	57	57

Per share key figures		**2018**	**2017**	**2016**	**2015**	**2014**
Earnings per share	EUR	3.04	3.96	2.95	2.96	2.75
Earnings per share, incl. Items in other comprehensive income	EUR	1.70	3.79	3.14	2.79	2.11
Capital and reserves per share	EUR	22.30	23.14	21.31	20.38	19.51
Net asset value per share	EUR	20.60	25.37	24.86	23.79	22.63
Dividend per share [3)]	EUR	2.85	2.60	2.30	2.15	1.95
Dividend per earnings	%	93.8	65.7	78.0	72.6	70.9
Effective dividend yield	%	7.4	5.7	5.4	4.6	5.0
Price/earnings ratio		12.6	11.6	14.4	15.9	14.1
Adjusted number of shares at 31 Dec.	1,000	555,352	555,352	560,000	560,000	560,000
Average adjusted number of shares	1,000	555,352	559,873	560,000	560,000	560,000
Weighted average number of shares, incl. dilutive potential shares	1,000	555,352	559,873	560,000	560,000	560,000
Market capitalisation	EURm	21,331	24,858	23,850	26,320	21,739

A shares		**2018**	**2017**	**2016**	**2015**	**2014**
Adjusted number of shares at 31 Dec.	1,000	554,152	554,152	558,800	558,800	558,800
Average adjusted number of shares	1,000	554,152	554,152	558,800	558,800	558,800
Weighted average number of shares, incl. dilutive potential shares	1,000	554,152	554,152	558,800	558,800	558,800
Weighted average share price	EUR	43.11	44.76	40.35	44.34	36.88
Adjusted share price, high	EUR	48.92	47.46	46.56	49.40	39.98
Adjusted share price, low	EUR	37.61	41.53	34.42	37.72	33.71
Adjusted closing price	EUR	38.41	45.80	42.59	47.00	38.82
Share trading volume during the financial year	1,000	239,051	179,568	203,996	182,762	194,492
Relative share trading volume	%	43.1	32.4	36.5	32.7	34.8

B shares		**2018**	**2017**	**2016**	**2015**	**2014**
Adjusted number of shares at 31 Dec.	1,000	1,200	1,200	1,200	1,200	1,200
Average adjusted number of shares	1,000	1,200	1,200	1,200	1,200	1,200

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

1) *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 2018.*

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

Calculation of the Key Figures

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

Group Key Figures

Profit before taxes

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

Property & casualty and life insurance

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

Holding

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

Return on equity (at fair values), %

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

divided by

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

X 100%

Return on assets (at fair values), %

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

divided by

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

X 100%

Equity/assets ratio (at fair values), %

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

divided by

+ balance sheet total
± valuation differences on investments

X 100%

Group solvency

+ Group equity
+ sectoral items
– intangibles and foreseeable dividends and distributions

Group's own funds
– minimum requirements for own funds, total

Group solvency

Group solvency ratio, %

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

Average number of staff

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

Property & Casualty Insurance Key Figures

Risk ratio, %

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

Cost ratio, %

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

Loss ratio excl. unwinding of discount, %

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

Expense ratio, %

operating expenses
/ premiums earned
X 100%

Combined ratio excl. unwinding of discount, %

Loss ratio before unwinding of discount + expense ratio

Life Insurance Key Figures

Expense ratio

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

Per Share Key Figures

Earnings per share

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

Earnings per share, incl. change in fair value reserve

total comprehensive income for the financial period attributable to the parent
/ adjusted average number of shares

Equity per share

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

Net asset value per share

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

Dividend per share, %

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

Dividend per earnings, %

dividend per share
/ earnings per share
X 100%

Effective dividend yield, %

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

Price/earnings ratio

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

Market capitalisation

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

Relative share trading volume, %

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

GROUP'S IFRS FINANCIAL STATEMENTS

Group's IFRS Financial Statements

Statement of Profit and Other Comprehensive Income, IFRS

EURm	Note	1-12/2018	1-12/2017
Insurance premiums written	1	7,907	5,815
Net income from investments	2, 9	-104	1,104
Other operating income	36	244	36
Claims incurred	3	-5,015	-4,023
Change in liabilities for insurance and investment contracts	4	-85	-603
Staff costs	5	-855	-676
Other operating expenses	6	-627	-536
Finance costs	9	-18	-52
Share of associates' profit/loss	13	647	712
- Gain from fair valuation of former associated company		-	706
Profit before taxes		**2,094**	**2,482**
Taxes	21, 22, 23	-317	-243
Profit for the period		**1,778**	**2,239**

EURm	Note	1-12/2018	1-12/2017
Other comprehensive income for the period			
Items reclassifiable to profit or loss	23, 24		
Exchange differences		-97	-96
Available-for-sale financial assets		-739	73
Share of associate's other comprehensive income		-61	-57
Taxes		159	-18
Total items reclassifiable to profit or loss, net of tax		**-739**	**-97**
Items not reclassifiable to profit or loss			
Actuarial gains and losses from defined pension plans		-6	5
Taxes		1	-1
Total items not reclassifiable to profit or loss, net of tax		**-5**	**4**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**1,034**	**2,146**
Profit attributable to			
Owners of the parent		1,687	2,216
Non-controlling interests		91	23
Total comprehensive income attributable to			
Owners of the parent		943	2,122
Non-controlling interests		91	23
Earnings per share (EUR)	8	**3.04**	**3.96**

Consolidated Balance Sheet, IFRS

EURm	Note	12/2018	12/2017
Assets			
Property, plant and equipment	10	162	158
Investment property	11	665	653
Intangible assets	12	2,143	2,121
Investments in associates	13	8,065	7,765
Financial assets	9, 14, 15, 16, 17, 18, 19	22,693	22,832
Investments related to unit-linked insurance contracts	20	10,671	7,409
Tax assets	21	24	18
Reinsurers' share of insurance liabilities	26	294	297
Other assets	25	2,263	1,940
Cash and cash equivalents		2,361	2,734
Assets held for sale		-	3,374
Total assets		**49,340**	**49,300**
Liabilities			
Liabilities for insurance and investment contracts	26	18,415	18,900
Liabilities for unit-linked insurance and investment contracts	27	11,390	7,959
Financial liabilities	9, 15, 17, 28	4,711	3,649
Tax liabilities	21	487	638
Provisions	29	18	33
Employee benefits	30	51	57
Other liabilities	31	1,254	1,258
Liabilities related to assets held for sale		-	3,299
Total liabilities		**36,326**	**35,792**

EURm	Note	12/2018	12/2017
Equity	33		
Share capital		98	98
Reserves		1,530	1,530
Retained earnings		10,944	10,692
Other components of equity		-186	528
Equity attributable to owners of the parent		**12,386**	**12,848**
Non-controlling interests		628	660
Total equity		**13,014**	**13,508**
Total equity and liabilities		**49,340**	**49,300**

Statement of Changes in Equity, IFRS

EURm	Share capital	Legal reserve	Invested unrestricted equity	Retained earnings [1]	Translation of foreign operations [2]	Available for sale financial assets [3]	Total	Non-controlling interests	Total
Equity at 1 January 2017	**98**	**4**	**1,527**	**9,700**	**-518**	**1,124**	**11,934**	**-**	**11,934**
Changes in equity									
Recognition of undrawn dividends				10			10		**10**
Cancellation of shares				30			30		**30**
Dividends				-1,288[4]			-1,288		**-1,288**
Business aquisitions				17			17	636	**654**
Share of associate's other changes in equity				23			23		**23**
Profit for the period				2,216			2,216	23	**2,239**
Other comprehensive income for the period				-15	-138	60	-93		**-93**
Equity at 31 December 2017	**98**	**4**	**1,527**	**10,692**	**-656**	**1,184**	**12,848**	**660**	**13,508**
Changes in equity									
Dividends				-1,444[4]			-1,444	-112	**-1,556**
Share-based payments				8			8	9	**17**
Share of associate's other changes in equity				31			31		**31**
Other changes in equity								-20	
Profit for the period				1,687			1,687	91	**1,778**
Other comprehensive income for the period				-31	-124	-590	-744		**-744**
Equity at 31 December 2018	**98**	**4**	**1,527**	**10,944**	**-780**	**594**	**12,386**	**628**	**13,014**

[1] *IAS 19 Pension benefits had a net effect of EURm -34 (-15) 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 -26 (-19) of Nordea's actuarial gains/losses The exchange differences include the share of Nordea's exchange differences EURm -26 (-43). Respectively, available-for-sale financial assets include EURm -10 (15) of Nordea's valuation differences on assets at fair value through p/l. Nordea adopted the new IFRS 9 Financial instruments standard from 1 January 2018 on.*

[3] *The amount recognised in equity from available-for-sale financial assets for the period totalled EURm -409 (266). The amount transferred to p/l amounted to EURm -192 (-204). EURm 20 (-7) was transferred to the Segregated Suomi portfolio.*

[4] *Dividend per share 2.85 (2.60) euro.*

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

Statement of Cash Flows, IFRS

EURm	2018	2017
Operating activities		
Profit before taxes	2,094	2,482
Adjustments:		
Depreciation and amortisation	59	29
Unrealised gains and losses arising from valuation	374	43
Realised gains and losses on investments	-280	-489
Change in liabilities for insurance and investment contracts	35	317
Other adjustments	-665	-1,199
Adjustments total	**-478**	**-1,298**
Change (+/-) in assets of operating activities		
Investments *)	-1,193	638
Other assets	-359	-40
Total	**-1,552**	**598**
Change (+/-) in liabilities of operating activities		
Financial liabilities	85	-81
Other liabilities	41	-20
Paid taxes	-381	-413
Total	**-255**	**-514**
Net cash used in operating activities	**-190**	**1,267**
Investing activities		
Investments in group and associated undertakings	439	546
Net investment in equipment and intangible assets	-33	-12
Net cash from investing activities	**406**	**534**

EURm	2018	2017
Financing activities		
Dividends paid	-1,444	-1,286
Issue of debt securities	1,482	1,042
Repayments of debt securities in issue	-609	-1,395
Net cash used in financing activities	**-571**	**-1,639**
Total cash flows	**-355**	**162**
Cash and cash equivalents at 1 January	2,734	2,585
Effects of exchange rate changes	-18	-14
Cash and cash equivalents at 31 December	2,361	2,734
Net increase in cash and cash equivalents	**-355**	**162**

Total cash flows	**2018**	**2017**
Interest income received	474	360
Interest expense paid	-126	-127
Dividend income received	183	124

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

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

Cash and cash equivalents include cash at bank and in hand EURm 2,361 (2,711). The comparison year includes also short-term deposits EURm 22 (max. 3 months).

GROUP'S NOTES TO THE ACCOUNTS

Group's Notes to the Accounts

Summary of Significant Accounting Policies

Sampo Group has prepared the consolidated financial statements for 2018 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, 2018.

Topdanmark was first consolidated in the Group as a subsidiary on 30 September 2017, and due to this, the company's p/l for January–September 2017 has been presented in Topdanmark's own segment in one line as a share of associates' profit and the p/l for October–December 2017 has been consolidated line by line. As a separate line item is also presented the gain from the fair valuation of former associated company.

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.

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

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

The Board of Directors of Sampo plc accepted the financial statements for issue on 7 February 2019.

Consolidation

Subsidiaries

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

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

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

Associates

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

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

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

Foreign currency translation

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

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

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

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

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

1 euro (EUR) =	Balance sheet date	Average exchange rate
Swedish krona (SEK)	10.2548	10.2611
Danish krona (DKK)	7.4673	7.4533

Segment reporting

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

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

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

Inter-segment transactions, assets and liabilities are eliminated in the consolidated financial statements on a line-by-line basis.

Interest and dividends

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

Fees and commissions

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

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

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

Insurance premiums

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

P&C insurance contracts are primarily of short duration, so that premiums written are recognised as earned on a pro rata basis, adjusting them by a change in the provision for unearned premiums i.e. by the proportion of the insurance premium income that, based on the period covered by the insurance contract, belongs to the following financial year.

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

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

Financial assets and liabilities

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

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

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

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

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

On level 3, the measurement is based on other inputs rather than observable market data.

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

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

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

Recognition and derecognition

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

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

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

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

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

Financial assets held for trading

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

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

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

Financial assets designated as at fair value through profit or loss

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

Loans and receivables

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

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

In the case of debt securities, the amount of the impairment loss is assessed as the difference between the acquisition cost, adjusted with capital amortisations and accruals, and the fair value at the review time, reduced by previously in profit or loss recognised impairment losses.

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

If, in a subsequent period, the fair value of a debt security increases and the increase can objectively be related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed by recognising the amount in profit or loss.

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

Derivative financial instruments and hedge accounting

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

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	3–10 years
Other intangible assets	3–10 years

Property, plant and equipment

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

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

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

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

Residential, business premises and offices	20–60 years
Industrial buildings and warehouses	30–60 years
Components of buildings	10–15 years
IT equipment and motor vehicles	3–5 years
Other equipment	3–10 years

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

Impairment of intangible assets and property, plant and equipment

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

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

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

Investment property

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

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

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

Provisions

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

Insurance and investment contracts

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

Sampo treats the liabilities arising from contracts in the first phase of the standard according to national accounting standards, except for the equalisation reserve and its changes which is reported in equity and profit or loss, in accordance with the IFRS.

The risks involved in insurance and investment contracts are widely elaborated in the Group's note 41.

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

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

Liability adequacy test

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

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

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

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

The pay-as-you-go system related to pension index raises is not treated as an insurance activity under IFRS 4 and does not generate any risk for the insurance company. Thus, the pay-as-you-go contribution collected together with the insurance premium is not deemed to be premium income, and the pension index raise paid out is not deemed to be claims incurred. Because the collected index raise corresponds in amount to the paid out pension index raise, the said items are set-off in the Income

Statement item 'Other expenses from operations'. The share of a balancing figure not yet received from, or not paid by, a central organisation is presented as current receivables or liabilities in the balance sheet items 'Other assets' or 'Other liabilities'.

Deferred acquisition costs

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

Life insurance business

Classification of insurance contracts

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

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

Measurement of insurance and investment contracts

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.

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

Insurance and investment contract liabilities and reinsurance assets

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

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

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

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

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

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

Liability adequacy test

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

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

Principle of fairness

According to Chapter 13, Section 2 of the Finnish Insurance Companies' Act, the Principle of Fairness must be observed in life insurance and investment contracts with a discretionary participation feature. If the solvency requirements do not prevent it, a reasonable part of the surplus has to be returned to these policies as bonuses.

Mandatum aims at giving a total return before charges and taxes on the original insurance portfolio's policyholders' savings in contracts with DPF that is at least the yield of those long term bonds, which are considered to have lowest risk. The total return consists of the guaranteed interest rate and bonuses determined annually. Continuity is pursued in the level of bonuses.

Employee benefits

Post-employment benefits

Post-employment benefits include pensions and life insurance.

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

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

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

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

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

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

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

Termination benefits

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

Share-based payments

During the financial year, Sampo had four valid share-based incentive schemes settled in cash (the long-term incentive schemes 2014 I, 2014 II,2017 I and 2017 II for the management and key employees). Topdanmark had one mainly share-settled incentive scheme for the executive board and senior executives during the financial year.

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

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

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

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

Income taxes

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

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

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

Share capital

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

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

Cash and cash equivalents

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

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

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

Accounting policies requiring management judgement and key sources of estimation uncertainties

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

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

Actuarial assumptions

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

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

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

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

Determination of fair value

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

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

Impairment tests

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

Application of new or revised IFRSs and interpretations

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

IFRS 16 *Leases* (effective for annual periods beginning on 1 Jan 2019 or after). The standard will supersede IAS 17 according to which leases were recognised either in the balance sheet as finance leases, or as other leases in which case the related liability was disclosed in the notes. The new standard requires all the leases, apart from low-value and short-term leases, to be recognised in the balance sheet. The adoption will have an effect on the Group's balance sheet, when all current leases are recognised there, and on the income statement in the form of recognised interest expenses and amortisations. However, the number of the current leases is not significant in the Group.

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*. Sampo is going to utilise the temporary exception option, outlined in the next chapter, and apply the standard on the annual period beginning on 1 Jan 2022. The new standard changes the classification and measurement of financial assets and includes a new impairment model based on expected credit losses. The hedge accounting will continue to have three different hedging relationships.

As the upcoming IFRS 4 superseding standard IFRS 17 *Insurance Contracts* (by IASB tentative decision effective for annual periods beginning on 1 Jan 2022 or after) will have an impact on the insurance liabilities valuation, the insurance companies have been given additional options regarding the adoption of IFRS 9. If certain preconditions regarding the insurance liabilities are met, the company may apply the so-called temporary exception option and defer the implementation until the adoption of IFRS 17 standard, at the latest on annual period beginning on 1 Jan 2022. The temporary exemption may be applied, if the Group's amount of insurance liabilities is greater than 90% of the total amount of liabilities. The application is also possible, if the ratio is greater than 80%, and the Group does not engage in a significant activity unconnected with insurance. Another allowed option is to apply IFRS 9 from 1 Jan 2018 on, but to remove some of the accounting mismatches, caused by the different valuation methods of assets and liabilities, from the income statement and transfer them to other comprehensive income

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

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

European Commission had not at the balance sheet date endorsed IFRS 17 standard to be adopted in the EU. In addition, IASB has announced that it might take into consideration some amendments to IFRS 17 standard before its effective date.

Segment Information

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

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

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

Consolidated Income Statement by Business Segment for Year ended 31 December 2018

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

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

Consolidated Income Statement by Business Segment for Year ended 31 December 2017

EURm	If	Top-danmark	Mandatum	Holding	Elimi-nation	Group
Insurance premius written	4,357	498	960	-	0	5,815
Net income from investments	216	107	782	10	-10	1,104
Other operating income	27	1	10	18	-20	36
Claims incurred	-2,717	-285	-1,021	-	-	-4,023
Change in liabilities for insurance and investment contracts	-64	-163	-377	-	1	-603
Staff costs	-543	-68	-47	-18	-	-676
Other operating expenses	-440	-39	-63	-14	20	-536
Finance costs	-19	-3	-7	-36	14	-52
Share of associates' profit/loss	1	94	0	616	-	712
- Gain from fair valuation of former associated company	-	706	-	-	-	706
Profit before taxes	**818**	**848**	**236**	**576**	**4**	**2,482**
Taxes	-180	-12	-51	0	0	-243
Profit for the year	**637**	**836**	**185**	**576**	**4**	**2,239**

EURm	If	Top-danmark	Mandatum	Holding	Elimi-nation	Group
Other comprehensive income for the period						
Items reclassifiable to profit or loss						
Exchange differences	-95	-1	0	-	-	-96
Available-for-sale financial assets	46	-	5	22	-	73
Share of associate's other comprehensive income	-	-	-	-57	-	-57
Taxes	-11	-	-2	-4	-	-18
Total items reclassifiable to profit or loss, net of tax	**-61**	**-1**	**3**	**-39**	**-**	**-97**
Items not reclassifiable to profit or loss						
Actuarial gains and losses from defined pension plans	5	-	-	-	-	5
Taxes	-1	-	-	-	-	-1
Total items not reclassifiable to profit or loss, net of tax	**4**	**-**	**-**	**-**	**-**	**4**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**581**	**836**	**188**	**537**	**4**	**2,146**
Profit attributable to						
Owners of the parent						2,216
Non-controlling interests						23
Total comprehensive income attributable to						
Owners of the parent						2,122
Non-controlling interests						23

Consolidated Balance Sheet by Business Segment at 31 December 2018

EURm	If	Top-danmark	Mandatum	Holding	Elimi-nation	Group
Assets						
Property, plant and equipment	24	130	5	3	-	162
Investment property	4	513	148	-	-	665
Intangible assets	512	1,472	158	0	-	2,143
Investments in associates	14	225	3	7,823	-	8,065
Financial assets	10,753	6,028	4,902	5,069	-4,058	22,693
Investments related to unit-linked insurance contracts	-	3,735	6,960	-	-24	10,671
Tax assets	11	2	-	15	-4	24
Reinsurers' share of insurance liabilities	208	85	1	-	-	294
Other assets	1,704	279	182	107	-8	2,263
Cash and cash equivalents	294	34	586	1448	-	2,361
Total assets	**13,525**	**12,502**	**12,944**	**14,465**	**-4,095**	**49,340**
Liabilities						
Liabilities for insurance and investment contracts	8,934	5,259	4,221	-	-	18,415
Liabilities for unit-linked insurance and investment contracts	-	4,460	6,955	-	-24	11,390
Financial liabilities	405	339	133	4,104	-271	4,711
Tax liabilities	207	188	96	-	-4	487
Provisions	18	-	-	-	-	18
Employee benefits	51	-	-	-	-	51
Other liabilities	785	227	173	78	-9	1,254
Total liabilities	**10,401**	**10,473**	**11,578**	**4,182**	**-308**	**36,326**

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

Consolidated Balance Sheet by Business Segment at 31 December 2017

EURm	If	Topdanmark	Mandatum	Holding	Elimination	Group
Assets						
Property, plant and equipment	22	130	3	3	-	158
Investment property	12	489	151	-	-	653
Intangible assets	528	1,509	83	-	-	2,121
Investments in associates	14	173	0	7,578	-	7,765
Financial assets	11,217	6,166	4,977	4,510	-4,038	22,832
Investments related to unit-linked insurance	-	3,464	3,986	-	-42	7,409
Tax assets	17	2	-	3	-4	18
Reinsurers' share of insurance liabilities	220	77	0	-	-	297
Other assets	1,601	211	103	33	-8	1,940
Cash and cash equivalents	437	72	1,025	1,200	-	2,734
Assets held for sale	-	-	3,374	-	-	3,374
Total assets	**14,069**	**12,293**	**13,703**	**13,326**	**-4,092**	**49,300**
Liabilities						
Liabilities for insurance and investment contracts	9,120	5,405	4,375	-	-	18,900
Liabilities for unit-linked insurance and investment contracts	-	4,036	3,965	-	-42	7,959
Financial liabilities	322	303	106	3,187	-269	3,649
Tax liabilities	278	196	164	-	-	638
Provisions	33	-	-	-	-	33
Employee benefits	57	-	-	-	-	57
Other liabilities	739	249	241	38	-9	1,258
Liabilities related to assets held for sale	-	-	3,299	-	-	3,299
Total liabilities	**10,549**	**10,189**	**12,150**	**3,224**	**-321**	**35,792**

EURm	If	Topdanmark	Mandatum	Holding	Elimination	Group
Equity						
Share capital						98
Reserves						1,530
Retained earnings						10,692
Other components of equity						528
Equity attributable to parent company's equity holders						**12,848**
Non-controlling interests						660
Total equity						**13,508**
Total equity and liabilities						**49,300**

Geographical information

EURm	Finland	Sweden	Norway	Denmark	Baltic	Total
2018						
Revenue from external customers	1,992	1,488	1,327	2,989	169	**7,965**
Non-current assets	404	8,263	13	2,353	1	**11,034**
2017						
Revenue from external customers	1,914	1,496	1,316	993	158	**5,877**
Non-current assets	341	8,030	11	2,314	1	**10,697**

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.t.

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

Material Partly-Owned Subsidiairies

Name	Country	Equity interest held by non-controlling interests 2018	2017
Topdanmark A/S	Denmark	51.4	51.1
Accumulated balances of material non-contolling interests		628	660

Accumulated balances of material non-contolling interests

The summarised financial information. Figures are before inter-company eliminations.

Summarised statement of profit or loss

EURm	2018	2017
Insurance premius written	1,290	254
Net income from investments	-144	55
Other operating income	2	0
Claims incurred	-616	-146
Change in liabilities for insurance and investment contracts	-236	-83
Staff costs	-138	-35
Other operating expenses	-47	-16
Finance costs	-6	-1
Share of associates' profit/loss	11	2
Profit before taxes	**116**	**30**
Taxes	-25	-7
Profit for the year attributable to non-controlling interests	**91**	**23**

Share of non-controlling interests of the balance sheet

EURm	2018	2017
Assets		
Property, plant and equipment	67	66
Investment property	264	250
Intangible assets	341	356
Investments in associates	116	88
Financial assets	3,099	3,151
Investments related to unit-linked insurance	1,920	1,770
Tax assets	1	1
Reinsurers' share of insurance liabilities	44	39
Other assets	143	108
Cash and cash equivalents	17	37
Total assets	**6,011**	**5,866**
Liabilities		
Liabilities for insurance and investment contracts	2,704	2,762
Liabilities for unit-linked insurance and investment contracts	2,293	2,062
Financial liabilities	174	160
Tax liabilities	96	100
Other liabilities	117	122
Total liabilities	**5,383**	**5,206**
Total equity attributable to non-controlling interests	**628**	**660**

Business Acquisitions

Year 2018

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

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

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

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

Year 2017

Sampo Group consolidated Danish insurer Topdanmark A/S since May 2011 as an associated company by reporting in the P&C Insurance segment the share of Topdanmark's profit corresponding to Sampo's holding. From 30 September 2017 on, Topdanmark has been consolidated as a subsidiary in the financial reporting of the Group.

The 30 September 2017 became the consolidatation date due to Sampo carrying out assessment on relevant facts and circumstances required by IFRS standards and concluding that the threshold for control in Topdanmark was exceeded, even if Sampo's share of outstanding shares was a little under 50%.

The acquistion price in the Group was determined as EURm 1,398 which was the fair value of Topdanmark's shares on the acquisition date, 30 September 2017. The carrying amount of Topdanmark's shares at the same time was EURm 692. The difference EURm 706 was recognised through p/l as an increase of the carrying amount.

At the acquisition date, the total number of shares was 95,000,000 of which Sampo held 41,977,070 shares. Taking into consideration the treasury shares held by Topdanmark, Sampo's share of voting rights was 49.1%. The 50.9% non-controlling interest included in the balance sheet of Topdanmark has been determined as a proportionate share of the net assets.

Topdanmark's balance sheet on 30 September 2017 was fully consolidated line-by-line. The share of Topdanmark's profit for Jan–Sep 2017 corresponding to Sampo's holding is reported as share of associate's profit/loss and the above-mentioned gain from fair valuation of former associated company is recognised as a separate line item. Topdanmark is reported as a separate segment in all segment reporting. As of 1 October 2017, Topdanmark's p/l items have been recognized line-by-line in the Group's consolidated financial statements.

The fair values of consolidated assets and liabilities as of 30 September 2017 are disclosed below.

EURm	Fair value
Assets	
Property, plant and equipment	130
Investment property	492
Intangible assets	704
Investments in associates	169
Financial assets	6,261
Investments related to unit-linked insurance contracts	3,249
Tax assets	2
Reinsurers' share of insurance liabilities	98
Other assets	241
Cash and cash equivalents	45
Total assets	**11,390**
Liabilities	
Liabilities for insurance and investment contracts	5,531
Liabilities for unit-linked insurance and investment contracts	3,749
Financial liabilities	278
Tax liabilities	200
Other liabilities	382
Total liabilities	**10,139**
Non-controlling interests	**636**
Net assets total	**615**
Acquisition cost	**1,398**
Goodwill	**783**

Notes to the Income Statement 1–41

1 Insurance premiums written

EURm	2018	2017
P&C insurance	5,737	4,737
Life insurance		
Insurance contracts	1,751	802
Investment contracts	687	457
Insurance premiums written, gross	**8,174**	**5,996**
Reinsurers' share		
P&C insurance	-259	-174
Life insurance, insurance contracts	-7	-7
Reinsurers' share, total	**-267**	**-181**
Group insurance premiums written total, net [1]	**7,907**	**5,815**

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

2 Net income from investments

If

EURm	2018	2017
Financial assets		
Derivative financial instruments		
Gains/losses	-34	-35
Loans and receivables		
Interest income	10	9
Financial assets available-for-sale		
Debt securities		
Interest income	158	168
Impairment losses	15	-48
Gains/losses	18	44
Exchange differences	-2	2
Equity securities		
Gains/losses	109	117
Impairment losses	-36	-27
Dividend income	47	46
Total	**310**	**303**
Total from financial assets	**286**	**277**
Other assets		
Investment properties		
Gains/losses	1	0
Total from other assets	**1**	**1**
Expense on other than financial liabilities	-6	-7
Effect of discounting annuities	-31	-33
Fee and commission expenses		
Asset management	-21	-23
If insurance, total	**229**	**216**

Included in gains/losses from financial assets available-for-sale is a net gain of EURm -23 (-90) transferred from the fair value reserve.

Topdanmark

EURm	2018	2017
Financial assets		
Derivative financial instruments		
Gains/losses	-32	18
Financial assets for trading		
Debt securities		
Interest income	89	20
Gains/losses	-54	-5
Equity securities		
Gains/losses	-46	8
Dividend income	26	4
Total	**15**	**28**
Investments related to unit-linked contracts		
Debt securities		
Interest income	71	15
Gains/losses	-51	-5
Equity securities		
Gains/losses	-166	38
Dividend income	43	5
Derivatives		
Interest income	-35	-6
Gains/losses	-108	31
Other financial assets		
Gains/losses	-26	12
Total	**-273**	**90**
Loans and receivables		
Interest income	2	0
Total from financial assets	**-287**	**136**

EURm	2018	2017
Net income from investment properties	18	3
Pension tax return	4	-20
Effect of discounting annuities, insurance liabilities	-12	-11
Other expenses related to investment activities	-2	0
Topdanmark, total	**-280**	**107**

Mandatum

EURm	2018	2017
Financial assets		
Derivative financial instruments		
Gains/losses	-125	170
Investments related to unit-linked contracts		
Debt securities		
Interest income	49	43
Gains/losses	-45	-22
Equity securities		
Gains/losses	-303	311
Dividend income	48	36
Loans and receivables		
Interest income	6	-11
Other financial assets		
Gains/losses	-15	47
Total	**-259**	**405**
Loans and receivables		
Interest income	1	2
Gains/losses	0	0
Exchange differences	1	-14
Total	**2**	**-13**

EURm	2018	2017
Financial assets available-for-sale		
Debt securities		
Interest income	80	97
Gains/losses	-3	6
Impairment losses	5	-11
Exchange differences	50	-199
Equity securities		
Gains/losses	152	216
Impairment losses	-57	-19
Dividend income	112	93
Total	**339**	**183**
Total financial assets	**-43**	**746**
Other assets		
Investment properties		
Gains/losses	0	29
Other	3	-10
Total other assets	**3**	**19**
Net fee income		
Asset management	-15	-16
Fee income	28	32
Total	**13**	**16**
Mandatum, total	**-26**	**782**

Included in gains/losses from financial assets available-for-sale is a net gain of EURm -117 (-147) transferred from the fair value reserve.

Holding

EURm	2018	2017
Financial assets		
Derivative financial instruments		
Gains/losses	-27	0
Loans and receivables	-24	1
Financial assets available-for-sale		
Debt securities		
Interest income	28	33
Gains/losses	0	4
Exchange differences	12	-36
Equity securities		
Gains/losses	10	4
Dividend income	3	4
Total	**53**	**8**
Other assets	0	1
Holding, total	**2**	**10**

Included in gains/losses from financial assets available for-sale is a net gain of EURm -10 (-7) transferred from the fair value reserve.

EURm	2018	2017
Elimination items between segments	-28	-10
Group net investment income, total	**-104**	**1 104**

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

3 Claims incurred

EURm	2018	2017
Claims paid		
P&C insurance	-3,567	-3,036
Life insurance		
Insurance contracts	-1,315	-845
Investment contracts	-373	-311
Claims paid, gross	**-5,254**	**-4,193**
Reinsurers' share		
P&C insurance	107	100
Life insurance, insurance contracts	1	5
Reinsurers's share, total	**108**	**105**
Claims paid total, net	**-5,146**	**-4,088**
Change in claims provision		
P&C insurance	104	75
Life insurance, insurance contracts	36	0
Change in claims provision, gross	**140**	**76**
Reinsurers' share		
P&C insurance	-9	-8
Life insurance, insurance contracts	1	-3
Reinsurers's share, total	**-9**	**-11**
Change in claims provision, net	**131**	**65**
Group claims incurred, total	**-5,015**	**-4,023**

4 Change in liabilities for insurance and investment contracts

EURm	2018	2017
Change in unearned premium provision		
P&C insurance	-37	32
Life insurance		
Insurance contracts	136	-356
Investment contracts	-186	-263
Total change in liabilities, gross	**-86**	**-587**
Reinsurers' share		
P&C insurance	2	-17
Group change in liabilities for insurance and investment contracts total, net	**-85**	**-603**

5 Staff costs

EURm	2018	2017
Wages and salaries	-625	-474
Cash-settled share-based payments	-1	-28
Share-settled share-based payments	-9	-2
Pension costs		
- defined contribution plans	-88	-67
- defined benefit plans (Note 30)	-8	-9
Other social security costs	-123	-97
Group staff costs, total	**-855**	**-676**

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

6 Other operating expenses

EURm	2018	2017
IT costs	-153	-124
Other staff costs	-30	-20
Marketing expenses	-57	-46
Depreciation and amortisation	-55	-25
Rental expenses	-68	-56
Change in deferred acquisition costs	-3	-6
Direct insurance comissions	-161	-167
Comissions of reinsurance assumed	0	-1
Commissions on reinsurance ceded	28	18
Other	-128	-109
Group other operating expenses, total	**-627**	**-536**

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

7 Result analysis of If

EURm	2018	2017
Insurance premiums earned	4,290	4,293
Claims incurred	-2,954	-2,959
Operating expenses	-702	-705
Other insurance technical income and expense	-4	-8
Allocated investment return transferred from the non-technical account	13	19
Technical result	**643**	**640**
Net investment income account	245	229
Allocated investment return transferred to the technical account	-44	-52
Other income and expense	3	0
Operating result	**848**	**818**

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

EURm	2018	2017
Claims-adjustment expenses (claims paid)	-237	-241
Acquisition expenses (operating expenses)	-483	-490
Joint administrative expenses for insurance business (operating expenses)	-230	-227
Administrative expenses pertaining to other technical operations (operating expenses)	-34	-35
Asset management costs (investment expenses)	-21	-23
Total	**-1,005**	**-1,016**

8 Earnings per share

EURm	2018	2017
Earnings per share		
Profit or loss attributable to the equity holders of the parent company	1,687	2,216
Weighted average number of shares outstanding during the period	555	560
Earnings per share (EUR per share)	3.04	3.96

9 Financial assets and liabilities

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

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

	2017				
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	85	-40	185	-	-
Financial assets for trading	5,421	29	3	-	4
Loans and receivables	3,275	11	-13	-	-
Financial assets available-for-sale	16,982	281	160	-106	142
Group financial assets, total	**25,764**	**281**	**335**	**-106**	**146**
FINANCIAL LIABILITIES					
Financial liabilities at fair value through p/l					
Derivative financial instruments	96	-	-		
Other financial liabilities	3,553	-52	4		
Group financial liabilities, total	**3,649**	**-52**	**4**		

10 Property, plant and equipment

EURm	2018 Land and buildings	2018 Equipment	2018 Total	2017 Land and buildings	2017 Equipment	2017 Total
At 1 January						
Cost	119	122	241	6	77	83
Accumulated depreciation	-2	-81	-83	-2	-54	-56
Net carrying amount at 1 January	**118**	**40**	**158**	**4**	**22**	**27**
At 31 December						
Cost	121	121	242	5	71	76
Business acquisitions	-	-	0	115	50	165
Accumulated depreciation	-4	-77	-80	-2	-81	-83
Net carrying amount at 31 December	**117**	**44**	**162**	**118**	**40**	**158**

Equipment in different segments comprise IT equipment and furniture.

11 Investment property

EURm	2018	2017
At 1 January		
Cost	753	301
Accumulated depreciation	-71	-67
Accumulated impairment losses	-29	-24
Net carrying amount at 1 January	**653**	**211**
Net carrying amount at 1 January	**653**	**211**
Business acquisitions	-	491
Transfers to property, plant and equipment	-9	-2
Additions	64	29
Disposals	-35	-67
Depreciation	-4	-4
Impairment losses	-3	-6
Exchange differences	-1	0
Net carrying amount at 31 December	**665**	**653**
At 31 December		
Cost	771	753
Accumulated depreciation	-75	-71
Accumulated impairment losses	-32	-29
Net carrying amount at 31 December	**665**	**653**
Rental income from investment property	46	27
Property rented out under operating lease		
Non-cancellable minimum rental		
- not later than one year	38	33
- later than one year and not later than five years	57	45
- later than five years	30	24
Total	**124**	**102**

EURm	2018	2017
Expenses arising from investment property		
- direct operating expenses arising from investment property generating rental income during the period	-28	-13
- direct operating expenses arising from investment property not generating rental income during the period	0	-4
Total	**-28**	**-17**
Fair value of investment property at 31 December	**745**	**688**

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

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

12 Intangible assets

2018 EURm	Goodwill *)	Customer relations and trademark	Other intangible assets	Total
At 1 January				
Cost	1,476	633	208	2,318
Accumulated amortisation	-	-	-122	-122
Net carrying amount at 1 January	**1,476**	**633**	**86**	**2,196**
At 31 December				
Cost	1,454	691	158	2,303
Accumulated amortisation	-	-88	-72	-160
Net carrying amount at 31 December	**1,454**	**603**	**86**	**2,143**

2017 EURm	Goodwill *)	Customer relations and trademark	Other intangible assets	Total
At 1 January				
Cost	679	-	67	746
Accumulated amortisation	-	-	-46	-46
Net carrying amount at 1 January	**679**	**-**	**22**	**700**
At 31 December				
Cost	694	-	149	843
Business acquisitions	783	633	59	1,475
Accumulated amortisation	-	-	-122	-122
Net carrying amount at 31 December	**1,476**	**633**	**86**	**2,196**
Mandatum's assets held for sale				-75
Group intangible assets, total				**2,121**

Goodwill is split between the segments as follows:	2018	2017
If	490	510
Topdanmark	811	813
Mandatum	153	78
	1,454	**1,401**

*) *The change in the cost is due both to Topdanmark's consolidation as a subsidiary and If P&C Insurance Ltd becoming a branch of its Swedish sister company. Exchange differences affect the cost of the intangible assets as well.*

At the business acquisition of Topdanmark, EURm 95 were allocated to trademark. The useful life of trademark is deemed indefinite and it will not be amortised.

Other intangible assets in all segments comprise mainly IT software.

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

Testing goodwill for impairment

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

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

The recoverable amounts for If and Mandatum have been determined by using a discounted cash flow model. The model is based on Sampo's management's best estimates of both historical evidence and economic conditions such as volumes, interest rates, margins, capital structure and income and cost development. The value in use model for Mandatum is greatly influenced by the long-term development of insurance liabilities, affecting e.g. the required solvency capital and thus the recoverable amount. That is why the forecast period is longer for Mandatum, 10 years. The derived cash flows were discounted at the pre-tax rates of the cost of equity which for If was 8.4% and for Mandatum Life 9.8%. The cost of equity is used as the cost of capital as neither company has principal outstanding.

Forecasts for If, approved by the management, cover years 2019 – 2021. The cash flows beyond that have been extrapolated using a 2% growth rate. A 2% growth rate for years beyond 2027 has been used for the for Mandatum Life as well, as it is believed to be close to the anticipated inflation in both cases.

In Mandatum Life, the recoverable amount exceeds its carrying amount by some EURm 660. With the calculation method used, e.g. an increase of about 3% point in the cost of equity combined with a long term 0% growth rate could lead to a situation where the recoverable amount of the entity would equal its carrying amount.

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

IAS 36 permits determing the recoverable amount by using the fair value less costs to sell. For Topdanmark, the valuation of goodwill has been tested on the balance sheet date by using that method. Topdanmark's share price at the acquisition date 30 September 2017 was 247.70 Danish crowns and 303.00 Danish crowns on 31 December 2018. The fair value of Topdanmark on the balance sheet date exceeds its carrying amount in the Group.

13 Investments in associates

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

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

*) *Published price quatation*

Associates that have been accounted for by the equity method at 31 December 2017

EURm Name	Domicile	Carrying amount	Fair value*)	Interest held %
Nordea Bank Abp	Sweden	7,578	8,680	21.25
Autovahinkokeskus Oy	Finland	3		35.54
CAP Group AB	Sweden	3		21.98
Svithun Assuranse AS	Norway	1		33.00
Contemi Holding AS	Norway	0		28.57
SOS International A/S	Denmark	8		25.20
Bornholms Brandforsikring A/S	Denmark	10		27.00
Komplementarselskabet Margretheholm ApS	Denmark	0		50.00
Komplementarselskabet Havneholmen ApS	Denmark	0		50.00
Margretheholm P/S	Denmark	23		50.00
Havneholmen P/S	Denmark	64		50.00
P/S Ejendomsholding Banemarksvej	Denmark	6		40.00
Komplementarselskabet Banemarksvej ApS	Denmark	0		40.00
Carlsberg Byen P/S	Denmark	69		22.51

*) *Published price quatation*

Changes in investments in associates

EURm	2018 Nordea	2018 Other associates	2018 Total	2017 Nordea	2017 Other associates	2017 Total
Carrying amount at 1 January	7,578	187	7,765	7,554	553	8,107
Share of loss/profit	625	19	644	616	5	622
Business acquisitions	-	-	-	-	169	169
Additions	-	279	279	-	-	-
Disposals	-585	-3	-588	-559	-540	-1,099
Changes in the equity of associates	-83	50	-33	-33	-	-33
Exchange differences	-	-3	-3	-	0	0
Carrying amount at 31 December	**7,535**	**530**	**8,065**	**7,578**	**187**	**7,765**

The carrying amount of investments in associates included goodwill EURm 986 (990), 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	2018	2017
Assets	551,408	581,612
Liabilities	518,507	548,296
Goodwill included in the assets	1,816	1,994
Revenue	9,005	9,469
Other comprehensive income items	-326	-520
Comprehensive income statement	2,755	2,528
Dividend income from the associate during the financial year	585	559

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

EURm	2018	2017
Net assets of Nordea	30,329	30,404
Sampo's share of 21.25%	6,445	6,461
Remaining allocataions		
Goodwill	978	978
Trademark and customer relations, net	111	139
Total carrying amount	**7,535**	**7,578**

At the end of the financial year 2018, Nordea's book value per share 8.76 euro exceeded its market value 7.27 euro. As a consequence, Sampo performed an impairment test in accordance with IAS 36 Impairment of Assets where the recoverable amount for Nordea was compared with its carrying amount in the Group.The recoverable amount was defined using a discounted cash flow model, where the cash flows were based on the public information on Nordea and Sampo's estimates of Nordea's future based on this information. Based on the test, the recoverable amount exceeded Nordea's carrying amount and no impairment losses were recognised.

Sampo's holding in Topdanmark

Topdanmark is the second largest insurance company in Denmark, and is primarily engaged in providing life and non-life insurance products. Sampo consolidated Topdanmark as an associated company until 30 September 2017 when it became a subsidiary of Sampo. The share of associates' profit for 2017 is thus for the time period of 1.1. - 30.9.2017. The last quarter of Topdanmark's profit has been conslidated line by line in the Group's financial statements.

Sampo's share of Topdanmark's profit/loss

EURm	2018	2017
Share of loss/profit of the associate	-	99
Amortisation of the customer rlations	-	-12
Change in deferred tax	-	3
Share of the loss/profit of an associate	**-**	**90**

14 Financial assets

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

The Group uses derivative instruments for trading and for hedging purposes. The derivatives used are foreign exchange, interest rate and equity derivatives. Fair value hedging has been applied during the financial year in Mandatum.

EURm	2018	2017
If		
Derivative financial instruments	9	25
Loans and receivables	98	83
Financial assets available-for-sale	10,646	11,109
If, total	**10,753**	**11,217**
Topdanmark		
Derivative financial instruments	12	16
Financial assets at fair value through p/l	5,429	5,692
Loans and receivables	587	458
Topdanmark, total	**6,028**	**6,166**
Mandatum		
Derivative financial instruments	7	31
Financial assets available-for-sale	4,895	5,144
Total	**4,902**	**5,176**
Assets held for sale	-	-198
Mandatum, total	**4,902**	**4,977**

EURm	2018	2017
Holding		
Derivative financial instruments	44	13
Financial assets available-for-sale	1,257	729
Investments in subsidiaries	3,767	3,767
Holding, total	**5,069**	**4,510**
Elimination items between segments	-4,058	-4,038
Group financial assets, total	**22,693**	**22,832**

Derivative financial instruments

	2018			2017		
		Fair value			Fair value	
EURm	**Contract/ notional amount**	**Assets**	**Liabilities**	**Contract/ notional amount**	**Assets**	**Liabilities**
Derivatives held for trading						
Interest rate derivatives						
OTC derivatives						
Intrerest rate swaps	2,750	48	100	2,836	6	77
Foreign exchange derivatives						
OTC derivatives						
Currency forwards	10,890	21	63	11,131	74	18
Currency options, bought and sold	414	3	2	188	2	1
Total foreign exchange derivatives	**11,304**	**24**	**65**	**11,319**	**76**	**18**
Equity derivatives						
OTC derivatives						
Equity futures	41	-	-	44	0	0
Total equity derivatives	**41**	**-**	**-**	**44**	**0**	**0**
Total derivatives held for trading	**14,096**	**72**	**166**	**14,199**	**82**	**96**
Derivatives held for hedging						
Fair value hedges						
Currency forwards	364	-	4	364	3	0
Total derivatives held for hedging	**364**	**-**	**4**	**364**	**3**	**0**
Group financial derivatives, total	**14,460**	**72**	**169**	**14,563**	**85**	**96**

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 12 (-63). Net result from hedged risks in fair value hedges of available for sale financial assets amounted to EURm -12 (63).

Other financial assets

EURm	2018	2017
Financial assets designated as at fair value through p/l		
Debt securities	4,432	4,628
Equity securities	726	793
Total financial assets designated as at fair value through p/l	**5,158**	**5,422**
Loans and receivables	685	542
Financial assets available-for-sale		
Debt securities	12,888	13,081
Equity securities	3,889	3,902
Total financial assets available-for-sale	**16,777**	**16,982**

Financial assets available-for-sale include impairment losses EURm 269 (288).

Group other financial assets, total	**22,620**	**22,945**
Mandatum's assets held for sale	-	-198
Group financial assets, total	**22,693**	**22,832**

15 Fair values

	2018		2017	
EURm	Fair value	Carrying ammount	Fair value	Carrying amount
Financial assets, group				
Financial assets	22,693	22,693	22,832	22,832
Investments related to unit-linked contracts	10,671	10,671	7,409	7,409
Other assets	39	39	12	12
Cash and cash equivalents	2,361	2,361	2,734	2,734
Total	**35,764**	**35,763**	**32,987**	**32,987**
Financial liablities, group				
Financial liabilities	4,793	4,711	3,829	3,747
Other liabilities	43	43	63	63
Total	**4,836**	**4,754**	**3,892**	**3,810**

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.

16 Change in fair values of financial assets

EURm	Fair value 31 Dec 2018	Fair value 31 Dec 2017	Change
Financial assets			
Financial assets measured at amortised cost			
Loans and receivables	272	199	73
Deposits	34	93	-60
Total	**306**	**292**	**14**
Financial assets at fair value through p/l			
Equity securities	2,281	2,623	-343
Debt securities	17,079	17,023	56
Funds	1,609	1,836	-227
Derivatives	28	71	-43
Loans guaranteed by mortgages and other loans	1	1	0
Deposits	587	456	131
Total	**21,585**	**22,011**	**-426**
Financial assets at fair value through p/l related to unit-linked insurance			
Equity securities	2,444	2,228	216
Debt securities	3,130	2,822	307
Funds	4,716	5,084	-368
Other	364	388	-24
Total	**10,654**	**10,522**	**132**
Group financial assets, total	**32,545**	**32,825**	**-280**

Financial assets measured at amortized cost

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

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

	BB+ - BB-	B+ - B-	Total
Loans and receivables	49	49	98

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

The associated company Nordea Bank Abp is applying IFRS 9. More information is available in the Financial Statement 2018 of Nordea Bank Abp.

The table has been prepared based on current preliminary analysis on business models. The final classification may change before the implementation on 1 January 2022, when the Group finanalises its more detailed analysis.

17 Determination and hierarchy of fair values

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

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

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

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

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

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In the comparison year 2017, the figures include also the financial assets classified as Assets held for sale.

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

EURm	Level 1	Level 2	Level 3	Total
Other financial assets				
Financial assets at amortised cost				
Loans and receivables	-	358	98	456
Group financial assets, total	**23,130**	**8,086**	**2,148**	**33,363**

EURm	Level 1	Level 2	Level 3	Total
FINANCIAL LIABILITIES AT 31 DECEMBER 2018				
Financial liabilities at fair value				
Derivative financial instruments				
Interest rate derivatives	-	100	-	100
Foreign exchange derivatives	-	69	-	69
Total	**-**	**169**	**-**	**169**
Financial liabilities designated as at fair value through p/l				
Deposits	-	-	11	11
Total financial liabilities at fair value	**-**	**169**	**11**	**180**
Other financial liabilities				
Subordinated debt securities				
Subordinated loans	147	321	-	468
Debt securities in issue				
Commercial papers	3,547	419	-	3,966
Bonds	-	124	-	124
Total	**3,547**	**543**	**-**	**4,090**
Total other liabilities	**3,695**	**864**	**-**	**4,558**
Group financial liabilities, total	**3,695**	**1,033**	**11**	**4,738**

EURm	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT 31 DECEMBER 2017				
Financial assets at fair value				
Derivative financial instruments				
Interest rate swaps	-	6	-	6
Foreign exchange derivatives	-	79	-	79
Equity derivatives	-	1	-	1
Total	**-**	**86**	**-**	**86**
Financial assets designated at fair value through profit or loss				
Equity securities	608	185	-	793
Debt securities	3,953	868	77	4,899
Total	**4,561**	**1,053**	**77**	**5,692**
Financial assets designated at fair value through profit or loss				
Deposits	-	457	-	457
Financial assets related to unit-linked insurance				
Equity securities	2,223	4	6	2,233
Debt securities	1,163	1,583	38	2,785
Funds	3,786	940	359	5,085
Derivative financial instruments	-	15	-	15
Other assets	-	-	19	19
Total	**7,173**	**2,542**	**422**	**10,137**
Financial assets available-for-sale				
Equity securities	1,939	-	42	1,981
Debt securities	9,922	2,854	34	12,810
Funds	1,183	62	675	1,921
Total	**13,045**	**2,916**	**751**	**16,712**
Total financial assests measured at fair value	**24,779**	**7,054**	**1,250**	**33,083**
Other assets				
Financial assets at amortised cost				
Loans and receivables	-	374	83	457
Group financial assets, total	**24,779**	**7,428**	**1,333**	**33,540**

EURm	Level 1	Level 2	Level 3	Total
FINANCIAL LIABILITIES AT 31 DECEMBER 2017				
Financial liabilities at fair value				
Derivative financial instruments				
Interest rate derivatives	-	77	-	77
Foreign exchange derivatives	-	19	-	19
Total financial liabilities measured at fair value	**-**	**96**	**-**	**96**
Other financial liabilities				
Subordinated debt securities				
Subordinated loans	170	207	-	377
Debt securities in issue				
Commercial papers	2,816	138	-	2,954
Bonds	-	293	-	293
Total	**2,816**	**431**	**-**	**3,247**
Total other liabilities	**2,986**	**638**	**-**	**3,624**
Group financial liabilities, total	**2,986**	**734**	**-**	**3,720**

Transfers between levels 1 and 2

EURm	2018 Transfers from level 2 to level 1	2018 Transfers from level 1 to level 2	2017 Transfers from level 2 to level 1	2017 Transfers from level 1 to level 2
Financial assets held for trading				
Debt securities	1	58	59	-
Financial assets related to unit-linked insurance				
Equity securities	17	64	49	48
Funds	-	44	18	-
	17	**108**	**67**	**48**
Financial assets available-for-sale				
Debt securities	461	477	811	649

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

Sensitivity analysis of fair values

The sensitivity of financial assets and liabilites to changes in exchange rates is assessed on business area level due to different base currencies. In If, 10 percentage point depreciation of all other currencies against SEK would result in an increase recognised in profit/loss of EURm 1 (13) and in a decrease recognised directly in equity of EURm -1 (-12). In Topdanmark, 10 percentage depreciation of all other currencies against DKK would result in an increase recognised in profit/loss of EURm 0 (-1), but would not have an impact on equity. In Mandatum, 10 percentage point depreciation of all other currencies against EUR would result in an increase recognised in profit/loss of EURm 29 (12) and in a decrease recognised directly in equity of EURm -67 (-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 -249 (-216).

The sensitivity analysis of the Group's fair values of financial assets and liabilities in differenct market risk scenarios is presented below. The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values on 31 December 2018.

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	327	-295	-107	-38
Effect recognised directly in equity	391	-361	-588	-201
Total effect	**718**	**-656**	**-694**	**-239**

18 Movements in level 3 financial instruments measured at fair value

EURm	1 Jan	Total gains/ losses in income statement	Total gains/losses recorded in other comprehensive income	Purchases	Sales	31 Dec	Gains/losses included in p/l for financial assets at 31 Dec 2018
FINANCIAL ASSETS AT 31 DECEMBER 2018							
Financial assets held for trading							
Debt securities	77	1	-	14	-40	51	1
Financial assets related to unit-linked insurance							
Equity securities	6	30	-	7	-35	7	-
Debt securities	38	0	-	4	-16	27	-
Mutual funds	359	21	-	355	-56	678	21
	403	**51**	**-**	**366**	**-107**	**713**	**21**
Financial assets available-for-sale							
Equity securities	43	1	4	519	-245	323	4
Debt securities	34	0	-1	95	-115	13	0
Mutual funds	674	5	-4	350	-116	909	1
	751	**6**	**-1**	**964**	**-476**	**1,245**	**4**
Total financial assests measured at fair value	**1,231**	**58**	**-1**	**1,344**	**-623**	**2,009**	**27**

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

EURm	1 Jan	Total gains/ losses in income statement	Total gains/losses recorded in other comprehensive income	Purchases	Sales	31 Dec	Gains/losses included in p/l for financial assets at 31 Dec 2017
FINANCIAL ASSETS AT 31 DECEMBER 2017							
Financial assets held for trading							
Debt securities	-	-4	-	89	-9	77	-4
Financial assets related to unit-linked insurance							
Equity securities	14	-8	-	7	-6	6	-8
Debt securities	27	0	-	21	-9	38	0
Mutual funds	154	10	-	242	-47	359	11
	194	**2**	**-**	**269**	**-62**	**403**	**3**
Financial assets available-for-sale							
Equity securities	48	10	-1	6	-21	43	-2
Debt securities	58	0	0	334	-358	34	0
Mutual funds	757	-49	11	180	-226	674	-36
	864	**-38**	**10**	**520**	**-604**	**751**	**-38**
Total financial assests measured at fair value	**1,058**	**-40**	**10**	**878**	**-675**	**1,231**	**-39**

*) *Purhcases of debt securities include additions from business acquisitions EURm 57 in assets held for trading and EURm 21 in financial assets related to unit-linked insurance.*

		2017	
EURm	**Realised gains/losses**	**Fair value gains and losses**	**Total**
Total gains or losses included in profir or loss for the financial year	-37	8	**-29**
Total gains or losses included in profit and loss for assets held at the end of the financial year	-46	8	**-39**

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

	2018		2017	
EURm	**Carrying amount**	**Effect of reasonably possible alternative assumptions (+ / -)**	**Carrying amount**	**Effect of reasonably possible alternative assumptions (+ / -)**
Financial assets				
Financial assets available-for-sale				
Equity securities	322	-64	42	-8
Debt securities	13	-1	34	-1
Mutual funds	909	-182	675	-135
Total	**1 245**	**-248**	**751**	**-145**

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 at 31 December 2018 would cause a descend of EURm -1 (-1) for the debt instruments, and EURm -246 (-143) valuation loss for other instruments in the Group's other comprehensive income. The reasonably possible effect, proportionate to the Group's equity, would thus be 2.0 per cent (1.1).

20 Investments related to unit-linked insurance contracts

EURm	2018	2017
Financial assets designated at fair value through p/l		
Debt securities	3,130	2,826
Equity securities	6,901	7,276
Loans and receivables	358	373
Financial derivative instruments	5	15
Other	277	19
Total	**10,671**	**10,509**
Mandatum's assets held for sale	-	-3,100
Group investments related to unit-linked contracts, total	**10,671**	**7,409**

21 Deferred tax assets and liabilities

Changes in deferred tax during the financial period 2018

EURm	1 Jan 2018	Recognised in comprehensive income statement	Recognised in equity	Exchange differences	31 Dec 2018
Deferred tax assets					
Tax losses carried forward	15	-	-	-	15
Employee benefits	20	-6	1	-1	15
Other deductible temporary differences	15	5	-3	0	17
Total	**50**	**-1**	**-1**	**-1**	**47**
Netting of deferred taxes					-23
Deferred tax assets in the balance sheet					**24**
Deferred tax liabilities					
Depreciation differences and untaxed reserves	189	0	0	-4	185
Changes in fair values	271	0	-142	-3	126
Other taxable temporary differences	209	-5	-4	0	200
Total	**670**	**-5**	**-146**	**-8**	**510**
Netting of deferred taxes					-23
Total deferred tax liabilities in the balance sheet					**487**

Changes in deferred tax during the financial period 2017

EURm	1 Jan 2017	Business acquisitions	Recognised in comprehensive income statement	Recognised in equity	Exchange differences	31 Dec 2017
Deferred tax assets						
Tax losses carried forward	15	0	0	0	0	15
Changes in fair values	28	0	-6	-1	-1	20
Other deductible temporary differences	13	2	-1	2	-1	15
Total	**56**	**2**	**-7**	**1**	**-2**	**50**
Netting of deferred taxes						-32
Deferred tax assets in the balance sheet						**18**
Deferred tax liabilities						
Depreciation differences and untaxed reserves	257	0	-58	0	-10	189
Changes in fair values	265	0	-3	11	-2	271
Other taxable temporary differences	33	197	-22	1	0	209
Total	**555**	**197**	**-83**	**12**	**-12**	**670**
Netting of deferred taxes						-32
Total deferred tax liabilities in the balance sheet						**638**

In Sampo plc, EURm 28 of deferred tax asset has not been recognised on unused tax losses. The first losses will expire in 2019.

In life insurance, EURm 3 of deferred tax asset has not been recognised on unused tax losses.

22 Taxes

EURm	2018	2017
Profit before tax	2,094	2,482
Tax calculated at parent company's tax rate	-419	-496
Different tax rates on overseas earnings	-19	-14
Income not subject to tax	4	3
Expenses not allowable for tax purposes	-5	-13
Consolidation procedures and eliminations	125	279
Tax losses for which no deferred tax asset has been recognised	-1	-2
Changes in tax rates	0	-
Tax from previous years	-2	0
Total	**-317**	**-243**

23 Components of other comprehensive income

EURm	2018	2017
Other comprehensive income:		
Items reclassifiable to profit or loss		
Exchange differences	-97	-96
Available-for-sale financial assets		
Gains/losses arising during the year	-609	324
Reclassification adjustments	-150	-244
The share of the segretated Suomi portfolio	20	-7
Share of associate's other comprehensive income	-61	-57
Taxes	159	-18
Total items reclassifiable to profit or loss, net of tax	**-739**	**-97**
Items not reclassifiable to profit or loss		
Actuarial gains and losses from defined pension plans	-6	5
Taxes	1	-1
Total items not reclassifiable to profit or loss, net of tax	**-5**	**4**

24 Tax effects relating to components of other comprehensive income

	2018			2017		
EURm	**Before-tax amount**	**Tax**	**Net-of-tax amount**	**Before-tax amount**	**Tax**	**Net-of-tax amount**
Items reclassifiable to profit or loss						
Exchange differences	-97	-	-97	-96	-	-96
Available-for-sale financial assets	-739	159	-580	73	-18	55
Share of associate's other comprehensive income	-61	-	-61	-57	-	-57
Total	**-898**	**159**	**-739**	**-79**	**-18**	**-97**

25 Other assets

EURm	**2018**	**2017**
Interests	131	116
Assets arising from direct insurance operations	1,357	1,259
Assets arising from reinsurance operations	59	50
Settlement receivables	39	12
Deferred acquisition costs [1)]	147	152
Assets related to Patient Insurance Pool	119	114
Other	411	236
Group other assets, total	**2,263**	**1,939**

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

Other assets include non-current assets EURm 114 (109).

[1)] Change in deferred acquisition costs in the period

EURm	**2018**	**2017**
At 1 January	**152**	**123**
Business acquisitions	-	41
Net change in the period	-3	-6
Exchange differences	-2	-6
At 31 December	**147**	**152**

26 Liabilities from insurance and investment contracts

P&C liabilities from insurance contracts

	2018			2017		
EURm	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Provision for unearned premiums						
Provision for claims outstanding	8,663	237	8,426	8,882	243	8,640
Incurred and reported losses	2,963	194	2,769	2,909	173	2,736
Incurred but not reported losses (IBNR)	2,813	43	2,770	3,093	70	3,023
Provisions for claims-adjustment costs	2,230	0	2,230	2,226	0	2,226
Provisions for annuities and sickness benefits	657	-	657	654	-	654
P&C insurance total	**11,084**	**291**	**10,793**	**11,281**	**294**	**10,987**

As Topdanmark and especially If are exposed to various exchange rates, comparing the balance sheet data from year to year can be misleading.

Change in P&C insurance liabilities

	2018			2017		
EURm	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Provision for unearned premiums						
At 1 January	**2,399**	**51**	**2,348**	**2,042**	**44**	**1,997**
Business acquisitions	-	-	0	463	24	-
Exchange differences	-15	2	-13	-75	-2	-77
Change in provision	38	1	39	-30	-15	-45
At 31 December	**2,422**	**55**	**2,367**	**2,399**	**51**	**2,348**

	2018			2017		
EURm	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Provision for claims outstanding						
At 1 January	**8,882**	**243**	**8,640**	**7,338**	**192**	**7,146**
Business acquisitions	-	-	-	1,809	70	-
Acquired/disposed insurance holdings	31	-	31	33	-	33
Exchange differences	-110	3	-101	-204	-11	-193
Change in provision	-141	-9	-132	-93	-8	-85
At 31 December	**8,663**	**237**	**8,426**	**8,882**	**243**	**8,640**

The tables below show the cost trend for the claims for different years. The upper part of the tables shows how an estimate of the total claims costs per claims year evolves annually. The lower section shows how large a share of this is presented in the balance sheet. More information on insurance liabilities in the risk management note 41.

If

Claims cost trend of P&C insurance

Claims costs before reinsurance

Estimated claims cost

EURm	<2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
At the close of the claims year	18,828	2,555	2,660	2,743	2,785	2,690	2,670	2,696	2,738	2,776	2,921	
One year later	18,761	2,508	2,698	2,850	2,773	2,715	2,663	2,714	2,771	2,814		
Two years later	18,670	2,482	2,646	2,846	2,788	2,717	2,670	2,702	2,770			
Three years later	18,513	2,445	2,644	2,834	2,778	2,722	2,682	2,677				
Four years later	18,374	2,427	2,639	2,808	2,749	2,728	2,687					
Five years later	18,351	2,406	2,637	2,794	2,716	2,716						
Six years later	18,333	2,404	2,622	2,772	2,697							
Seven years later	18,451	2,378	2,615	2,767								
Eight years later	18,382	2,367	2,599									
Nine years later	18,342	2,352										
Ten years later	18,208											
Current estimate of total claims costs	18,208	2,352	2,599	2,767	2,697	2,716	2,687	2,677	2,770	2,814	2,921	45,207
Total disbursed	15,484	2,183	2,401	2,552	2,485	2,442	2,357	2,348	2,346	2,249	1,715	38,562
Provision reported in the balance sheet	**2,724**	**170**	**197**	**214**	**212**	**273**	**331**	**330**	**424**	**564**	**1,206**	**6,645**
of which established vested annuities	1,588	63	76	75	76	86	88	66	50	25	8	2,202
Provision for claims-adjustment costs												240
Total provision reported in the BS of If												**6,885**

If

Claims cost trend of P&C insurance

Claims costs after reinsurance

Estimated claims cost

EURm	<2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
At the close of the claims year	17,645	2,447	2,533	2,595	2,600	2,643	2,633	2,652	2,681	2,717	2,867	
One year later	17,563	2,417	2,577	2,665	2,585	2,669	2,623	2,666	2,691	2,759		
Two years later	17,491	2,389	2,536	2,652	2,600	2,672	2,615	2,651	2,688			
Three years later	17,359	2,364	2,530	2,647	2,601	2,679	2,626	2,636				
Four years later	17,238	2,348	2,528	2,618	2,576	2,681	2,627					
Five years later	17,224	2,326	2,526	2,608	2,544	2,671						
Six years later	17,218	2,325	2,510	2,585	2,528							
Seven years later	17,324	2,302	2,502	2,573								
Eight years later	17,252	2,291	2,486									
Nine years later	17,218	2,276										
Ten years later	17,109											
Current estimate of total claims costs	17,109	2,276	2,486	2,573	2,528	2,671	2,627	2,636	2,688	2,759	2,867	43,219
Total disbursed	14,410	2,110	2,293	2,370	2,318	2,405	2,311	2,312	2,299	2,215	1,697	36,741
Provision reported in the balance sheet	**2,699**	**167**	**193**	**203**	**210**	**266**	**316**	**324**	**388**	**544**	**1,169**	**6,479**
of which established vested annuities	1,588	63	76	75	76	86	88	66	50	25	8	2,201
Provision for claims-adjustment costs												240
Total provision reported in the BS of If												**6,718**

Topdanmark

Claims cost trend of P&C insurance

Claims costs before reinsurance

Estimated claims cost

EURm	**<2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
At the close of the claims year	901	912	965	859	1,011	891	884	866	794	857	
One year later	874	915	984	862	1,039	899	895	863	809		
Two years later	882	931	975	864	1,041	896	883	853			
Three years later	882	927	974	857	1,037	890	882				
Four years later	872	919	965	846	1,024	867					
Five years later	873	912	959	844	1,014						
Six years later	870	907	953	834							
Seven years later	864	905	941								
Eight years later	866	902									
Nine years later	867										
Current estimate of total claims costs	867	902	941	834	1,014	867	882	853	809	857	8,826
Total disbursed	814	838	878	754	915	757	736	680	590	436	7,397
Discounting	0	0	0	0	0	0	0	-1	-1	-1	-4
Provision reported in the balance sheet	**53**	**64**	**63**	**80**	**99**	**110**	**146**	**173**	**219**	**421**	**1,426**
Discounting of previous years											316
Total provision reported in the BS of Topdanmark											**1,741**

Topdanmark

Claims cost trend of P&C insurance

Claims costs after reinsurance

Estimated claims cost

EURm	**<2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
At the close of the claims year	855	855	825	807	855	838	828	804	768	806	
One year later	829	861	839	817	865	844	840	807	781		
Two years later	842	879	833	819	867	842	829	796			
Three years later	843	878	831	812	864	836	827				
Four years later	834	872	824	802	851	813					
Five years later	835	864	817	800	841						
Six years later	834	859	812	790							
Seven years later	828	857	800								
Eight years later	829	854									
Nine years later	830										
Current estimate of total claims costs	830	854	800	790	841	813	827	796	781	806	8,138
Total disbursed	778	790	738	710	746	708	693	633	569	415	6,778
Discounting	0	0	0	0	0	0	0	0	-1	-1	-3
Provision reported in the balance sheet	**52**	**64**	**63**	**80**	**95**	**105**	**135**	**163**	**212**	**391**	**1,356**
Discounting of previous years											314
Total provision reported in the BS of Topdanmark											**1,671**

Life insurance liabilities from insurance and investment contracts

	2018			2017		
EURm	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Provision for unearned premiums						
Insurance contracts	5,043	2	5,040	5,467	0	5,467
Investment contracts	24	1	23	2,324	-	2,324
Provision for claims outstanding	2,263	-	2,263	26	-	26
Total	**7,330**	**3**	**7,326**	**7,817**	**0**	**7,817**
Mandatum's liabilities related to assets held for sale				-198		-198
Group liabilities from insurance and investment contracts, total	**7,330**	**3**	**7,326**	**7,618**	**0**	**7,618**

Change in liabilities from insurance contracts

EURm	**Gross Contracts with discretionary participation features**
At 1 January 2018	**7,791**
Business acquisitions	286
Premiums	-678
Claims paid	-48
Expense charge	200
Guaranteed interest	1
Bonuses	-9
Other	-237
Total at 31 December 2018	**7,306**

EURm	**Gross Contracts with discretionary participation features**
At 1 January 2017	**4,794**
Business acquisitions	3,258
Premiums	159
Claims paid	-515
Expense charge	-39
Guaranteed interest	153
Bonuses	1
Other	-19
Total at 31 December 2017	**7,791**
Mandatum's liabilities related to assets held for sale	–198
Life insurance liabilities from insurance contracts, total	**7,592**

Life insurance liabilities from investment contracts

EURm	2018	2017
Investment contracts with discretionary participation feature	24	26

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

Change in liabilities from life insurance investment contracts

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

EURm	Contracts with discretionary participation features
At 1 January 2017	**28**
Claims paid	-2
Other (includes i.e. conversions between different insurance classes)	1
Life insurance liabilities from investment contracts at 31 December 2017, total	**26**

The liabilities at 1 January and at 31 December include the future bonus reserves and the effect of the reserve for the decreased discount rate. The calculation is based on items before reinsurers' share. More details on the insurance liabilities are presented in the risk management note 41.

Investment contracts do not include a provision for claims outstanding.

Liability adequacy test does not give rise to supplementary claims.

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

Reconciliation to the consolidated insurance and investment contracts

EURm	2018	2017
P&C insurance	11,084	11,281
Life insurance	7,330	7,618
Group consolidated insurance and investment contracts, total	**18,414**	**18,900**

27 Liabilities from unit-linked insurance and investment contracts

EURm	2018	2017
Unit-linked insurance contracts	4,399	4,794
Unit-linked investment contracts	2,531	2,230
Life insurance liabilities	4,460	4,036
Total	**11,390**	**11,060**
	-	-3,100
Liabilities related to assets held for sale		

EURm		
Group liabilities from unit-linked insurance and investment contracts, total	**11,390**	**7,959**

28 Financial liabilities

The segment financial liabilities include derivatives, debt securities and other financial liabilities.

If

EURm			2018	2017
Derivative financial instruments (note 14)			4	11
Subordinated debt securities				
Subordinated loans	**Maturity**	**Interest**		
Preferred capital note, 2011 (nominal value EURm 110)	30 years	6.00%	110	110
Preferred capital note, 2016 (nominal value 1,500 MSEK)	30 years	3 month Stibor + 2.25%	146	152
Preferred capital note, 2016 (nominal value 500 MSEK)	30 years	2,42%	49	51
Preferred capital note, 2016 (nominal value 1,000 MSEK)	perpetual	3 month Stibor + 2.75%	97	-
Total subordinated debt securities			**400**	**312**
If, total financial liabilities			**405**	**322**

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

All the loans are listed on the Luxembourg Exchange.

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.

Topdanmark

EURm			2018	2017
Derivative financial instruments (note 14)			94	69
Subordinated debt securities				
Subordinated loans	**Maturity**	**Interest**		
Preferred capital note, 2017 (nominal value 400 MDKK)	bullet	3 month Cibor + 2.75%	53	53
Preferred capital note, 2015 (nominal value 500 MDKK)	12/2025	2.92% until 2020	67	67
Preferred capital note, 2015 (nominal value 850 MDKK)	06/2026	3 month Cibor +270 bp	114	114
Total subordinated debt securities			**234**	**234**
Other financial liabilities			**11**	**-**
Topdanmark, total financial liabilities			**339**	**303**

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

Mandatum

EURm	2018	2017
Derivative financial instruments (note 14)	33	6
Subordinated debt securities		
Subordinated loans	100	100
Mandatum, total financial liabilities	**133**	**106**

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	2018	2017
Derivative financial instruments (note 14)	37	10
Debt securities in issue		
Commercial papers	124	293
Bonds *)	3,943	2,884
Total	**4,067**	**3,177**
Holding, total financial liabilities	**4,104**	**3,187**

*) *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	-271	-269

EURm	2018	2017
Group, total financial liabilities	**4,711**	**3,649**

Change in liabilities from financing activities

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

EURm	1 Jan 2017	Cash flows	Exchange differences	Other	31 Dec 2017
Commercial papers	671	-378	-	0	293
Bonds	2,877	25	-16	-2	2,884
Total liabilities from financing activities	**3,548**	**-353**	**-16**	**-2**	**3,177**

29 Provisions

EURm	2018
At 1 January 2018	**33**
Exchange rate differences	-1
Additions	11
Amounts used during the period	-25
Unused amounts reversed during the period	0
At 31 December 2018	**18**
Current (less than 1 year)	8
Non-current (more than 1 year)	10
Total	**18**

EURm 9 (9) of the provision consist of assets reserved for the already implemented or planned development of efficient administrative and claims-adjustment processes and structural changes in distribution channels, resulting in organisational changes that affect all business areas. In addition, the item includes a provision of about EURm 9 (24) for law suits and other uncertain liabilities.

30 Employee benefits

Employee benefits

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

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

Employee benefit obligations of If

EURm	2018	2017
Present value of estimated pension obligation, including social costs	268	268
Fair value of plan assets	217	211
Net pension obligation recognised in the balance sheet	**51**	**57**

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

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

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

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

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

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

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

When applying IAS 19, the pension 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.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.

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

Specification of employee benefit obligations by country

	2018			2017		
	Norway	**Total**	**Sweden**	**Norway**	**Total**	**Yhteensä**
Recognised in income statement and other comprehensive income						
Current service cost	5	2	7	6	2	8
Past service cost	0	-	0	-	-	0
Interest expense on net pension liability	0	1	1	1	1	2
Total in income statement	**5**	**3**	**8**	**6**	**3**	**9**
Remeasurement of the net pension liability	9	-3	6	-9	4	-5
Total in comprehensive income statement	**14**	**0**	**14**	**-3**	**8**	**5**
Recognised in balance sheet						
Present value of estimated pension liability, including social costs	210	58	268	199	69	268
Fair value of plan assets	186	31	217	177	35	211
Net liability recognised in balance sheet	**24**	**28**	**51**	**22**	**35**	**57**
Distribution by asset class						
Debt instruments, level 1	44%	51%		39%	52%	
Debt instruments, level 2	0%	13%		0%	13%	
Equity instruments, level 1	23%	14%		27%	11%	
Equity instruments, level 3	9%	2%		10%	2%	
Property, level 3	11%	14%		11%	14%	
Other, level 1	0%	6%		0%	6%	
Other, level 2	6%	1%		7%	2%	
Other, level 3	7%	0%		5%	0%	

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

	Sweden 31 Dec 2018	Sweden 31 Dec 2017	Norway 31 Dec 2018	Norway 31 Dec 2017
Discount rate	2.50 %	2.75 %	2.75 %	2.50 %
Future salary increases	2.75 %	2.75 %	3.00 %	3.00 %
Price inflation	2.00 %	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	21 years	21 years	12 years	13 years
Expected contributions to the defined benefit plans during 2018 and 2017	9	9	2	3

	2018			2017		
Sensitivity analysis of effect of reasonably possible changes	**Sweden**	**Norway**	**Total**	**Sweden**	**Norway**	**Total**
Discount rate, +0,50%	-25	-4	**-29**	-24	-5	**-28**
Discount rate, -0,50%	29	4	**33**	27	5	**32**
Future salary increases, +0,25%	8	0	**8**	7	1	**8**
Future salary increases, -0,25%	-7	0	**-7**	-7	-1	**-7**
Expected longevity, +1 year	9	1	**10**	8	2	**10**

	2018			2017		
EURm	**Funded plans**	**Unfunded plans**	**Total**	**Funded plans**	**Unfunded plans**	**Total**
Analysis of the employee benefit obligation						
Present value of estimated pension liability, including social costs	240	28	**268**	239	29	**268**
Fair value of plan assets	217	-	**217**	211	-	**211**
Net pension liability recognised in the balance sheet	**23**	**28**	**51**	**28**	**29**	**57**

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

EURm	2018	2017
Pension liabilities:		
At the beginning of the year	268	294
Earned during the financial year	7	8
Costs pertaining to prior-year service	0	-
Interest cost	7	8
Actuarial gains (-)/losses (+) on financial assumptions	14	1
Actuarial gains (-)/losses (+), experience adjustments	-	-2
Exchange differences on foreign plans	0	-12
Benefits paid	-8	-28
Settlements	-20	-
Defined benefit plans at 31 December	**268**	**268**
Reconciliation of plan assets:		
At the beginning of the year	211	214
Interest income	6	6
Difference between actual return and calculated interest income	8	5
Contributions paid	15	16
Exchange differences on foreign plans	-7	-8
Benefits paid	-17	-22
Plan assets at 31 December	**217**	**211**

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 2018 is EURm 47.

31 Other liabilities

EURm	2018	2017
Liabilities arising out of direct insurance operations	251	264
Liabilities arising out of reinsurance operations	33	44
Liabilities related to Patient Insurance Pool	174	112
Tax liabilities	139	185
Premium taxes	62	50
Settlement liabilities	43	63
Interests	46	17
Prepayments and accrued income	235	266
Other	271	258
Group other liabilities, total	**1,254**	**1,258**

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

The non-current share of other liabilities is EURm 113 (97).

32 Contingent liabilities and commitments

EURm	2018	2017
Off-balance sheet items		
Guarantees	1,144	992
Investment commitments	10	3
IT acquisitions	5	2
Other irrevocable commitments	98	106
Total	**1,257**	**1,103**

Assets pledged as collateral for liabilities or contingent liabilities

	2018		2017	
EURm	**Assets pledged**	**Liabilities/ commitments**	**Assets pledged**	**Liabilities/ commitments**
Assets pledged as collateral				
Investments				
- Investment securities	209	152	218	129

EURm	2018	2017
Assets pledged as security for derivative contracts, carrying value		
Investment securities	13	15
Cash and cash equivalents	182	85

The pledged assets are included in the balance sheet item Other assets or Cash and cash equivalents.

EURm	2018	2017
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	92	105
later than five years	40	54
Total	**163**	**191**
Lease and sublease payments recognised as an expense in the period		
- minimum lease payments	-36	-37
- sublease payments	0	0
Total	**-35**	**-37**

The contracts have been made mainly for 3 to 10 years.

EURm	2018	2017
Other contingent liabilities		
Contract liabilities	53	82
Adjustments to VAT liabilities	14	11
Other liabilities	2	3

Other contingent liabilities belong to Topdanmark.

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

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

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

If P&C Insurance Company Ltd has outstanding commitments to private equity funds totalling EURm 11, which is the maximum amount that the company has committed to invest in the funds. Capital will be called to these funds over several years as the funds make investments. In addition, If P&C Insurance Ltd has outstanding commitments to borrowers totalling approximately EURm 9.

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

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

Topdanmark EDB II ApS has entered into a contract with Keylane A/S on procurement and implementation of a new administration system for Topdanmark Life insurance. In connection with the implementation, Topdanmark Livsforsikring A/S has undertaken to give support in fulfilling Topdanmark EDB II ApS' obligations in accordance with the contract with Keylane A/S.

33 Equity and reserves

Equity (1,000 shares)

EURm	2018	2017
1 January	555,352	560,000
Cancellation of shares on the joint-book entry	-	-4,648
31 December	**555,352**	**555,352**

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

Reserves and retained earnings

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

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

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

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

34 Related party disclosures

Key management personnel

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

Key management compensation

EURm	2018	2017
Short-term employee benefits	9	9
Post employment benefits	2	3
Other long-term benefits	9	7
Total	**20**	**19**

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

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

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

Related party transactions of the key management

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

Associates

Outstanding balances with related parties/Associate Nordea

EURm	2018	2017
Assets	2,461	1,948
Liabilities	48	72

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

35 Incentive schemes

Long-term incentive schemes 2014 I – 2017 II

The Board of Directors of Sampo plc has decided on the long-term incentive schemes 2014 I – 2017 II for the management and key employees of Sampo Group. The Board has authorised the CEO to decide who will be included in the scheme, as well as the number of calculated incentive units granted for each individual used in determining the amount of the incentive reward. In the schemes, the number of calculated incentive units granted for the members of the Group Executive Committee is decided by the Board of Directors. Some 130 persons were included in the schemes at the end of year 2018.

The amount of the performance-related bonus is based on the value performance of Sampo's A share and on the insurance margin (IM) and on Sampo's return on the risk adjusted capital (RoCaR). The value of one calculated incentive unit is the trade-weighted average price of Sampo's A-share at the time period specified in the terms of the scheme, and reduced by the starting price adjusted with the dividends per share distributed up to the payment date. The pre-dividend starting prices vary between eur 38.26–44.10. The maximum value of one incentive unit varies between eur 57.26–63.10, reduced by the dividend-adjusted starting price. In all the schemes, the incentive reward depends on two benchmarks. If the IM is 6 per cent or more, the IM-based reward is paid in full. If the IM is between 4–5.99 per cent, half of the incentive reward is paid. No IM-related reward will be paid out, if the IM stays below these. In addition, the return on the risk adjusted capital is taken into account. If the return is at least risk free return + 4 per cent, the RORAC-based incentive reward is paid out in full. If the return is risk free return + 2 per cent, but less than risk free return + 4 percent, the payout is 50 per cent. If the return stays below these benchmarks, no RORAC-based reward will be paid out.

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

		2014 I	2014 I/2	2017 I	2017 I/2
Terms approved *)		17/09/2014	17/09/2014	14/09/2017	14/09/2017
Granted (1,000) 31 Dec 2015		4,380	62	-	-
Granted (1,000) 31 Dec 2016		4,211	62	-	-
Granted (1,000) 31 Dec 2017		2,874	62	4,092	-
Granted (1,000) 31 Dec 2018		1,411	43	3,978	85
End of performance period I 30%		Q2-2017	Q2-2018	Q2-2020	Q2-2021
End of performance period II 35%		Q2-2018	Q2-2019	Q2-2021	Q2-2022
End of performance period III 35%		Q2-2019	Q2-2020	Q2-2022	Q2-2023
Payment I 30%		9-2017	9-2018	9-2020	9-2021
Payment II 35%		9-2018	9-2019	9-2021	9-2022
Payment III 35%		9-2019	9-2020	9-2022	9-2023
Price of Sampo A at terms approval date *)		37.22	37.22	44.02	44.02
Starting price **)		38.26	43.38	43.81	44.10
Dividend-adjusted starting price at 31 December 2018		29.26	36.33	41.21	44.10
Sampo A closing price at 31 December 2018	38.41				
Total intrinsic value, EURm		11	0	2	0
Total debt	13				
Total cost for the financial period, EURm (incl. social costs)	5				

*) *Grant dates vary*

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

Long-term incentive scheme of Topdanmark

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

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

	Strike price	Executive board	Senior executives	Resigned	Total
Total number of options (1,000)					
At 1 January 2018		192	986	266	1,444
Granted	40	49	238	24	311
Transferred		-33	-163	195	0
Exercised		-69	-274	-82	-425
Forfeited		-	-	-37	-37
At 31 December 2018		**139**	**788**	**365**	**1,293**
Average strike price at 31 December 2018		29	28	27	28
At 1 January 2017		**339**	**1,179**	**265**	**1,701**
Granted	26	96	352	-	407
Transferred		-112	-15	127	0
Exercised		-131	-530	-126	-326
At 31 December 2017		**192**	**986**	**266**	**1,783**
Average strike price at 31 December 2017		26	27	26	27
Per granting					
2014, exercise period January 2017–2019	21	0	13	21	35
2015, exercise period January 2018–2020	30	11	51	67	128
2016, exercise period January 2019–2021	29	32	242	120	394
2017, exercise period January 2020–2022	26	55	283	92	429
2018, exercise period January 2021–2023	40	41	199	66	307
At 31 December 2018		**139**	**788**	**366**	**1,293**

	Executive board	Senior executives	Resigned	Total
Average strike price exercised options 2018	29	29	27	29
Average strike price exercised options 2017	17	19	18	18
Average market price on date of exercise 2018				39
Average market price on date of exercise 2017				28
Fair value of granting 2018	0	1	0	1
Fair value of granting 2017	0	1	-	1
Fair value at 31 December 2018	2	10	5	17
Fair value at 31 December 2017	2	9	3	14

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a share price of EUR 36 (24). The interest rate corresponds to the zero coupon rate based on the swap curve on 31 December of the previous year. Future volatility is assumed to be 22% and the average life of the options approximately 4 years.

At 31 December 2018, there were 163,000 options (225,000) which could be exercised.

36 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 portfolio was then classified according to IFRS 5.

Mandatum Life and Danske Bank agreed on 24 April 2018 to continue their co-operation and that the transfer of the insurance portfolio agreed earlier will not take place. Commission structures in the new co-operation agreement differ from the ones used earlier and Mandatum Life will pay higher commissions for both the new sales and the existing portfolio. The agreed transaction was subject to confirmation of the tax treatment. Despite the negative pre-ruling on the tax treatment the parties have agreed to continue their co-operation as agreed and appeal against the pre-ruling. Danske Bank has paid EUR 197 million in June 2018 . If the tax treatment remains negative, Mandatum life's financial risk is EUR 13 million.

The classification of the insurance portfolio as assets held for sale and liabilities related to assets held for sale has ended as a result of the agreement.

Assets and liabilities of the portfolio at 31 December 2017

Assets	
Financial assets	198
Investments related to unit-linked insurance contracts	3,100
Goodwill	75
Total	**3,374**

Liabilities	
Liabilities for insurance and investment contracts	198
Liabilities for unit-linked insurance and investment contracts	3,100
Total	**3,299**

37 Auditors' fees

EURm	2018	2017
Auditing fees	-2	-3
Ernst & Young	-1	-2
Other	-2	0
Other fees	-1	0
Ernst & Young	0	0
Other	0	0
Total	**-3**	**-3**

38 Legal proceedings

There are a number of legal proceedings against the Group companies outstanding on 31 December 2018, arising in the ordinary course of business. The companies estimate it unlikely that any significant loss will arise from these proceedings.

39 Investments in subsidiaries

Name	Group holding %	Carrying amount
If P&C Insurance Holding Ltd	100	1,886
If P&C Insurance Ltd	100	1,610
If P&C Insurance AS	100	43
Support Services AS	100	0
If Livförsäkring Ab	100	7
If Services AB	100	0
Topdanmark A/S	48.59	1,398
Topdanmark Kapitalforvaltning A/S	100	13
Topdanmark Forsikring A/S	100	808
Topdanmark Liv Holding A/S	100	295
Topdanmark Livsforsikring A/S	100	481
Topdanmark Ejendom A/S	100	364
Mandatum Life Insurance Company Ltd	100	484
Mandatum Life Services Ltd	100	4
Mandatum Life Investment Services Ltd	100	2
Saka Hallikiinteistöt GP Oy	100	0
Mandatum Life Vuokratontit I GP Oy	100	0
Mandatum Life Fund Management S.A.	100	5
If IT Services A/S	100	0
Sampo Capital Oy	100	1

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

40 Events after the balance sheet date

In the meeting of 7 Feb. 2019, the Board of Directors decided to propose at the Annual General Meeting on 9 April 2019 a dividend distribution of EUR 2.85 per share, or total EUR 1.582.752.772,50, for 2018. The dividends to be paid will be accounted for in the equity in 2019 as a deduction of retained earnings.

41 Risk Management Disclosure

Sampo Group's Risks and Core Risk Management Activities

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

Group's Risks

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

External Drivers and Business Risks

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

External drivers behind such changes are varied, including for instance general economic development, changes in commonly shared values, developments in the institutional and physical environment and technological innovations. Currently the themes of sustainable business practices in general and especially the issues related to environment, society and governance, are changing the preferences and values of different stakeholders and, as a result, the competitive environment is also changing in different ways. In case the company's internal understanding of needed changes or willingness and ability to act accordingly is inadequate and competitors are more able to meet clients' and regulation's altered expectations, the company is highly exposed to business risk.

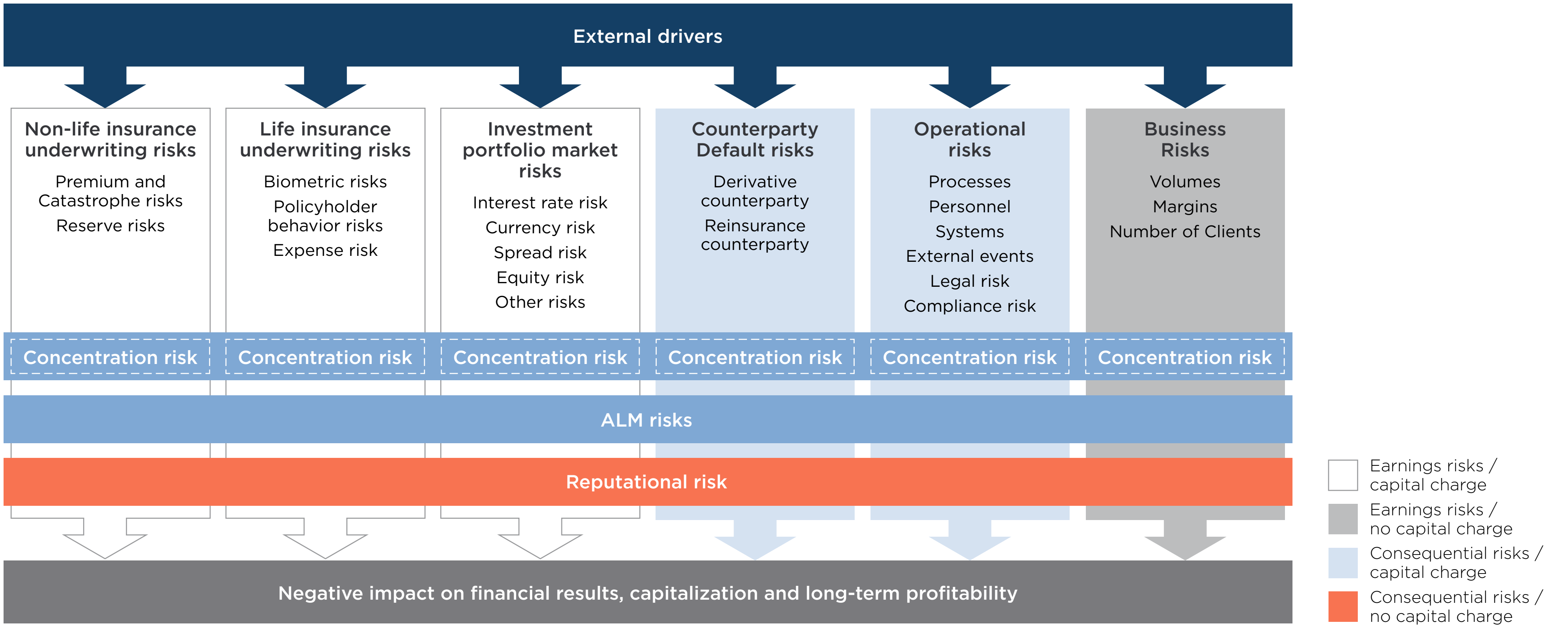
Due to the predominantly external nature of the drivers and development in the competitive environment, managing business risks is the responsibility of the executive level senior management. Proactive strategic decision making is the central tool in managing business risks, which relate to the competitive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

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

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. These are reflected in how Sampo deals with environmental issues and its core stakeholders (i.e. customers, personnel, investors, other co-operation partners, tax authorities and supervisory authorities) and how Sampo Group has organized its Corporate Governance system.

Classification of Risks in Sampo Group



Risks Inherent in Business Operations

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

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

Some risks, such as counterparty default risks and operational risks presented in the 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.

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

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

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

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

Core Risk Management Activities

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

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

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

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

Effective management of underwriting exposures
- Diversification is actively sought.
- Reinsurance is used effectively to reduce largest exposures.

Careful selection and execution of investment transactions
- Risk return ratios and sustainability issues of separate investments opportunities are carefully analysed.
- Transactions are executed effectively.

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

Effective management of investment portfolios and the balance sheet

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

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

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

If Group

Underwriting Risks

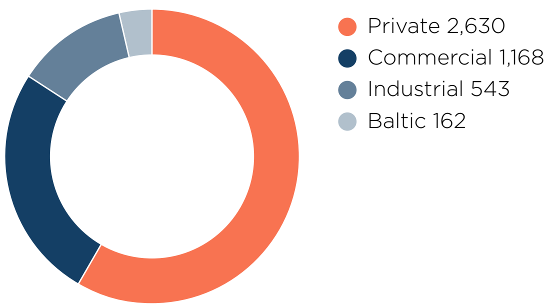
As shown in the following graph Breakdown of Gross Written Premiums by Business Area, Country and Line of Business, If, 31 December 2018, the If insurance portfolio is well diversified across Business Areas, Countries and Lines of Business. The six Lines of Business are segmented in accordance with insurance class segmentation used in IFRS.

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

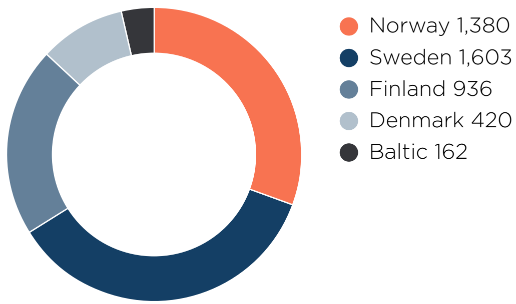
Breakdown of Gross Written Premiums by Business Area

If, 31 December 2018, total EUR 4,502 million

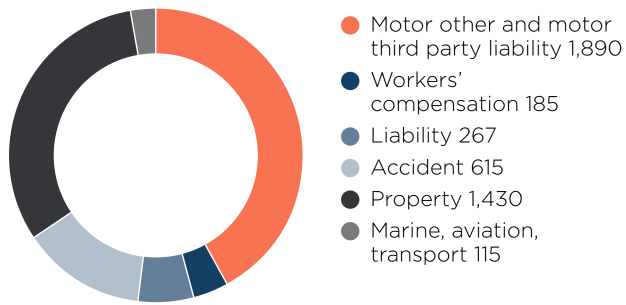
by Business Area



by Country



by Line of Business



Premium and Catastrophe Risk and Their Management and Control

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

The sensitivity of the underwriting result and hence underwriting risk is presented by changes in certain key figures in the table Sensitivity Test of Underwriting Result, If, 31 December 2018 and 31 December 2017.

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. This document shall be reviewed and decided at least yearly by the Boards of Directors.

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.

Sensitivity Test of Underwriting Result

If, 31 December 2018 and 31 December 2017

			Effect on pretax profit, EURm	
Key figure	Current level (2018)	Change in current level	2018	2017
Combined ratio, business area Private	83.7%	+/- 1 percentage point	26	+/- 26
Combined ratio, business area Commercial	86.9%	+/- 1 percentage point	12	+/- 12
Combined ratio, business area Industrial	92.3%	+/- 1 percentage point	4	+/- 4
Combined ratio, business area Baltics	88.8%	+/- 1 percentage point	1	+/- 1
Net premiums earned (EURm)	4,290	+/- 1 per cent	43	+/- 43
Net claims incurred (EURm)	2,954	+/- 1 per cent	30	+/- 30
Ceded written premiums (EURm)	176	+/- 10 per cent	18	+/- 17

The Reinsurance Policy of If 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'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 since 2003. In 2018, retention levels were between SEK 100 million (approximately EUR 9.8 million) and SEK 250 million (approximately EUR 24.4 million) per risk and SEK 250 million (approximately EUR 24.4 million) per event.

Reserve Risk and Its Management and Control

The main reserve risks for If are stemming from uncertainty in the claim amounts caused by higher than expected claim inflation, life expectancy increase, retirement age or annuity indexing system, with the consequences that both annuities and lump sum payments would increase.

In the table Technical Provisions by Line of Business and Major Geographical Area, If, 31 December 2018, the technical provisions and durations of If 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 2018 across the product portfolios was 6.6 years.

Technical Provisions by Line of Business and Major Geographical Area

If, 31 December 2018

	Sweden		Norway		Finland		Denmark		Baltics		Total	
	EURm	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**
Motor other and MTPL	2,327	7.8	526	1.8	1,026	13.0	164	1.7	106	3.7	4,149	8.0
Workers' compensation	0	0.0	204	3.2	1,175	12.2	253	7.9	0	0.0	1,632	10.5
Liability	262	2.8	111	1.7	110	3.4	76	4.7	21	2.5	581	3.0
Accident	338	6.6	385	5.3	161	3.9	99	1.6	7	0.6	990	5.1
Property	427	1.2	466	1.0	237	1.0	106	0.9	32	0.9	1,269	1.0
Marine, aviation, transport	22	0.7	40	0.9	12	1.3	28	0.7	2	0.8	105	0.8
Total	**3,376**	**6.4**	**1,733**	**2.5**	**2,722**	**10.6**	**726**	**3.6**	**169**	**2.8**	**8,726**	**6.6**

Reserves are exposed mainly to inflation and discount rates and to some extent to life expectancy. The sensitivity of If's technical provisions to an increase in inflation, an increase in life expectancy and a decrease in the discount rate is presented in the table Sensitivities of Technical Provisions, If, 31 December 2018.

The technical provisions are further analyzed by claims years. The output from this analysis is illustrated both before and after reinsurance in the claims cost trend tables. These are disclosed in the **Note 26** to the Financial Statements.

The anticipated inflation trend is considered when calculating all provisions and is of the utmost importance for claims settled over a long period of time, such as Motor other 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'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 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 66 per cent.

The Board of Directors of If decides on the guidelines governing the calculation of technical provisions. The

Sensitivities of Technical Provisions

If, 31 December 2018

Technical provision item	Risk factor	Change in risk parameter	Country	Effect EURm 2018
Nominal provisions	Inflation increase	Increase by 1%-point	Sweden	185.0
			Denmark	15.4
			Norway	49.8
			Finland	33.8
Annuities and estimated share of claims provisions to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	24.2
			Denmark	1.6
			Finland	66.1
Discounted provisions (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1%-point	Sweden	66.4
			Denmark	15.2
			Finland	293.1

Chief Actuary is responsible for developing and presenting guidelines on how the technical provisions are to be calculated and for assessing whether the level of total provisions is sufficient. On If level, the Chief Actuary issues a quarterly report on the adequacy of technical provisions.

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

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

The actuarial estimates are based on historical claims and existing exposures that are available at the balance sheet date. Factors that are monitored include loss development trends, the level of unpaid claims, changes in legislation, case-law and economic conditions. When setting 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.

Market Risks

Fixed income investments and listed equity instruments form a major part of the investment portfolio of EUR 11,092 million (11,685). A large part of the fixed income investments was at 31 December 2018 concentrated to financial institutions. The role of real estate, private equity, biometric and other alternative investments is immaterial.

The composition of the investment portfolios by asset classes in If at year end 2018 and at year end 2017 and average maturities of fixed income investments are shown in the table Investment Allocation, If, 31 December 2018 and 31 December 2017.

Investment Allocation

If, 31 December 2018 and 31 December 2017

	31 Dec 2018			31 Dec 2017		
Asset Class	**Market value, EURm**	**Weight**	**Average maturity, years**	**Market value, EURm**	**Weight**	**Average maturity, years**
Fixed income total	**9,949**	**90%**	**2.7**	**10,200**	**87%**	**2.7**
Money market securities and cash	370	3%	0.0	575	5%	0.1
Government bonds	884	8%	3.1	1,040	9%	2.5
Credit bonds, funds and loans	8,696	78%	2.8	8,584	73%	2.9
Covered bonds	*2,683*	*24%*	*2.4*	*3,084*	*26%*	*2.6*
Investment grade bonds and loans	*3,770*	*34%*	*2.7*	*3,490*	*30%*	*2.9*
High-yield bonds and loans	*1,469*	*13%*	*3.4*	*1,344*	*12%*	*2.8*
Subordinated / Tier 2	*428*	*4%*	*4.0*	*343*	*3%*	*4.7*
Subordinated / Tier 1	*346*	*3%*	*2.5*	*323*	*3%*	*3.2*
Hedging swaps	*0*	*0%*	*-*	*0*	*0%*	*-*
Policy loans	0	0%	0.0	0	0%	0.0
Listed equity total	**1,113**	**10%**	**-**	**1,448**	**12%**	**-**
Finland	0	0%	-	0	0%	-
Scandinavia	769	7%	-	1,045	9%	-
Global	344	3%	-	403	3%	-
Alternative investments total	**31**	**0%**	**-**	**39**	**0%**	**-**
Real estate	12	0%	-	20	0%	-
Private equity	19	0%	-	19	0%	-
Biometric	0	0%	-	0	0%	-
Commodities	0	0%	-	0	0%	-
Other alternative	0	0%	-	0	0%	-
Trading derivatives	**-2**	**0%**	**-**	**-3**	**0%**	**-**
Asset classes total	**11,092**	**100%**	**-**	**11,685**	**100%**	**-**
FX Exposure, gross position	**229**	**-**	**-**	**207**	**-**	**-**

The investment management strategy of If is conservative, with a low equity share and low fixed-income duration.

Both investment performance and market risks are actively monitored and controlled by the Investment Control Committee monthly and reported to the Own Risk and Solvency Assessment Committee ("ORSA Committee") quarterly. In addition, the allocation limits, issuer and counterparty limits, the sensitivity limits for interest rates and credit spreads as well as regulatory capital requirements are regularly monitored.

Market Risks of Fixed Income and Equity Instruments

Spread Risk and Equity Risk

Spread risk and equity risk are derived only from the asset side of the balance sheet. Exposures in fixed income and equity instruments are presented by sector, asset class and rating in the following table that also include counterparty risk exposures relating to derivative transactions. Counterparty default risks are described in more detail in section **Counterparty Default Risks**. Due to differences in the reporting treatment of derivatives, the figures in the table are not fully comparable with other tables in the Financial Statements.

Exposures by Sector, Asset Class and Rating

If, 31 December 2018

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change from 31 Dec 2017
Basic industry	0	0	32	62	0	0	31	125	35	0	0	160	-23
Capital goods	0	0	32	66	0	0	75	174	379	0	0	553	-141
Consumer products	0	56	145	330	21	0	90	643	207	0	0	850	-167
Energy	0	50	0	0	63	0	172	286	25	0	0	311	27
Financial institutions	0	970	1,285	537	55	0	32	2,878	0	0	1	2,880	136
Governments	133	0	0	0	0	0	0	133	0	0	0	133	41
Government guaranteed	10	26	0	0	0	0	0	36	0	0	0	36	-84
Health care	7	11	26	57	0	0	8	108	58	0	0	166	0
Insurance	0	0	47	75	26	0	41	190	0	0	0	190	38
Media	0	0	0	0	0	0	21	21	0	0	0	21	0
Packaging	0	0	0	0	0	0	5	5	0	0	0	5	0
Public sector, other	593	122	0	0	0	0	0	715	0	0	0	715	-114
Real estate	0	5	78	161	44	0	494	782	0	12	0	794	100
Services	0	0	2	72	55	0	52	180	0	0	0	180	4
Technology and electronics	9	0	3	0	9	0	79	99	0	0	0	99	16
Telecommunications	0	0	0	167	48	0	6	220	63	0	0	283	54
Transportation	0	58	28	32	0	0	152	270	1	0	0	271	-35
Utilities	0	0	36	220	69	0	43	368	0	0	0	368	4
Others	0	26	0	0	0	0	15	41	0	0	0	42	2
Asset-backed securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	2,629	54	0	0	0	0	0	2,683	0	0	0	2,683	-401
Funds	0	0	0	0	0	0	0	0	344	19	0	362	-60
Clearing house	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**3,380**	**1,379**	**1,713**	**1,779**	**388**	**0**	**1,317**	**9,956**	**1,113**	**31**	**1**	**11,102**	**-603**
Change from 31 Dec 2017	**-464**	**-146**	**-147**	**256**	**208**	**0**	**38**	**-255**	**-335**	**-8**	**-4**	**-603**	**0**

The figures include bank account balances related to insurance activities.

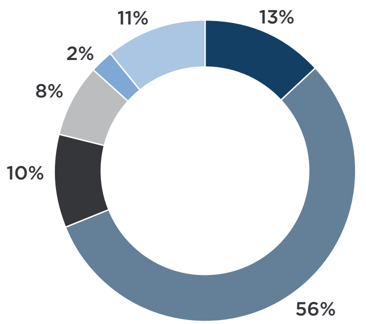
Most of the fixed income exposures are in investment grade issues and currently the role of Nordic covered bonds and Nordic banks as issuers is central. Within fixed income investments part of the money market securities, cash and investment grade government bonds form a liquidity buffer.

The changes of equity positions during the year can be seen in the figure Breakdown of Listed Equity Investments by Geographical Regions, If, 31 December 2018 and 31 December 2017.

Breakdown of Listed Equity Investments by Geographical Regions

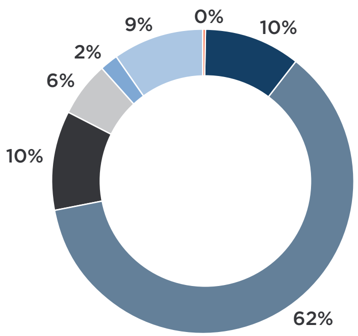
If

31 December 2018
Total EUR 1,113 million



- Denmark 0
- Norway 147
- Sweden 622
- Finland 0
- Western Europe 112
- Eastern Europe 0
- North America 86
- Latin America 26
- Far East 120

31 December 2017
Total EUR 1,448 million



- Denmark 5
- Norway 149
- Sweden 891
- Finland 0
- Western Europe 151
- Eastern Europe 0
- North America 87
- Latin America 28
- Far East 137

Market Risks of Balance Sheet

Asset and Liability Management (ALM) Risk

The ALM risk is considered through the risk appetite framework and its management and governance are based on If's Investment Policies. In general, to maintain the ALM risk within the overall risk appetite, the cash flows of insurance liabilities are matched by investing in fixed income instruments denominated in the same currencies as the liabilities. In case assets with healthy risk return ratios are not available in the same currency as the liability, derivatives are used. During the current low interest rate environment, the liquidity of assets has been a special focus of If's investment strategy.

Interest Rate Risk

In general, If is negatively affected when interest rates are decreasing or staying at low levels, because the duration of liabilities in If is longer than the duration of assets. If has over the years decreased its combined ratio to counteract falling interest rates. Interest rate sensitivity in terms of the average duration of fixed income investments was 1.4. The respective duration of insurance liabilities was 6.6. Interest rate risk is managed by changing the duration of assets and interest rate derivatives based on the market view and risk appetite.

In the financial accounts, most of the technical provisions are nominal, while a significant part, namely the annuity and annuity IBNR reserves, are discounted using interest rates in accordance with regulatory rules. Thereby If is, from a financial 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 are discounted with prevailing interest rates, If is exposed to changes both in inflation and nominal interest rates. For more information see the table **Sensitivities of Technical Provisions, If, 31 December 2018** in the section Reserve Risk and Its Management and Control.

Currency Risk

If writes insurance policies that are mostly denominated in the Scandinavian currencies and in euro. The FX transaction risk is reduced by matching technical provisions with investment assets in the corresponding currencies or by using currency derivatives. Hence, the so called structural FX risk is first mitigated as a rule after which If can open short or long FX positions (active FX risk) within its FX risk limits. The transaction risk positions against SEK are shown in the table Transaction Risk Position, If, 31 December 2018. The table shows the net transaction risk exposures and the changes in the value of positions given a 10 per cent decrease in the value of the base currency.

In addition to transaction risk, If is also exposed to translation risk which at group level stems from foreign operations with other base currencies than SEK.

Liquidity Risk

In If, liquidity risk is limited, since premiums are collected in advance and large claims payments are usually known a long time before they fall due. Liquidity risks are managed by cash management functions which are responsible for liquidity planning. Liquidity risk is reduced by having investments that are readily tradable in liquid markets. The available liquid financial assets, being that part of the assets, which can be converted into cash at a specific point in time, are analysed and reported to the ORSA Committee.

Transaction Risk Position

If, 31 December 2018

Base currency, SEKm	EUR	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
Insurance operations	-3,277	-135	0	-3	-14	-2,092	-5	-823	-17	-6,366
Investments	1,961	1,527	0	2	0	2,134	0	79	1	5,703
Derivatives	1,206	-1,396	0	0	24	46	9	746	11	646
Transaction risk, net position	**-110**	**-4**	**0**	**-1**	**11**	**88**	**4**	**1**	**-6**	**-17**
Sensitivity: SEK -10%	-11	0	0	0	1	9	0	0	-1	-2

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

The maturities of technical provisions and financial assets and liabilities are presented in the table Cash Flows According to Contractual Maturity, If, 31 December 2018. The average maturity of fixed income investments was 2.7 years in If. The table shows the financing requirements resulting from expected cash inflows and outflows arising from financial assets and liabilities as well as technical provisions.

If has a relatively low amount of financial liabilities and thus the group's respective refinancing risk is relatively small.

Counterparty Default Risks

In If, the major three sources of counterparty risk are reinsurance, financial derivatives and other receivables.

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

Reinsurance Counterparty Risk

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

Cash Flows According to Contractual Maturity

If, 31 December 2018

EURm	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	Cash flows 2019	2020	2021	2022	2023	2024-2033	2034-
Financial assets	**12,612**	**1,422**	**11,190**	**1,457**	**2,024**	**2,616**	**2,020**	**1,280**	**857**	**0**
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Financial liabilities	**1,119**	**8**	**1,111**	**-15**	**-15**	**-320**	**-3**	**-98**	**0**	**0**
of which interest rate swaps	2	0	2	-1	-1	-1	0	0	0	0
Net technical provisions	**8,726**	**0**	**8,726**	**-3,013**	**-1,061**	**-596**	**-411**	**-336**	**-1,947**	**-1,886**

In the table, financial assets and liabilities are divided into contracts that have an exact contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. In addition, the table shows expected cash flows for net technical provisions, which by their nature, are associated with a certain degree of uncertainty.

The distribution of reinsurance receivables and reinsurers' portion of outstanding claims on 31 December 2018 per rating category is presented in the table Reinsurance Recoverables and Pooled Solutions, If, 31 December 2018 and 31 December 2017.

Reinsurance Recoverables and Pooled Solutions

If, 31 December 2018 and 31 December 2017

	31 Dec 2018		31 Dec 2017	
Rating	**Total, EURm**	**% of total**	**Total, EURm**	**% of total**
AAA	0	0%	0	0%
AA+ - A-	82	37%	59	27%
BBB+ - BBB-	1	0%	1	1%
BB+ - C	0	0%	0	0%
D	0	0%	0	0%
Non-rated	0	0%	0	0%
Captives and statutory pool solutions	142	63%	160	73%
Total	**225**	**100%**	**220**	**100%**

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

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 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 the above table, most of the reinsurers have ratings between AA+ and A-. The ten largest individual reinsurance recoverables amounted to EUR 151 million, representing 67 per cent of the total reinsurance recoverables.

The cost of risk transfer related to the reinsurance recoverables and pooled solutions amounted to EUR 51.9 million. Of this amount, 100 per cent was related to reinsurance counterparties with a credit rating of A- or higher.

Counterparty Risk Related to Financial Derivatives

In If, the default risk of derivative counterparties is a by-product of managing market risks. The role of long term interest rate derivatives has been immaterial and counterparty risk stems mainly from short-term FX derivatives. The counterparty risk of bilaterally settled derivatives is mitigated by a careful selection of counterparties, by diversification of counterparties to prevent risk concentrations and by using collateral techniques, e.g. ISDA Master Agreements backed by Credit Support Annexes. If settles interest rate swaps in central clearing houses, which while further mitigating bilateral counterparty risk also exposes If to the systemic risk related to centralised clearing parties.

Topdanmark Group

Underwriting Risks

Non-Life Underwriting Risks

As shown in the figure Breakdown of Gross Written Premiums by Business Area, Country and Line of Business, Topdanmark Non-Life, 2018, Topdanmark's insurance portfolio is diversified across Business Areas and Lines of Business.

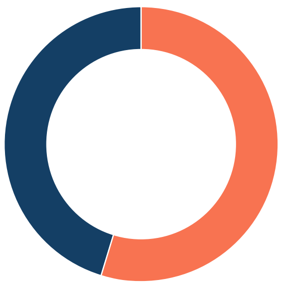
Premium and Catastrophe Risk and Their Management and Control

The main underwriting risk that influences the performance is the risk of catastrophe events. However, Topdanmark Forsikring has a very comprehensive reinsurance programme in place contributing to the low level of underwriting risk. The largest retention level of DKK 100 million plus reinstatement for each event is on storm events. The maximum retention on fire events is DKK 25 million and in Workers' compensation up to DKK 1 billion is covered with a retention of DKK 50 million.

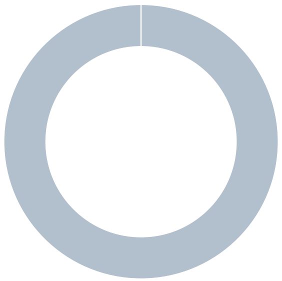
With certain restrictions, terror is covered by the reinsurance contracts. For NBCR (nuclear, biological, chemical, radiological) risks a national Danish pool has been established.

Breakdown of Gross Written Premiums
Topdanmark Non-Life, 31 December 2018, total EUR 1,235 million

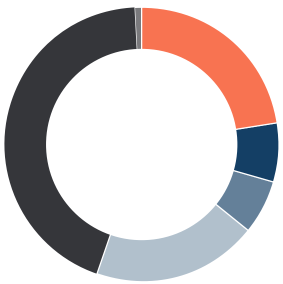
by Business Area



by Country



by Line of Business



Premium risk reduction measures taken at different levels of operations are as follows:

- Collection of data on risk and historical damage
- Use of collected and processed data in profitability reporting, risk analyses and in the internal model
- Ongoing follow-up on risk developments as well as quarterly forecasts for future risk development
- Pricing using a statistical model tool including customer scoring tools
- Reinsurance cover that reduces the risk especially for catastrophe events
- Ongoing follow-up on the risk picture and reinsurance coverage in the Risk Committee.

To maintain product and customer profitability, Topdanmark monitors changes in its customer portfolios. Provisions are recalculated, and the profitability reports are updated in the same context on a monthly basis. Based on this reporting, trends in claim levels are carefully assessed and price levels may be adjusted if considered necessary.

In the private market segment, customer scoring is used, and customers are divided into groups according to their expected profitability levels. The customer scoring has two roles. First it helps to maintain the balance between the individual customer's price and risk. Secondly it facilitates the fairness between individual customers by ensuring that no customers are paying too large premiums to cover losses from customers who pay too small premiums.

The historical profitability of major SME customers with individual insurance schemes is monitored using customer assessment systems.

In addition to the above described analysis, Topdanmark continuously improves its administration systems to achieve more detailed data. This in turn enables the company to identify the claims trends at an earlier point in time and compile information on the constituent parts of the various types of claims.

The non-life risk scenarios are presented in the table Non-Life Insurance Risk Scenarios, Topdanmark, 31 December 2018 and 31 December 2017.

Non-Life Insurance Risk Scenarios

Topdanmark, 31 December 2018 and 31 December 2017

EURm after tax	2018	2017
Underwriting risk		
Combined ratio - 1 percentage point increase	-9.5	-9.4
Provision risk		
Provisions on own account - 1% increase	-13.0	-13.1
Storm claims up to DKK 5,100m	-10.4	-10.5

Reserve Risk and Its Management and Control

The insurance lines of business are divided into short-tail i.e. those lines where the period from notification until settlement is short and long-tail i.e. those lines where the period from notification until settlement is long. The main short-tail lines in Topdanmark are buildings and other property and comprehensive motor insurance. For the short-tail lines the claims are mainly settled within the first year. Long-tail lines relate to personal injury and liability and consist of the lines Workers' compensation, Accident, Motor third party insurance and Commercial liability. Composition of non-life provisions for outstanding claims is presented in the following table.

Composition of Non-Life Provisions for Outstanding Claims

Topdanmark, 31 December 2018 and 31 December 2017

	2018		2017	
Provisions for outstanding claims	%	Duration	%	Duration
Short-tail	12.1	1.0	11.0	1.1
Annuity provisions in workers' compensation	24.3	10.6	23.0	10.4
Other claims provisions in workers' compensation	24.1	2.8	25.3	3.2
Accident	27.3	3.8	27.2	4.1
Motor personal liability	8.9	2.2	10.0	2.3
Commercial liability	3.3	1.8	3.5	1.6

Due to the longer period of claims settlement the long-tail lines of business are generally riskier than the short-tail lines. It is not unusual that claims in long-tail lines are settled three to five years after notification and in rare cases up to 10–15 years.

The reserve risk is calculated using Topdanmark's partial internal model for insurance risk. Workers' compensation claims provision has by far the biggest risk, followed by the other long-tail claims provisions.

During such a long period of settlement, the levels of compensation could be significantly affected by changes in legislation, case-law or practice in the compensation of damages adopted by the Danish Labour Market Insurance which decides on compensation for injury and loss of earnings potential in all cases of serious industrial injuries. The practice adopted by the Danish Labour Market Insurance also has some impact on the levels of compensation for accident and personal injury within motor, liability and commercial liability insurance. Supreme court decisions can also influence the provisions for former years especially for Workers' compensation.

The provisioning risk represents mostly the ordinary uncertainty of calculation and claims inflation, i.e. an increase in the level of compensation due to the annual increase in compensation per policy being higher than the general development in prices or due to a change in judicial practice or legislation. The sufficiency of the provisions is tested in key lines by calculating the provisions using alternative models as well, and then comparing the compensation with information from external sources, primarily statistical material from the Danish Labour Market Insurance and the Danish Road Sector/Road Directorate.

The actuarial team has a continuous dialogue with the claims departments on any changes in the practices regarding new legislation, case-law or compensation practices as well as on the impact of such changes on the routines used to calculate individual provisions.

Life Underwriting Risks

During the latest two years, premiums were split between products as follows.

Sources of Gross Premiums
Topdanmark Life Insurance, 31 December 2018 and 31 December 2017

EURm	2018	2017
With profit schemes	66.1	74.9
Unit-linked schemes	273.7	235.1
Group life	43.2	68.3
Regular premiums	**383.0**	**378.3**
With profit schemes	71.3	52.9
Unit-linked schemes	902.3	713.8
Single premiums	**973.6**	**766.8**
Gross premiums	**1,356.6**	**1,145.1**

The focus of sales is on unit-linked schemes and the premiums received are mostly of unit-linked schemes as shown in the table Sources of Gross Premiums, Topdanmark Life Insurance, 31 December 2018 and 31 December 2017. The regular premiums are growing steadily while the single premiums are fluctuating more from year to year.

The risk inherent in the life business is firstly related to the with profit technical provisions. When the majority of new contracts are written as unit-linked contracts, the risk will not increase as much as the volume of premiums and total provisions.

Group life insurance is a collective life insurance without savings – that is, a risk insurance – where the sum insured is paid only to the beneficiaries in case of the insured's death during the insurance period. It is irrelevant whether the death is due to accident or illness.

Risk return on shareholders' equity together with other main components of life business result are shown in the table Result of Life Insurance, Topdanmark 31 December 2018 and 31 December 2017.

The decline in profit is mainly due to a drop in the risk result on disability insurance and premiums waived. These results may fluctuate between years because of new claims for disability and recovery. In addition to this, the results for 2018 were impacted by weak financial markets.

Profit on life insurance consists of the following items:

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

Result of Life Insurance
Topdanmark, 31 December 2018 and 31 December 2017

EURm	2018	2017
Investment return on shareholders' equity	14.7	14.6
Sales and administration	-2.7	-3.4
Insurance risk	-0.3	2.3
Risk return on shareholders' equity	18.8	19.8
Profit on life insurance	**30.5**	**33.4**

The main risks of Topdanmark Livsforsikring can be summarized as follows:

- Limited loss-absorbing buffers (bonus potentials) combined with low interest rates environment
- Disability risk
- Longevity risk

Falling interest rates and, in particular, sustained low interest rates along with prolonged lives represent a significant risk scenario for insurers with guaranteed benefits as there will be a reduction of the collective and individual bonus potentials used for loss absorption by interest and risk group. When a risk event occurs, the effect on the profit will depend on the size of bonus potentials which are a loss absorbing capacity (LAC) within the insurance liabilities. When the loss absorbing capacity is higher than the losses, losses on the insurance liabilities are covered by the bonus potentials. For risk groups where the bonus potentials are fully used, the equity will hold the risk.

Life Insurance Underwriting Risk Control

The loss-absorbing buffers are a crucial part of the with profit concept in leveling of yields and claims over time. Therefore, Topdanmark Livsforsikring has continuous focus on the solvency position, the changes in the individual risks and the development of the loss-absorbing buffers. The latter is important because over time it can level out the market and insurance risks within the individual risk groups.

The Solvency Capital Requirement is calculated quarterly. When deemed necessary, due to market developments, the frequency of calculation is increased and, if necessary, the number and type of scenarios are increased.

Trends in product claim levels are assessed on top of the calculation of the insurance provisions. Profitability models are applied systematically as a follow-up on customer and portfolio levels. This assessment is used to identify price adjustment needs.

Loss Absorbing Buffers in the Event of Low Interest Rates

Customers' individual and collective bonus potential together creates the loss absorbing buffers in Danish life insurance against any losses incurred by customers on investment activities and insurance covers.

Low interest rates mean that the market value of the guarantees granted is high, and hence the related individual bonus potential is low. The lower the individual bonus potential, the higher the risk of any losses to be absorbed wholly or partially by shareholder's equity. In case interest rates are high, the same losses could, to a larger degree, be absorbed by the bonus potential.

Declines in the collective bonus potential are most frequent, due to the investment return being lower than the annual addition of interest to deposits.

In order to protect shareholders' equity, in general it will be relevant to reduce market risks in the event of lower interest rates.

All policies have been split into contribution groups according to the guaranteed benefit scheme. For all contribution groups, there are separate loss absorbing buffers and hence in each contribution group, the separate investment policy must be in line with risk taking capacity to ensure the ability to meet the guaranteed benefits. Market risk is adjusted continuously in accordance with the risk capacity of the contribution groups, and the movements in interest rates are monitored so that risk reducing actions can be taken when needed.

Disability

Disability risk is the risk of increased disability intensity or declines in the rates of resumption of work. Losses may incur due to an increase in disability frequency or due to inadequate health evaluation when the policy is written.

Extra costs, due to a permanent change in disability risk, will be partially covered by individual and collective bonus potential. The remainder affects result for the year and consequently shareholders' equity.

Longevity

Longevity risk is the risk that customers with life dependent policies, primarily annuities, live longer than expected. That will increase provisions for lifetime products.

Extra costs, due to longer lifetimes, will be partially covered by individual and collective bonus potential. The remainder affects profit/loss for the year and consequently shareholders' equity.

Following risk reduction measures and methods are used in Topdanmark Livsforsikring:

- All policies in the average return environment are divided according to the granted benefit guarantee and the investment policy is organized to ensure the ability to honor the guarantees
- Market risk can be adjusted freely in relation to the individual customer groups' risk capacity
- Normal fluctuations in ROI and risk results in the average interest rate environment are captured by bonus potentials per contribution group
- The individual bonus potentials in the average return environment are protected by cross-border protection
- Reinsurance
- Prices for death and disability are adjusted continuously in relation to the market situation and the observed injury history
- New subscription basis changes as needed
- Establishment of business processes that ensure that the products are sold at the right price / risk mix

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

To monitor effectiveness of the aforementioned risk reduction methods over time Topdanmark Risk Committee continuously monitors the company's risk profile and reinsurance cover. Also, forecasts are followed up.

Risk Scenarios in Life Insurance

Topdanmark, 31 December 2018 and 31 December 2017

EURm verojen jälkeen	2018	2017
Disability intensity - 35% increase*	-1.4	-1.4
Mortality intensity - 20% decline	-3.3	-3.7

35% increase first year, subsequently 25%, coincident with 20% decline in reactivation rates

Market Risks

In general, the long-term value creation shall be based mainly on the acceptance of insurance risks. To supplement the group's profit from its insurance activities, Topdanmark accepts a certain level of financial market risks as well, given its strong liquidity position and stable, high earnings from insurance operations. Hence, in addition to fixed income instruments, Topdanmark has invested, among other things, in equities, properties and CDOs in order to improve the average investment return.

Market risks are limited to the extent that is considered appropriate, so that it is highly probable that the company gains a profit even in the very unfavourable financial market scenarios. Large risk exposures or highly correlated risks are covered to prevent unnecessary losses and market risks originating from insurance operations. The investment portfolio shall be managed in a way that market risk taking shall not endanger the normal operations or implementation of planned actions in unfavourable market conditions.

To reach the above general goals, the Investment Policy sets the company's objectives, strategies, organization and reporting practices on investments. The investment strategy is more precisely determined in terms of market risk limits and specific requirements for certain types of positions and sub-portfolios (risk appetite). The investment strategy is determined by the Board and revised at least once a year. Appropriate financial risk mitigation techniques are used.

When selecting the investment assets, a portfolio composition that matches the risk features of the corresponding liabilities is sought. The purpose of the policy is also to ensure that the company has implemented effectively the organization, systems and processes necessary to identify, measure, monitor, manage and report on investment risks to which it is exposed.

At the same time, the policy sets the framework for investment of customers' savings, schemes of right to bonus and unit-linked savings (customer funds) in Topdanmark Livsforsikring, so that the company can continue to offer attractive savings products to its clients with competitive returns in relation to the accepted investment risks.

In addition to Investment Policies, companies have a capital plan and a capital emergency plan if sudden changes occur in the asset or liability side.

When market risks are measured and managed, all exposures are included, regardless of whether they arise from active portfolio management on the investment side or from annuities, which are considered as market risk.

Asset Allocations and Investment Performance: Topdanmark Excluding Unit-Linked

As described earlier, in life insurance different contribution groups have their own investment strategies and their loss absorbing buffers and hence it is relevant to assess allocations and returns of these assets only in relation to their respective contribution groups. However, the company bears some market risk and thus the investment allocations are shown in the Investment Allocations Excluding Unit-Linked, Topdanmark, 31 December 2018 and 31 December 2017 -table without assets covering unit-linked liabilities.

Investment Allocations Excluding Unit-Linked

Topdanmark, 31 December 2018 and 31 December 2017

	Topdanmark Non-Life				Topdanmark Life			
	31 Dec 2018		31 Dec 2017		31 Dec 2018		31 Dec 2017	
Asset class	**Market value, EURm**	**Weight**	**Market value, EURm**	**Weight**	**Market value, EURm**	**Weight**	**Market value, EURm**	**Weight**
Fixed income total	**1,992**	**91%**	**2,173**	**92 %**	**3,283**	**72%**	**3,172**	**71%**
Money market securities and cash	258	12%	175	7 %	329	7%	282	6%
Government and mortgage bonds	1,585	72%	1,842	78 %	2,507	55%	2,398	54%
Credit bonds	14	1%	16	1 %	168	4%	214	5%
Index-linked bonds	68	3%	70	3 %	167	4%	171	4%
CDOs	68	3%	70	3 %	112	2%	106	2%
Listed equity total	**104**	**5%**	**117**	**5 %**	**430**	**9%**	**491**	**11%**
Denmark	30	1%	35	1 %	84	2%	104	2%
Scandinavia	2	0%	3	0 %	8	0%	13	0%
Global	72	3%	80	3 %	337	7%	373	8%
Alternative investments total	**93**	**4%**	**75**	**3 %**	**852**	**19%**	**784**	**18%**
Real estate	47	2%	31	1 %	501	11%	459	10%
Unlisted equities and hedge funds	46	2%	45	2 %	351	8%	325	7%
Asset classes total	**2,189**	**100%**	**2,366**	**100 %**	**4,564**	**100%**	**4,446**	**100%**

The exposure in equities outside Denmark and credit bonds has been adjusted by the use of derivatives. Unlisted equities and hedge funds include also private equity and direct holdings in non-listed equities.

The equity portfolios are well diversified and without major single positions, when associated companies are disregarded.

The main investment assets are government and mortgage bonds, which comprise primarily Danish government and mortgage bonds. The assets of this asset class are interest rate sensitive and to a significant extent equivalent to the interest rate sensitivity of the non-life insurance provisions. Consequently, the return on government and mortgage bonds should be assessed in connection with return and revaluation of non-life insurance provisions.

Credit bonds are composed of a well-diversified portfolio, primarily exposed to businesses in Europe and in the United States, predominantly in the investment grade segment.

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

The CDO category primarily includes positions in CDO equity tranches. The underlying assets consist for the most part of senior secured bank loans, while the remaining part consists primarily of investment grade investments in corporate bonds. The real estate portfolio comprises mainly owner-occupied real estate.

Market Risks of Balance Sheet

Interest Rate Risk

Interest rate risk exposure is net of assets, liabilities and derivative instruments whose carrying amount is dependent on the interest rate level. Regarding insurance liabilities Topdanmark is exposed to interest rate risk due to provisions for outstanding claims in non-life insurance and guaranteed benefits in life insurance.

When assessing the value and sensitivity of insurance provisions Topdanmark uses the Solvency II discount curve that has its basis on market yield curve with volatility adjustment (VA). The VA component of DKK yield curve comprises a corrective element based on the spreads of Danish mortgage bonds and European credit bonds. The VA component was 30 basis points at the end of 2017 and 45 basis points at the end of 2018.

Generally, the interest rate risk is limited and controlled by investing in interest-bearing assets in order to reduce the overall interest rate exposure of the assets and liabilities to the desired level. Therefore, the Danish mortgage bonds and government bonds have a central role in the asset portfolios. To further decrease the interest rate sensitivity of balance sheet, swaps and standard swaptions have been used for hedging purposes.

Equity Risk

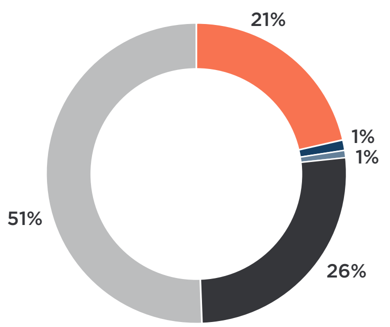
The Danish part of the equity portfolio is composed based on OMXCCAP index. The rest of the equity holdings are in the foreign equity portfolio that is based on MSCI World DC in its original currency. As a net result, Topdanmark's equity holdings are well-diversified.

Real Estate Risk

The real estates are all located in Denmark, with the material part in the areas of Copenhagen and Århus. The holding covering life insurance provisions is diversified over office buildings and residential buildings. The majority of the holding related to Topdanmark's property within equity is Topdanmark's own offices.

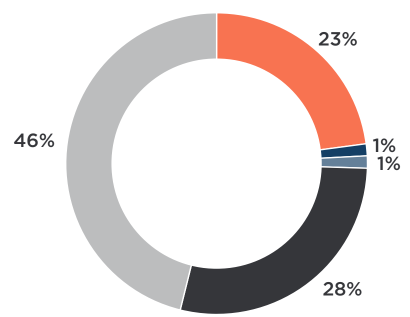
Breakdown of Listed Equity Investments by Geographical Regions
Topdanmark

31 December 2018
Total EUR 534 million



- Denmark 114
- Norway 6
- Sweden 4
- Finland 0
- Western Europe 139
- Eastern Europe 0
- North America 270
- Latin America 0
- Far East 0

31 December 2017
Total EUR 608 million



- Denmark 139
- Norway 8
- Sweden 8
- Finland 0
- Western Europe 173
- Eastern Europe 0
- North America 280
- Latin America 0
- Far East 0

Equities held by unit-linked customers in Topdanmark Livsforsikring are excluded.

Spread Risk

Most of Topdanmark's interest-bearing assets comprise of AAA-rated Danish mortgage bonds and debt issued or guaranteed by top-rated European states. The risk of losses is considered to be minor due to the high credit quality of the issuers and because investments have been made at spreads in balance with the Topdanmark's desired risk ratio levels. The portfolio is well diversified both geographically and regarding type of debtor and therefore the exposure to the concentration of risks is insignificant.

Investment policy stipulates that the portfolio must be well-diversified also in counterparties and that the portfolio must not be particularly exposed to individual counterparties. The main source of spread risk is the government and mortgage bonds. Due to high allocation of these investments in the portfolios, spread risk is the most material source of market risk SCR.

Concentration Risk

Topdanmark's fixed income investments by rating classes are presented in the table Interest-bearing Assets by Rating, Topdanmark, 31 December 2018 and 31 December 2017.

Topdanmark has no significant concentrations on the investment side, except for the category "Treasury and mortgage bonds" that consists primarily of Danish government and AAA-rated Danish mortgage bonds.

As earlier described, these assets have an interest rate sensitivity that significantly corresponds to the interest rate sensitivity of the technical provisions.

Interest-bearing Assets by Rating

Topdanmark, 31 December 2018 and 31 December 2017

Rating class, %	2018	2017
AAA+AA	75.9	77.8
A	3.8	2.9
BBB	0.4	0.6
<BBB	11.0	11.6
Money market deposits	8.9	7.1

Currency Risk

In practice, the only source of currency risk is investment assets because insurance liabilities are in Danish Krones. The currency risk is mitigated by derivatives and net exposures in different currencies are minor except in Euros.

Currency risk is assessed based on SCR. The value of base currency is shocked by 25 per cent against most of the currencies except 0.39 per cent against EUR where the largest exposure exists.

Inflation Risk

Future inflation is implicitly included in the models Topdanmark uses to calculate its provisions. The general principles regarding the inclusion of an allowance for inflation differs between Workers' compensation and Illness/Accident insurance. In the former the provisions are calculated based on the expected future indexation of wages and salaries, and in latter based on the expected net price index.

An expected higher future inflation rate would generally be included in the provisions with a certain time delay, while at the same time the result would be impacted by higher future indexation of premiums. To reduce the risk of inflation within Workers' compensation and Illness/Accident insurance, Topdanmark uses index-linked bonds and derivatives to hedge a significant proportion of the expected cash flows sensitive to future inflation.

Market Risk Sensitivities

The adjacent table is a summary of selected market risk sensitivities. It can be seen from the table that the net effect of 1 percentage point parallel change in interest rates would be a less than 10 per cent drop in equity or property prices.

Liquidity Risk

Topdanmark Group has a strong liquidity position. Firstly, as premiums are paid prior to the beginning of the risk period the liquidity risk related to customers' payments is very limited. Secondly, the combination of insurance businesses is of a character in which it is highly unlikely that liquidity shock could occur, because insurance liabilities are by their nature stable liabilities and in asset portfolios money market investments are complemented by a large portfolio of liquid listed Danish government and mortgage bonds.

Experience from quite significant and sudden movements in long-term interest rates have confirmed that liquidity of these assets is not significantly affected by market shocks.

The maturity structure of technical provisions is presented in the adjacent table.

Market Risk Sensitivities

Topdanmark, 31 December 2018 and 31 December 2017

EURm after tax	Risk scenario	2018	2017
Effective interest rate	1 percentage point increase	3.3	6.4
Interest-bearing assets		*-64.2*	*-62.4*
Provisions for claims and benefits etc.		*67.5*	*68.8*
Index-linked bonds	5% decrease in value	-2.7	-2.8
Equities	10% decrease in value	-9.5	-10.6
CDOs < AA	10% decrease in value	-7.5	-8.0
Properties	10% decrease in value	-20.0	-17.7
Currency	Annual loss with up to a 2.5% probability	-0.1	-0.8

Expected Cash Flows for Provisions and the Bond Portfolio

Topdanmark, 31 December 2018 and 31 December 2017

		Cash flow years					
EURm	Carrying amount	1	2-6	7-16	17-26	27-36	>36
Provisions for claims							
2017	1,748	-542	-701	-390	-160	-76	-11
2018	1,741	-522	-736	-378	-151	-69	-12
Life insurance provisions guarantees and profitsharing							
2017	3,232	-347	-938	-1,424	-689	-219	-61
2018	3,098	-344	-941	-1,366	-619	-195	-57
Bond portfolio including interest rate derivatives							
2017	4,513	2,616	872	1,362	78	0	0
2018	4,362	1,938	1,355	1,381	150	0	0

Life insurance provisions for unit-linked products are covered by corresponding investment assets and therefore are not stated in the table.

The expected cash flows of the bond portfolio are calculated based on option adjusted durations that are used to measure the duration of the bond portfolio. The option adjustment relates primarily to Danish mortgage bonds and reflects the expected duration capturing the shortening effect of the borrower´s option to have the bond to be redeemed through the mortgage institution at any point in time.

Because of the aforementioned reasons Topdanmark's liquidity risk is primarily related to the parent company Topdanmark A/S. Topdanmark A/S finances its activities and dividend programme by receiving dividend from its subsidiaries. Further financing requirements are covered by short term money market loans, typically with a maturity of one month or less.

Counterparty Default Risks

Topdanmark is exposed to counterparty risk in both its insurance and investment activities.

The main sources of counterparty risk are deposits made to individual banks, derivative contracts with banks and current receivables from reinsurance companies with the addition of potential receivables that will arise in case of a 200-year catastrophe event. Topdanmark's counterparty risk is assessed by the SCR standard formula.

Reinsurance

Within insurance activities the reinsurance companies' ability to pay is the most important counterparty risk factor. Topdanmark minimises this risk by primarily buying reinsurance cover from reinsurance companies with a minimum rating of A- and by spreading reinsurance cover over many reinsurers.

For reinsurance counterparties, the Board approves security guidelines for how large a portion of a reinsurance contract can be placed per a separate reinsurer. This portion is dependent on the reinsurer's rating as well as on Topdanmark's own assessment of the reinsurer. The largest risk concentrations may occur in case of major catastrophe events, including storms and cloudbursts.

Financial Derivative Activities

To limit the counterparty risk of financial contracts, the choice of counterparties is restrictive, and collateral is required when the value of the financial contracts exceeds the predetermined limits. The size of the limits depends on the counterparty's credit rating and the terms of the contract.

Mandatum Life Group

Underwriting Risks

The development of insurance liabilities during 2018 is shown in the table Analysis of the Change in Provisions before Reinsurance, Mandatum Life, 31 December 2018.

Analysis of the Change in Provisions Before Reinsurance

Mandatum Life, 31 December 2018

EURm	Liability 2017	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	Other	Liability 2018	Share %
Unit-linked, excl. Baltic	**6,901**	**953**	**-684**	**-73**	**0**	**1**	**-288**	**6,810**	**61%**
Individual pension insurance	1,411	58	-19	-14	0	0	-136	1,298	12%
Individual life	2,491	138	-297	-21	0	0	-115	2,195	20%
Capital redemption operations	2,231	679	-363	-29	0	0	0	2,519	23%
Group pension	768	78	-5	-9	0	1	-36	797	7%
With profit and others, excl. Baltic	**4,558**	**104**	**-438**	**-33**	**122**	**1**	**-106**	**4,208**	**38%**
Group pension insurance, segregated portfolio	**1,065**	**1**	**-57**	**-1**	**23**	**0**	**-22**	**1,008**	**9%**
Basic liabilities. guaranteed rate 3.5%	687	1	-57	-1	23	0	5	658	6%
Reserve for decreased discount rate (3.5% -> 0.50%)	261	0	0	0	0	0	-11	250	2%
Future bonus reserves	117	0	0	0	0	0	-17	100	1%
Group pension	**1,997**	**29**	**-207**	**-5**	**63**	**1**	**1**	**1,879**	**17%**
Guaranteed rate 3.5%	1,744	4	-175	-3	59	0	-26	1,603	14%
Guaranteed rate 2.5%, 1.5% or 0.0%	253	26	-32	-3	4	1	27	276	2%
Individual pension insurance	**825**	**8**	**-138**	**-5**	**31**	**0**	**42**	**763**	**7%**
Guaranteed rate 4.5%	624	5	-80	-4	26	0	-4	567	5%
Guaranteed rate 3.5%	134	2	-32	-1	4	0	20	128	1%
Guaranteed rate 2.5% or 0.0%	67	1	-27	0	1	0	26	68	1%
Individual life insurance	**162**	**31**	**-25**	**-10**	**5**	**0**	**-11**	**153**	**1%**
Guaranteed rate 4.5%	54	4	-5	-1	2	0	-3	52	0%
Guaranteed rate 3.5%	80	9	-15	-3	3	0	2	76	1%
Guaranteed rate 2.5% or 0.0%	28	17	-6	-6	0	0	-10	25	0%
Capital redemption operations	**26**	**0**	**-1**	**0**	**0**	**0**	**-2**	**24**	**0%**
Guaranteed rate 3.5%	0	0	0	0	0	0	0	0	0%
Guaranteed rate 2.5% or 0.0%	26	0	-1	0	0	0	-2	24	0%
Future bonus reserves	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0%**
Reserve for decreased discount rate	**325**	**0**	**0**	**0**	**0**	**0**	**-93**	**232**	**2%**
Longevity reserve	**105**	**0**	**0**	**0**	**0**	**0**	**-10**	**95**	**1%**
Assumed reinsurance	**1**	**1**	**-1**	**0**	**0**	**0**	**2**	**3**	**0%**
Other liabilities	**51**	**34**	**-10**	**-13**	**0**	**0**	**-13**	**50**	**0%**
Total, excl. Baltic	**11,459**	**1,057**	**-1,122**	**-107**	**122**	**2**	**-393**	**11,017**	**99%**
Baltic	**180**	**25**	**-31**	**-4**	**1**	**0**	**-11**	**159**	**1%**
Unit-linked liabilities	165	23	-29	-3	0	0	-11	145	1%
Other liabilities	15	2	-2	-1	1	0	0	14	0%
Mandatum Life Group total	**11,638**	**1,082**	**-1,153**	**-111**	**122**	**2**	**-405**	**11,176**	**100%**

Biometric Risks

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

Longevity risk is the most critical biometric risk in Mandatum Life. The solvency capital requirement of longevity risk is also highly dependent on the interest rate level, which in practice means that the lower the applied discount rate is, the higher the longevity SCR would be. Most of the longevity risk arises from the with profit group pension portfolio. With profit group pension policies have mostly been closed for new members for years and due to this the average age of members is relatively high, almost 70 years. In the unit-linked group pension and individual pension portfolio the longevity risk is less significant because most of these policies are fixed term annuities including death cover compensating the longevity risk.

The annual longevity risk result and longevity trend is analyzed regularly. For the segregated group pension portfolio, the assumed life expectancy related to the technical provisions was revised in 2014 and for the other group pension portfolios in 2002 and 2007. In total, these changes increased the 2018 technical provision by EUR 95 million (105) including a EUR 79 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 2018 was EUR 8.3 million (6.8) after a EUR 9.7 million release from the longevity reserve.

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

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

The table Claims Ratios After Reinsurance, Mandatum Life, 31 December 2018 and 31 December 2017 shows the insurance risk result in Mandatum Life's Finnish life insurance policies. The ratio of the actual to expected claims costs was 75 per cent in 2018 (76). Sensitivity of the insurance risk result can also be assessed based on the information in the table. For instance, the increase of mortality by 100 per cent would increase the amount of benefit payments from EUR 10 million to EUR 21 million.

Claims Ratios After Reinsurance

Mandatum Life, 31 December 2018 and 31 December 2017

	31 Dec 2018			31 Dec 2017		
EURm	**Risk income**	**Claims expense**	**Claims ratio**	**Risk income**	**Claims expense**	**Claims ratio**
Life insurance	**48.7**	**24.5**	**50%**	**47.6**	**23.5**	**49%**
Mortality	29.3	10.3	35%	29.0	12.0	41%
Morbidity and disability	19.4	14.2	74%	18.6	11.5	62%
Pension	**86.4**	**77.1**	**89%**	**85.6**	**77.5**	**91%**
Individual pension	13.3	13.9	104%	12.8	13.5	105%
Group pension	73.1	63.3	87%	72.8	64.0	88%
Mortality (longevity)	69.9	61.6	88%	68.2	61.4	90%
Disability	3.2	1.7	54%	4.6	2.6	57%
Total	**135.1**	**101.7**	**75%**	**133.2**	**101.0**	**76%**

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

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

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

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

The risk result is 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.

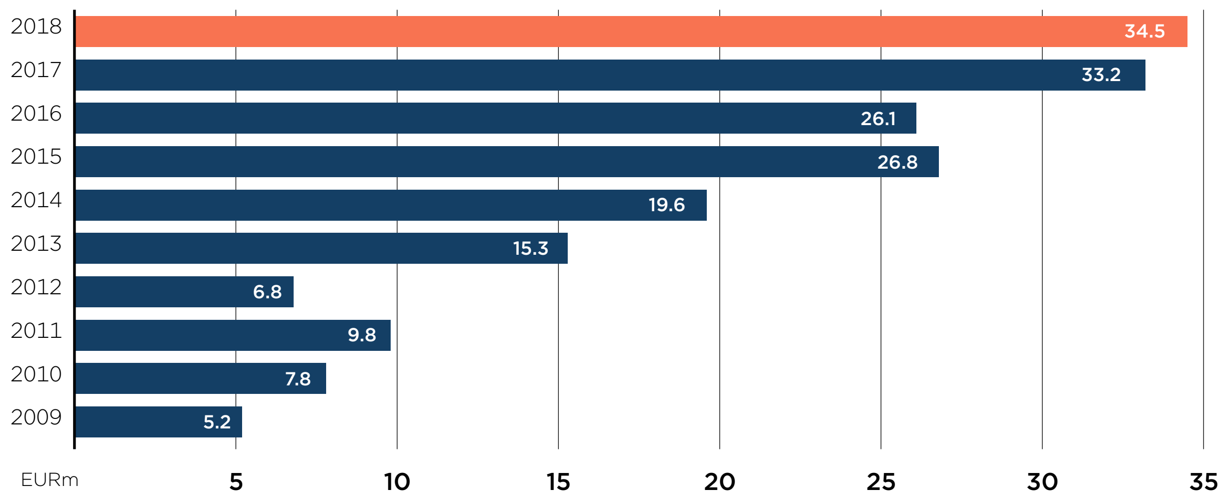
Technical provisions are analyzed and the possible supplemental needs are assessed regularly. Assumptions related to technical provisions are reviewed annually. The adequacy of the technical provisions is tested quarterly. Tariffs for new policies are set and the Underwriting Policy and assumptions used in calculating technical provisions are updated based on adequacy tests and risk result analysis.

Policyholder Behavior and Expense Risks

From an Asset and Liability Management point of view, surrender risk is not material because in Mandatum Life around 90 per cent of with profit technical provisions consists of pension policies in which surrender is possible only in exceptional cases. Surrender risk is therefore only relevant in individual life and capital redemption policies of which the related technical provisions amount to less than 5 per cent (below EUR 200 million) of the total with profit technical provisions. Furthermore, the supplements to technical provisions are not paid out at surrender which also reduces the surrender risk related to the with profit policies. Due to the limited surrender risk, the future cash flows of Mandatum Life's insurance liabilities are quite predictable.

Policy terms and tariffs cannot usually be changed materially during the lifetime of the insurance, which increases the expense risk. The behavior of financial markets has also an influence on expense risk since normally company's fee income is linked to policy reserves in unit-linked policies. The main challenge is to keep the expenses related to insurance administrative processes and complex IT infrastructure at an effective and competitive level. In year 2018, the expense result of Mandatum Life Group was EUR 35 million (33). Mandatum Life does not defer insurance acquisition costs. Since 2012 the expense result has grown significantly, especially due to increased fee income from unit-linked business, as presented in the figure Expense Result, Mandatum Life Group, 2009–2018.

Expense Result
Mandatum Life Group, 2009–2018



Market Risks

This section covers market risk related to the Mandatum Life's with profit business i.e. that part of the business where Mandatum Life carries investment risk. As mentioned earlier, the behavior of financial markets has also an influence on unit-linked business since normally company's fee income is linked to policy reserves in unit-linked policies. This risk is taken into account as part of expense risk.

In Mandatum Life, the approach to market risk management is based on an analysis of technical provisions' expected cash flows, interest level and current solvency position, i.e. active Asset and Liability Management. A common feature for all with profit technical provisions is the guaranteed rate and bonuses. The cash flows of Mandatum Life´s technical provisions are relatively well predictable because in most of the company's with profit policies, surrenders and additional investments are not possible.

Mandatum Life's market risks arise mainly from equity investments and interest rate risk related to fixed income assets and insurance liabilities with a guaranteed interest rate. The most significant interest rate risk in the life insurance business is that fixed income investments will not, over a long period of time, generate a return at least equal to the guaranteed interest rate of technical provisions. The probability of this risk increases when market interest rates fall and stay at a low level. The duration gap between balance sheet's technical provisions and fixed income investments is constantly monitored and managed. Control levels based on internal risk capacity model are used to manage and ensure adequate capital in different market situations.

Mandatum Life has prepared for low interest rates on the liability side by e.g. reducing the minimum guaranteed interest rate in new contracts and by supplementing the technical provisions with reserve for decreased discount rate. In addition, existing contracts have been changed to accommodate improved management of reinvestment risk.

Fixed income investments and listed equity instruments form a major part of the investment portfolio, but the role of alternative investments – real estate, private equity, biometric and other alternative investments – is also material being 13.2 per cent.

Investment allocations and average maturities of fixed income investments as at year-end 2018 and 2017 are presented in the table Investment Allocation, Mandatum Life, 31 December 2018 and 31 December 2017.

Investment Allocation

Mandatum Life, 31 December 2018 and 31 December 2017

	31 Dec 2018			31 Dec 2017		
Asset class	**Market value, EURm**	**Weight**	**Average maturity, years**	**Market value, EURm**	**Weight**	**Average maturity, years**
Fixed income total	**3,524**	**63%**	**2.8**	**3,953**	**63%**	**2.5**
Money market securities and cash	486	9%	0.0	904	14%	0.0
Government bonds	50	1%	1.6	54	1%	2.5
Credit bonds, funds and loans	2,988	53%	3.3	2,994	48%	3.2
Covered bonds	*133*	*2%*	*1.4*	*163*	*3%*	*2.0*
Investment grade bonds and loans	*1,563*	*28%*	*2.7*	*1,793*	*29%*	*2.8*
High-yield bonds and loans	*953*	*17%*	*3.6*	*760*	*12%*	*3.2*
Subordinated / Tier 2	*99*	*2%*	*5.6*	*55*	*1%*	*7.3*
Subordinated / Tier 1	*240*	*4%*	*5.7*	*223*	*4%*	*6.6*
Hedging swaps	*0*	*0%*	*-*	*0*	*0%*	*-*
Policy loans	0	0%	0.0	0	0%	1.8
Listed equity total	**1,334**	**24%**	**-**	**1,578**	**25%**	**-**
Finland	459	8%	-	494	8%	-
Scandinavia	1	0%	-	0	0%	-
Global	875	16%	-	1,084	17%	-
Alternative investments total	**741**	**13%**	**-**	**731**	**12%**	**-**
Real estate	213	4%	-	214	3%	-
Private equity*	230	4%	-	226	4%	-
Biometric	12	0%	-	16	0%	-
Commodities	0	0%	-	0	0%	-
Other alternative	286	5%	-	274	4%	-
Trading derivatives	**2**	**0%**	**-**	**2**	**0%**	**-**
Asset classes total	**5,602**	**100%**	**-**	**6,263**	**100%**	**-**
FX Exposure, gross position	**410**	**-**	**-**	**679**	**-**	**-**

) Private equity also includes direct holdings in non-listed equities.

Market Risks of Fixed Income and Equity Exposures

Fixed income and equity exposures are presented by sector, asset class and rating together with counterparty risk exposures relating to reinsurance and derivative transactions. 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 may not be fully comparable with other tables in the Financial Statements.

Exposures by Sector, Asset Class and Rating

Mandatum Life, 31 December 2018

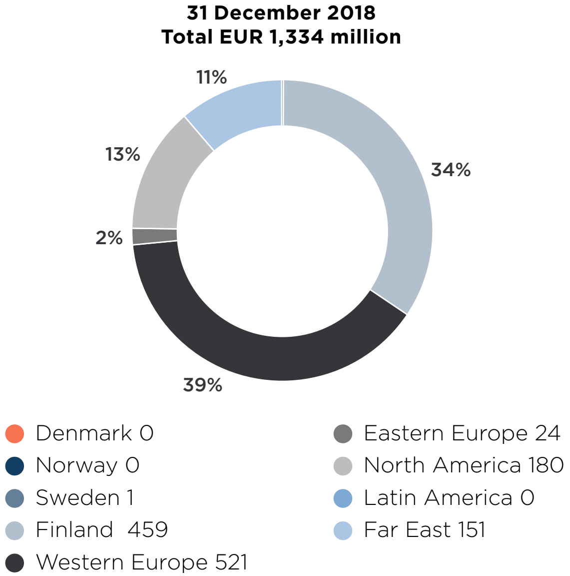
EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change from 31 Dec 2017
Basic industry	0	0	13	1	22	0	39	75	44	0	0	119	-27
Capital goods	0	0	4	12	4	0	52	72	151	0	0	223	-85
Consumer products	0	5	67	89	51	0	22	234	227	0	0	461	-47
Energy	0	11	0	0	0	0	27	38	12	0	0	50	-2
Financial institutions	0	543	927	213	41	0	2	1,725	20	5	6	1,756	-498
Governments	0	0	0	0	0	0	0	0	0	0	0	0	0
Government guaranteed	0	0	0	0	0	0	0	0	0	0	0	0	0
Health care	0	14	0	26	76	0	54	170	70	0	0	240	40
Insurance	0	0	10	47	0	0	17	73	3	8	0	84	19
Media	0	0	7	0	0	0	16	23	4	0	0	27	-3
Packaging	0	0	0	0	8	0	9	17	10	0	0	27	-1
Public sector, other	0	32	42	0	0	0	0	74	0	0	0	74	-5
Real estate	0	0	1	42	0	0	93	136	0	186	0	322	67
Services	0	0	0	28	124	0	63	216	77	0	0	293	72
Technology and electronics	15	0	36	0	49	0	10	110	100	0	0	210	-5
Telecommunications	0	0	0	68	58	0	0	126	35	0	0	161	60
Transportation	0	0	4	5	0	0	1	9	25	0	0	34	-18
Utilities	0	2	0	85	27	0	0	114	0	0	0	114	-28
Others	0	0	0	0	20	0	2	22	3	33	0	57	15
Asset-backed securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	133	0	0	0	0	0	0	133	0	0	0	133	-30
Funds	0	0	0	0	0	0	157	157	554	509	0	1,220	-182
Clearing house	0	0	0	0	0	0	0	0	0	0	4	4	0
Total	**148**	**607**	**1,110**	**615**	**479**	**0**	**564**	**3,524**	**1,334**	**741**	**9**	**5,608**	**-659**
Change from 31 Dec 2017	**-7**	**-6**	**-631**	**-11**	**217**	**0**	**9**	**-428**	**-244**	**10**	**3**	**-659**	

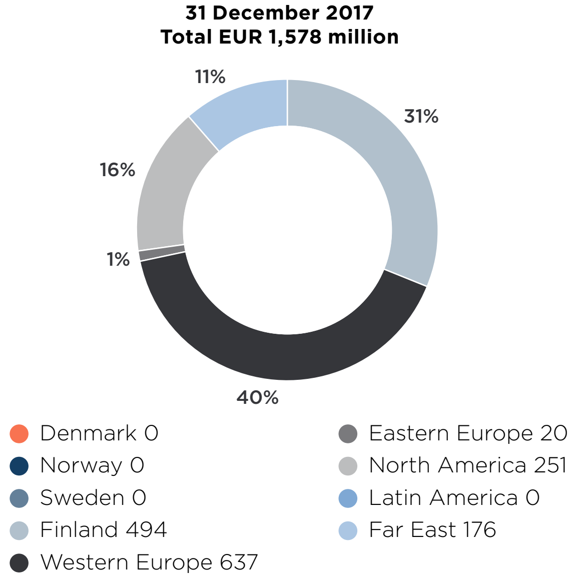
The role of non-investment grade bonds is material in Mandatum Life's portfolio. A part of the money market securities issued by Nordic banks and cash in Nordic banks form a liquidity buffer within fixed income investments. At the moment, the total amount of these investments is higher than what is needed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

Nordic equity exposure includes almost only direct investments to Finnish equities and they account for almost one third of equity exposure. Two thirds of equity investments are globally allocated consisting mainly of fund investments, but the role of direct investments is increasing in that part of the portfolio as well.

Breakdown of Listed Equity Investments by Geographical Regions

Mandatum Life





Alternative Investments

The role of alternative investments has been material in Mandatum Life over the years. The current allocation weight is 13 per cent. The weight of these investments will be maintained at current levels.

Within the total portfolio the size of private equity and alternative investments has slightly increased. Since the beginning of 2018, these asset classes have been managed by Sampo plc's investment operations instead of external asset managers. The real estate portfolio is also managed by Sampo Group's own real estate management unit. The real estate portfolio includes both direct investments in properties and indirect investments in real estate funds as well as in shares of real estate companies and it has been quite stable.

Market Risks of Balance Sheet

The Board of Directors of Mandatum Life annually approves the Investment Policies for both segregated assets and other assets regarding the company's investment risks. These policies set principles and limits for investment portfolio activities and they are based on the features of insurance liabilities, risk taking capacity and shareholders' return requirements.

The Investment Policy for segregated assets defines the risk bearing capacity and the corresponding control levels for the respective portfolio. Since the future bonus reserves of the segregated group pension portfolio are the first buffer against possible investment losses, the risk bearing capacity is also based on the amount of the future bonus reserve. Different control levels are based on the fixed stress scenarios of assets.

The Investment Policy for other investment assets defines the company level risk bearing capacity, the control levels for the maximum acceptable risk and respective measures to manage the risk. The control levels are set above the Solvency II SCR and are based on predetermined market stress tests. When the above-mentioned control levels are crossed, the Asset and Liability Committee reports to the Board which then takes responsibility for the decisions related to the capitalization and the market risks in the balance sheet.

The cash flows of Mandatum Life's with profit technical provisions are relatively predictable, because in most of the company's with profit products, surrenders and premiums are restricted. In addition, the company's claims costs do not contain a significant inflation risk element.

The long-term target for investments is to provide sufficient return to cover the guaranteed interest rate plus bonuses based on the principle of fairness as well as the shareholder's return requirement with an acceptable level of risk. In the long run, the most significant risk is that fixed income investments will not generate an adequate return compared to the applied discount rate.

In addition to investment and capitalization decisions, Mandatum Life has implemented active measures on the liability side to manage the balance sheet level interest rate risk. The company has reduced the minimum guaranteed interest rate in new contracts, supplemented the technical provisions with discount rate reserves and adjusted policy terms and conditions as well as policy administration processes to enable more efficient interest rate risk management.

Interest Rate Risk

Mandatum Life is negatively affected when rates are decreasing or staying at low levels, because the duration of liabilities is longer than the duration of assets. A growing part of Mandatum Life's business, i.e. unit-linked and life and health business, is not interest rate sensitive, which partially mitigates the whole company's interest rate risk.

The average duration of fixed income investments was 2.5 years including the effect of hedging derivatives. The respective duration of the insurance liabilities was around 10 years. Interest rate risk is managed at the balance sheet level by changing the duration of assets and by using interest rate derivatives.

Currency Risk

Currency risk can be divided into transaction and translation risk. Mandatum Life is exposed to transaction risk, which refers to currency risk arising from contractual cash flows in foreign currencies.

In Mandatum Life, transaction risk arises mainly from investments in currencies other than euro as the company's technical provisions are 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 Mandatum Life against the euro are shown in the table Transaction Risk Position, Mandatum Life, 31 December 2018. The table shows the net transaction risk exposures and the changes in the value of positions given a 10 per cent decrease in the value of the base currency.

Transaction Risk Position

Mandatum Life, 31 December 2018

Base currency, EURm	EUR	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
Technical provisions	0	0	0	0	-2	0	0	0	0	-2
Investments	0	1,829	1	116	57	43	139	8	131	2,324
Derivatives	0	-1,743	-1	-121	74	79	-142	-10	-74	-1,938
Transaction risk, net position	**0**	**86**	**0**	**-4**	**128**	**122**	**-3**	**-2**	**57**	**384**
Sensitivity: EUR -10%	0	9	0	0	13	12	0	0	6	38

Liquidity Risks

Liquidity risk is relatively immaterial for Mandatum Life because liability cash flows in most lines of business are fairly stable and predictable and an adequate share of the investment assets is in cash and short-term money market instruments.

In life insurance companies in general, a large change in surrender rates could influence the liquidity position. However, in Mandatum Life, only a relatively small part of the insurance policies can be surrendered, and it is therefore possible to forecast short-term cash flows related to claims payments with a very high accuracy.

The maturities of technical provisions and financial assets and liabilities are presented in the table Cash Flows According to Contractual Maturity, Mandatum Life, 31 December 2018. The average maturity of fixed income investments was 2.8 years in Mandatum Life. The table shows the financing requirements resulting from expected cash inflows and outflows arising from financial assets and liabilities as well as technical provisions.

Mandatum Life has one issued financial liability and thus refinancing risk is immaterial.

Cash Flows According to Contractual Maturity

Mandatum Life, 31 December 2018

				Cash flows						
EURm	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	2019	2020	2021	2022	2023	2024-2033	2034-
Financial assets	**5,521**	**2,623**	**2,898**	**264**	**728**	**377**	**803**	**294**	**649**	**14**
of which interest rate swaps	2	0	2	0	0	0	1	1	0	1
Financial liabilities	**176**	**0**	**176**	**-37**	**-4**	**-5**	**-5**	**-5**	**-61**	**-206**
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Net technical provisions	**3,644**	**0**	**3,644**	**-353**	**-321**	**-315**	**-286**	**-264**	**-1,776**	**-1,284**

In the table, financial assets and liabilities are divided into contracts that have an exact contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. In addition, the table shows expected cash flows for net technical provisions, which by their nature, are associated with a certain degree of uncertainty.

Counterparty Default Risks

In Mandatum Life, the major three sources of counterparty risk are financial derivatives, reinsurance, and other receivables. Counterparty default risk arising from reinsurance or receivables from policyholders and other receivables related to commercial transactions is very limited.

Counterparty Risk Related to Financial Derivatives

In Mandatum Life, the default risk of derivative counterparties is a by-product of managing market risks. This stems from the fact that Mandatum Life is a frequent user of long-term interest rate derivatives in addition to FX forwards and options.

The counterparty risk of bilaterally settled derivatives is mitigated by careful selection of counterparties, by diversification of counterparties to prevent risk concentrations and by using collateral techniques, e.g. ISDA Master Agreements backed by Credit Support Annexes. Since 2016 Sampo Group companies apart from Topdanmark have settled interest rate swaps in central clearing houses, which while further mitigating bilateral counterparty risk also exposes Sampo Group companies to the systemic risk related to centralized clearing parties.

Risk Considerations at Sampo Group Level and Sampo plc

Sampo Group is first and foremost exposed to general performance of the Nordic economies. However, the Nordic economies typically are at any given time in somewhat different stages of their economic cycles, because of reasons such as different economic structures and separate currencies. Also, geographically the Nordics as a large area is more a source of underwriting diversification than a concentration. Hence, inherently the Nordic area is a good basis for diversified business.

To further maintain diversification of businesses Sampo Group proactively prevents concentrations to the extent possible by segregating the duties of separate business areas. As a result, separate companies have very few overlapping areas in their underwriting and investments activities. Despite proactive strategic decisions on segregation of duties, concentrations in underwriting and investments may appear and hence liabilities and assets are monitored at the Group level to identify potential concentrations at single company or risk factor level.

It is regarded that the current business model where all companies have their own processes and agreements with counterparties is preventing accumulation of counterparty default risks and operational risks. Hence, these risks are mainly managed at company level.

In addition to the "segregation of duties at strategic level" principle, Sampo Group has two principles proactively preventing the Group risks. The amount of intragroup exposures between the Group companies are few and the parent company is the only source of liquidity and the main source of capital within the Group. These principles effectively prevent the contagion risk and hence potential problems of one company will not affect directly the other Group companies.

Underwriting and market risk concentrations and their management are described in the next sections as well as the parent company´s role as a risk manager of group-wide risks and as a source of liquidity.

Underwriting Risks at Sampo Group

With respect to the underwriting businesses carried out in the subsidiary companies, it has been established that If, Topdanmark and Mandatum Life all operate within the Nordic countries, but mostly in different geographical areas and in different lines of business and hence their underwriting risks are different by nature. There are some common risk factors like the life expectancy in Finland.

Also, in Denmark If and Topdanmark have some overlapping areas. However, there are no material underwriting risk concentrations in the normal course of business.

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

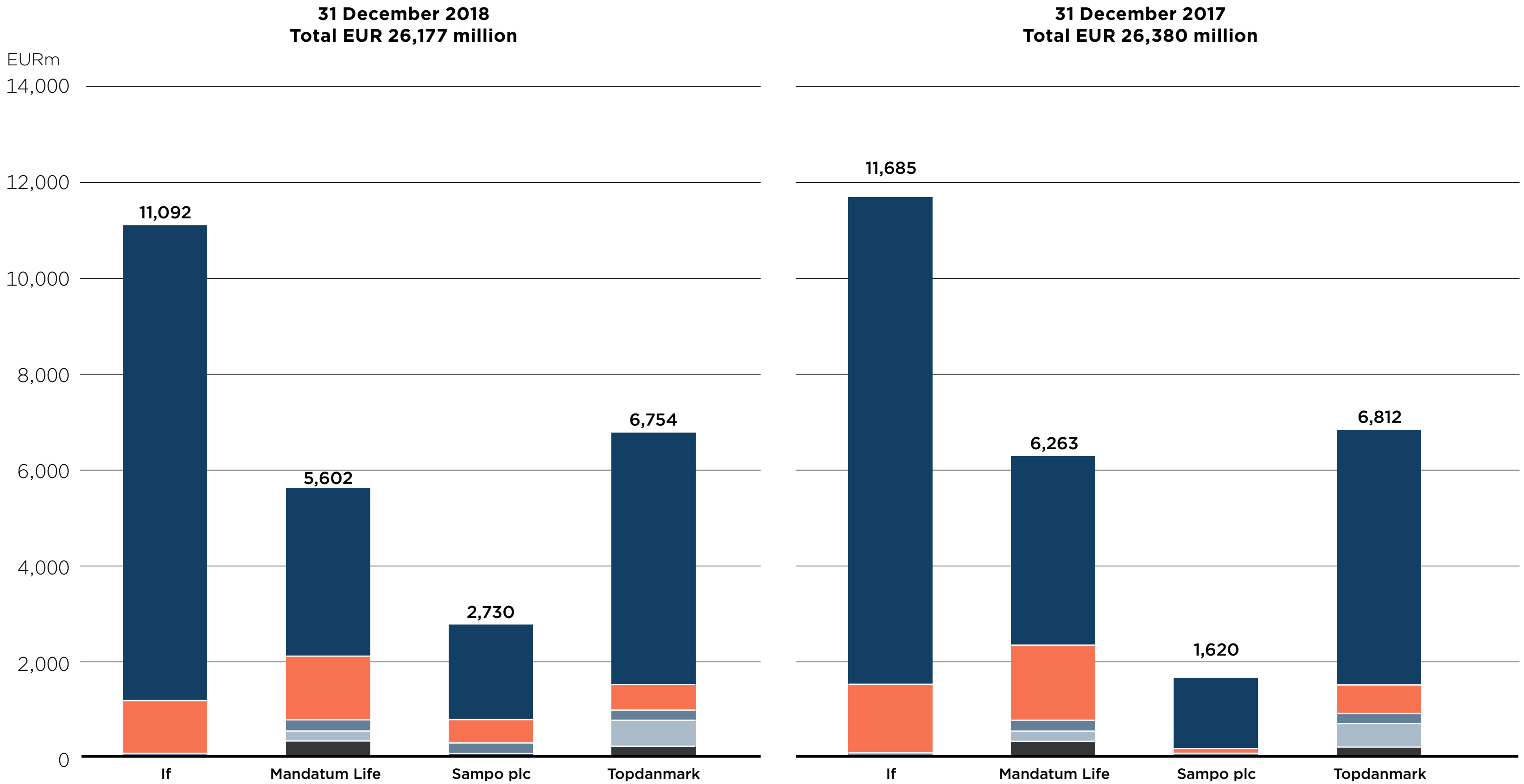
Market Risks at Sampo Group Level

For all subsidiaries, their insurance liabilities and the company specific risk appetite are the starting points for their investment activities. The insurance liabilities including loss absorbing buffers as well as the risk appetite of Mandatum Life, If and Topdanmark differ, and as a result the structures and risks of the investment portfolios and balance sheets of the three companies differ respectively. Companies' average investment returns, and volatilities of investment returns also differ.

The total amount of Sampo Group's investment assets as at 31 December 2018 was EUR 26,177 million (26,380) as presented in the following figure. Mandatum Life's and Topdanmark's investment assets presented here do not include assets which cover unit-linked contracts.

Development of Investments

If, Mandatum Life, Sampo plc and Topdanmark



	If 2018	Mandatum Life 2018	Sampo plc 2018	Topdanmark 2018	If 2017	Mandatum Life 2017	Sampo plc 2017	Topdanmark 2017
Fixed income	90%	63%	73%	78%	87%	63%	92%	78%
Listed equity	10%	24%	18%	8%	12%	25%	7%	9%
Private equity*	0%	4%	8%	3%	0%	4%	1%	3%
Real estate	0%	4%	0%	8%	0%	3%	0%	7%
Other alternative investments	0%	5%	1%	3%	0%	5%	0%	3%

Sampo plc's figures do not include debt instruments issued by the insurance subsidiaries
**Private Equity also includes direct holdings in non-listed equities*

Investment activities and market risk taking are arranged pro-actively in such a way that there is virtually no overlap between the wholly-owned subsidiaries' single-name risks except with regards to Nordic banks where companies have their extra funds in forms of the short-term money market assets and cash. From the asset side's diversification perspective Topdanmark is a positive factor because the role of Danish assets is dominant in portfolios and especially the role of Danish covered bonds is central. In Sampo Group's other insurance companies' portfolios the weight of Danish investments has been immaterial.

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

Market Risk Sensitivities

Sampo Group, 31 December 2018

EURm	Scenario	If	Mandatum Life	Topdanmark	Sampo plc	Sampo Group
Equities	-10%	-111	-133	-9	-49	-302
	10%	111	133	9	49	302
Interest rates	-100bps	154	84	1	155	483
	+100bps	-149	-74	-1	-141	-443
Other	-10%	-3	-74	-44	-26	-145
	10%	3	74	44	26	145
Local currency	-5%	-1	20	-3	98	-
	5%	1	-20	3	-98	-

Topdanmark's interest rate scenario figures show the net of financial assets and technical provisions. The company figures do not sum up to the Sampo Group figures due to eliminations and the exclusion of Topdanmark's technical provisions from the Sampo Group figures. The figures in this table do not reconcile completely with the table Market Risk Sensitivities, Topdanmark, 31 December 2018 and 31 December 2017 due to differences in calculation methods.

In the next paragraphs concentrations by homogenous risk groups and by single names are presented first and after that balance sheet level risks are discussed shortly.

Holdings by Sector, Geographical Area and Asset Class

Regarding fixed income and equity exposures financial institutions and covered bonds have a material weight in the group-wide portfolios whereas the role of public sector investments is quite limited. Most of these assets are issued by Nordic corporates and institutions. Most corporate issuers, although being based in the Nordic countries, are operating at global markets and hence their performance is not that dependent on the Nordic markets.

Exposures by Sector, Asset Class and Rating

Sampo Group, 31 December 2018

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change from 31 Dec 2017
Basic industry	0	0	45	63	22	0	93	223	81	0	0	305	-47
Capital goods	0	0	36	78	4	0	128	246	530	0	0	776	-226
Consumer products	0	62	211	419	72	0	112	877	434	0	0	1,311	-214
Energy	0	61	0	0	63	0	199	323	37	0	0	361	24
Financial institutions	0	2,459	2,705	981	95	0	34	6,274	284	5	15	6,578	89
Governments	133	0	0	0	0	0	0	133	0	0	0	133	41
Government guaranteed	10	26	0	0	0	0	0	36	0	0	0	36	-84
Health care	7	25	26	82	76	0	62	277	128	0	0	405	39
Insurance	0	0	57	122	26	0	58	263	3	25	0	290	57
Media	0	0	7	0	0	0	37	44	4	0	0	48	-4
Packaging	0	0	0	0	8	0	14	22	10	0	0	32	-1
Public sector, other	593	154	42	0	0	0	0	789	0	0	0	789	-119
Real estate	0	5	79	203	44	0	587	918	0	201	0	1,118	167
Services	0	0	2	100	179	0	115	396	287	0	0	683	249
Technology and electronics	24	0	38	0	59	0	89	210	100	0	0	309	11
Telecommunications	0	0	0	235	105	0	6	346	99	0	0	444	114
Transportation	0	58	32	37	0	0	153	279	26	0	0	305	-81
Utilities	0	2	36	305	96	0	43	482	0	0	0	482	-24
Others	0	26	0	0	20	0	17	63	3	33	0	99	17
Asset-backed securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	2,762	54	0	0	0	0	0	2,816	0	0	0	2,816	-431
Funds	0	0	0	0	0	0	157	157	911	742	0	1,810	-40
Clearing house	0	0	0	0	0	0	0	0	0	0	51	51	34
Total excluding Topdanmark	**3,529**	**2,933**	**3,316**	**2,625**	**868**	**0**	**1,905**	**15,175**	**2,937**	**1,006**	**66**	**19,183**	**-427**
Change from 31 Dec 2017	**-471**	**144**	**-831**	**235**	**425**	**0**	**20**	**-478**	**-204**	**215**	**40**	**-427**	

Topdanmark												**Total**
Group excluding life insurance	1,511	0	75	1	1	0	147	1,734	99	98	262	2,194
Life insurance	2,409	0	94	11	14	0	356	2,884	407	944	336	4,571
Total Topdanmark	**3,920**	**0**	**169**	**12**	**15**	**0**	**503**	**4,618**	**507**	**1,042**	**598**	**6,765**

Most of the financial institutions and covered bonds are in the Nordic countries as can be seen in the table Fixed Income Investments in the Financial Sector, Sampo Group Excluding Topdanmark, 31 December 2018.

The public sector exposure includes government bonds, government guaranteed bonds and other public sector investments as shown in the table Fixed Income Investments in the Public Sector, Sampo Group Excluding Topdanmark, 31 December 2018. The public sector has had a relatively minor role in Sampo Group's portfolios and these exposures have been mainly in the Nordic countries. In Topdanmark's portfolios AAA rated government bonds and covered bonds have a material role.

Fixed Income Investments in the Financial Sector

Sampo Group Excluding Topdanmark, 31 December 2018

EURm	Covered bonds	Cash and money market securities	Long-term senior debt	Long-term subordinated debt	Total	%
Sweden	1,769	6	745	111	**2,630**	28.7%
Finland	112	1,675	487	355	**2,629**	28.7%
Norway	586		274	296	**1,156**	12.6%
United States			696		**696**	7.6%
Denmark	205		196	162	**563**	6.1%
United Kingdom	12	251	149	17	**429**	4.7%
Netherlands			271	22	**293**	3.2%
Canada	115		87		**202**	2.2%
France		98	71		**169**	1.8%
Australia	18		105		**123**	1.3%
Switzerland			98		**98**	1.1%
Iceland			39	30	**69**	0.7%
Germany			32	0	**32**	0.4%
Guernsey			26		**26**	0.3%
New Zealand			19		**19**	0.2%
Estonia		16			**16**	0.2%
Bermuda				10	**10**	0.1%
Cayman Islands			3		**3**	0.0%
Total	**2,816**	**2,045**	**3,297**	**1,003**	**9,162**	**100.0%**

Fixed Income Investments in the Public Sector

Sampo Group Excluding Topdanmark, 31 December 2018

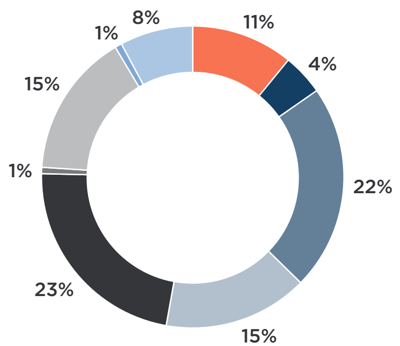
EURm	Governments	Government guaranteed	Public sector, other	Total
Sweden	89		416	506
Norway			298	298
Finland		26	58	84
United States	44			44
Japan			18	18
Denmark		10		10
Total	**133**	**36**	**789**	**958**

The listed equity investments of Sampo Group totaled EUR 3,470 million at the end of year 2018 (3,749). At the end of year 2018, the listed equity exposure of If was EUR 1,113 million (1,448). The proportion of listed equities in If's investment portfolio was 10.0 per cent. In Mandatum Life, the listed equity exposure was EUR 1,334 million at the end of year 2018 (1,578) and the proportion of listed equities was 23.8 per cent of the investment portfolio. In Topdanmark Group, the listed equity exposure was EUR 534 million at the end of year 2018 (608). Within Topdanmark Group, the allocation to listed equity is higher in the life company.

The geographical core of Sampo Group's equity investments is in the Nordic companies. The proportion of Nordic companies' equities corresponds to 53 per cent of the total equity portfolio. This is in line with Sampo Group's investment strategy of focusing on Nordic companies. However, these Nordic companies are mainly competing in global markets, only a few are operationally purely domestic companies. Hence, the ultimate risk is not highly dependent on the Nordic economies. A breakdown of the listed equity exposures of Sampo Group is shown in the figure Breakdown of Listed Equity Investments by Geographical Regions, Sampo Group, 31 December 2018 and 31 December 2017.

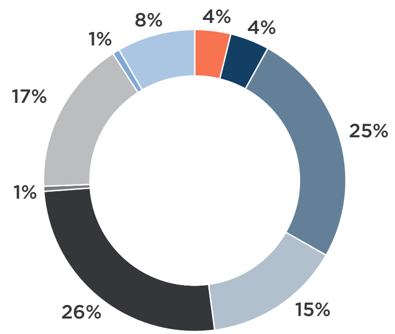
Breakdown of Listed Equity Investments by Geographical Regions
Sampo Group

31 December 2018
Total EUR 3,470 million



- Denmark 378
- Norway 153
- Sweden 765
- Finland 537
- Western Europe 782
- Eastern Europe 24
- North America 535
- Latin America 26
- Far East 271

31 December 2017
Total EUR 3,749 million



- Denmark 144
- Norway 157
- Sweden 945
- Finland 549
- Western Europe 973
- Eastern Europe 20
- North America 619
- Latin America 28
- Far East 313

Largest Holdings by Single Name

The largest exposures by individual issuers and counterparties are presented in the table Largest Exposures by Issuer and by Asset Class, Sampo Group Exluding Topdanmark, 31 December 2018. The largest single name investments in Topdanmark's portfolios are in AAA rated Danish covered bonds.

Largest Exposures by Issuer and by Asset Class

Sampo Group Excluding Topdanmark, 31 December 2018

Issuer, EURm	Total	% of total investment assets	Cash & short-term fixed income	Long-term fixed income, total	Long-term fixed income: Government guaranteed	Long-term fixed income: Covered bonds	Long-term fixed income: Senior bonds	Long-term fixed income: Tier 1 and Tier 2	Equities	Uncollateralized part of derivatives
Nordea Bank	1,675	9%	642	1,029	0	490	207	332	0	4
Skandinaviska Enskilda Banken	899	5%	539	359	0	207	140	12	0	1
Danske Bank	780	4%	500	272	0	118	128	26	0	7
Svenska Handelsbanken	638	3%	0	638	0	545	55	38	0	0
Swedbank	539	3%	0	539	0	315	193	30	0	0
Sweden	434	2%	0	434	0	0	434	0	0	0
Norway	405	2%	0	405	0	0	304	101	0	0
DnB	388	2%	0	388	0	179	107	102	0	0
BNP Paribas	387	2%	349	37	0	0	37	0	0	1
Saxo Bank	265	1%	0	2	0	0	0	2	264	0
Total top 10 exposures	**6,411**	**34%**	**2,029**	**4,104**	**0**	**1,855**	**1,605**	**643**	**264**	**14**
Other	12,576	66%								
Total investment assets	**18,986**	**100%**								

The largest high yield and non-rated fixed income investment single-name exposures are presented in the table Ten Largest Direct High Yield and Non-rated Fixed Income Investments, Sampo Group Excluding Topdanmark, 31 December 2018. Furthermore, the largest direct listed equity exposures are presented in the table Ten Largest Direct Listed Equity Investments, Sampo Group, 31 December 2018.

The exposures in fixed income instruments issued by non-investment grade issuers are significant, because a relatively small number of Nordic companies are rated. Further, many of the rated companies have a rating lower than investment grade -rating (high yield).

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

Sampo Group Excluding Topdanmark, 31 December 2018

Ten largest direct high yield and non-rated fixed income investments	Rating	Total, EURm	% of total direct fixed income investments
High Street Shopping	NR	155	1.0%
Sponda	NR	114	0.8%
TDC	B+	98	0.7%
Teollisuuden Voima	BB+	96	0.6%
Sparebank 1 Boligkreditt	NR	81	0.5%
Evergood 4 ApS	B+	79	0.5%
Saab	NR	58	0.4%
Ellevio	NR	50	0.3%
Grönlandet Södra	NR	49	0.3%
Veningen	NR	49	0.3%
Total top 10 exposures		**827**	**5.6%**
Other direct fixed income investments		13,999	94.4%
Total direct fixed income investments		**14,826**	**100.0%**

Ten largest listed equity investments	Total, EURm	% of total direct equity investments
Saxo Bank	264	13.0%
Intrum	138	6.8%
Amer Sports	105	5.2%
Volvo	105	5.2%
Nobia	87	4.3%
Veidekke	74	3.7%
Asiakastieto	72	3.6%
ABB	67	3.3%
Telia Company	64	3.2%
Sectra	58	2.9%
Total top 10 exposures	**1,033**	**51.1%**
Other direct equity investments	988	48.9%
Total direct equity investments	**2,021**	**100.0%**

Balance Sheet Concentrations

In general Sampo Group is structurally dependent on the performance of the Nordic economies as already described earlier. Sampo Group is also economically exposed to the low level of interest rates. The lower the rates and the flatter the yield curve, the more challenging the environment is for the current business models especially when duration of insurance liabilities is longer than asset duration in If and Mandatum Life. In Topdanmark interest rate risk of balance sheet is minor and hence Topdanmark is not increasing interest rate risk at the Group level.

Sampo Group would benefit materially in case interest rates would rise, because economic value of insurance liabilities would decrease more than value of assets backing them. At the same time net interest income of Nordea should increase as well.

The Role of Sampo plc

Sampo plc is a long-term investor in Nordic financials and a source of liquidity within the Group. Hence, the healthy funding structure and the capacity to generate funds if needed are on continuous focus.

As at 31 December 2018 Sampo had long-term strategic holdings of EUR 9,200 million and they were funded mainly by capital of EUR 7,890 million and senior debt of EUR 4,067 million. Average remaining maturity of senior debt was 5.2 years and EUR 1,600 million of it had a maturity longer than 5 years. Senior debt is used to fund other financial assets as well. The average maturity of subordinated loans and fixed income instruments of EUR 512 million was two years. Funding structure of strategic holdings and other holdings can be considered strong.

The capacity to generate funds is dependent on leverage and liquidity buffers which can be inferred from the table Balance Sheet Structure, Sampo plc, 31 December 2018 and 31 December 2017.

Balance Sheet Structure
Sampo plc, 31 December 2018 and 31 December 2017

EURm	31 Dec 2018	31 Dec 2017
Assets total	**12,073**	**10,939**
Liquidity	**1,447**	**1,199**
Investment assets	**770**	**235**
Real estate	2	2
Fixed income	23	58
Equity & private equity	745	175
Subordinated loans	**489**	**496**
Equity holdings	**9,200**	**8,958**
Subsidiaries	3,401	3,401
Associated	5,799	5,557
Other assets	**167**	**50**

EURm	31 Dec 2018	31 Dec 2017
Liabilities total	**12,073**	**10,939**
CPs issued	**124**	**293**
Long-term senior debt	**3,943**	**2,884**
Private placements	122	138
Bonds issued	3,821	2,746
Subordinated debt	**0**	**0**
Capital	**7,890**	**7,714**
Undistributable capital	98	98
Distributable capital	7,792	7,616
Other liabilities	**115**	**48**

The leverage of Sampo plc was modest at year end for example by these measures:

- The financial leverage measured as the portion of debt within all liabilities was 34 (29) per cent.
- Sampo's net debt of EUR 2,108 (1,424) million is modest when compared to Sampo's equity holdings and financial assets.

In regard to liquidity, the liquid funds of Sampo plc were EUR 1,447 (1,199) million. Liquidity is mainly affected by received and paid dividends as well as changes in issued debt instruments and changes in investments. Sampo's dividend payment takes place in April and it will significantly lower the liquidity position of Sampo. A significant portion of subordinated loans issued by group-companies (489) and a part of other investment assets (770) can be sold in case liquidity is needed. Short-term liquidity can be considered to be adequate.

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

Currently Sampo Group has a capital buffer in excess of minimum capital requirement. Because subordinated loans presented in the table Balance Sheet Structure, Sampo plc, 31 December 2018 and 31 December 2017 are issued by If, 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 and Sampo Group Solvency ratio would increase.

Sampo plc balances risks within Sampo Group. When Sampo plc is managing its funding, capital structure and liquidity it takes into account that some of its operative companies have other base currencies (SEK, DKK) than EUR and that all its operative business areas are exposed to low interest rates. These risks may affect Sampo's decisions on issuance of debt instruments and composition of liquidity portfolio.

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

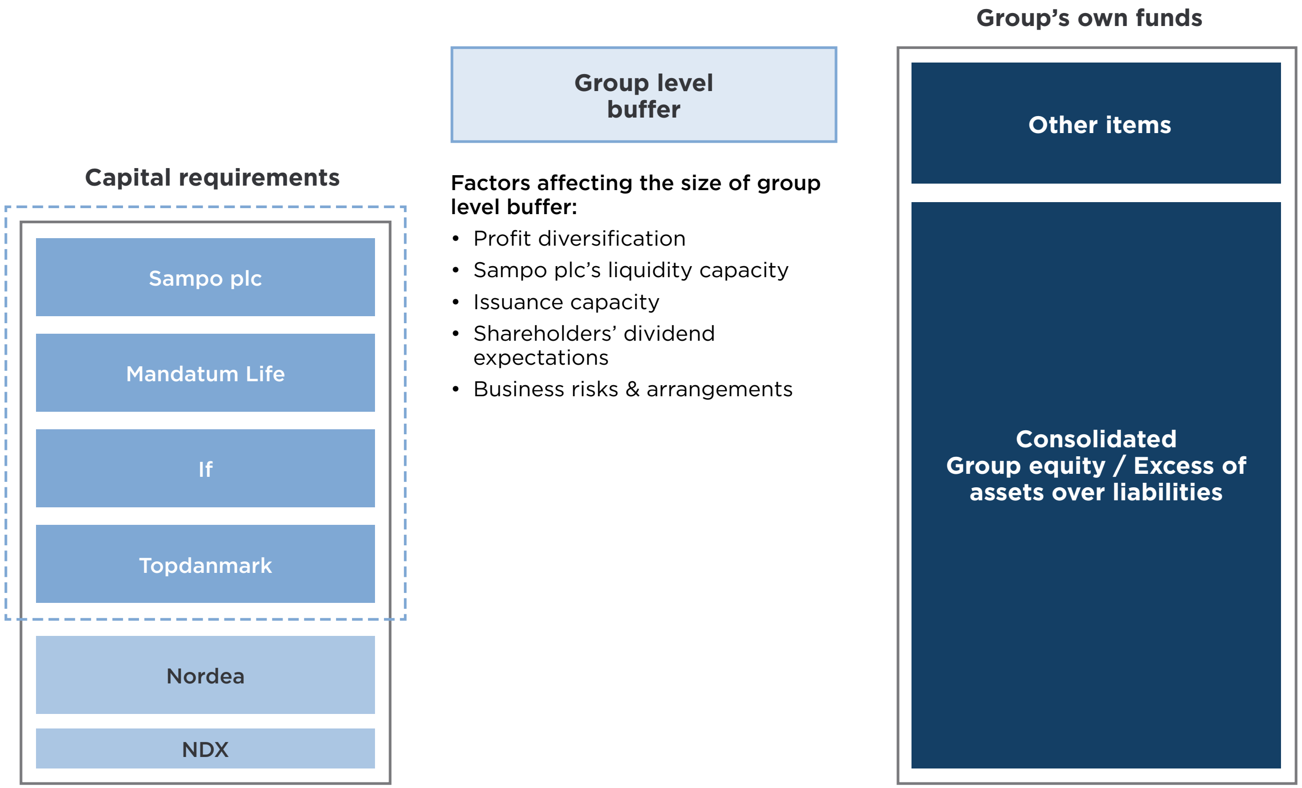
Sampo Group Capitalization

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 although for example the subordinated loans, which are eliminated from own funds, decrease the solvency. In addition, changes in the solvency capital requirements of the sub-groups have an effect on the level of capitalization in Sampo Group.

However, at Sampo Group level there are more factors affecting capitalization than at the sub-group level. These factors are illustrated in the figure Sampo Group's Capitalization Framework.

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 most of the time, because Sampo plc does not have any business activities of its own other than the management of its capital structure and liquidity portfolio. However, investments in the Nordic financial service companies increase Sampo plc's capital requirement.

Diversification benefit exists at two levels, within the companies and between the companies. The former is included in the companies' SCRs.

Conceptually, 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 and Topdanmark are converted from their reporting currencies to euros. When the reporting currencies of If and Topdanmark depreciate, the actual amount of Group's capital in euros decreases and the capital requirements of If 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 is realized 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 correlation of sub-groups' reported profits, parent company's capacity to generate liquidity, probability of strategic risks and arrangements and shareholders' dividend expectations.

SAMPO PLC'S FINANCIAL STATEMENTS

Sampo plc's Financial Statements

Income Statement

EURm	Note	2018	2017
Other operating income	1	17	18
Staff expenses			
Salaries and remunerations		-9	-16
Social security costs			
Pension costs		-2	-1
Other		0	-1
Other operating expenses	2	-14	-14
Operating profit		**-8**	**-14**
Financial income and expense	4		
Income from shares in Group companies		1,084	890
Income from other shares		588	563
Other interest and financial income			
Group companies		12	21
Other		27	16
Other investment income and expense		-36	-66
Other interest income		25	11
Interest and other financial expense		-63	-50
Exchange result		41	26
Proft before taxes		**1,669**	**1,396**
Income taxes		0	0
Profit for the financial year		**1,669**	**1,396**

Balance Sheet

EURm	Note	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment			
Buildings		1	1
Equipment		2	2
Other			
Investments		3,401	3,401
Shares in Group companies	5	261	266
Receivables from Group companies		5,799	5,557
Shares in participating undertakings		227	230
Receivables from participating undertakings	6	745	175
Other shares and participations	7	23	58
Short-term receivables			
Deferred tax assets	14	15	3
Other receivables	8	83	20
Prepayments and accrued income	9	68	26
Cash at bank and in hand		1,447	1,199
TOTAL ASSETS		**12 073**	**10 939**

EURm	Note	2018	2017
LIABILITIES			
Equity	10		
Share capital		98	98
Fair value reserve		-3	45
Invested unrestricted equity		1,527	1 527
Other reserves		273	273
Retained earnings		4,328	4,376
Profit for the financial year		1,669	1,396
		7,890	**7,714**
Liabilities			
Long-term liabilities			
Bonds		3,943	2,884
Short-term liabilities			
Debt securities		124	293
Other liabilities	12	56	11
Accruals and deferred income	13	59	36
TOTAL LIABILITIES		**12,073**	**10,939**

Statement of Cash Flows

EURm	2018	2017
Operating activities		
Profit before taxes	1,669	1,396
Adjustments:		
Realised gains and losses on investments	-11	-8
Other adjustments	-639	-502
Adjustments total	**-649**	**-509**
Change (+/-) in assets of operating activities		
Investments *)	-609	119
Other assets	-74	-17
Total	**-683**	**102**
Change (+/-) in liabilities of operating activities		
Financial liabilities	27	7
Other liabilities	28	-47
Paid interests	-2	-39
Paid taxes	13	-12
Total	**65**	**-91**
Net cash from operating activities	**401**	**898**

EURm	2018	2017
Investing activities		
Investments in group and associated undertakings	417	501
Financing activities		
Dividends paid	-1,444	-1,286
Issue of debt securities	1,482	1,042
Repayments of debt securities in issue	-609	-1,395
Net cash used in financing activities	**-571**	**-1,639**
Total cash flows	**248**	**-239**
Cash and cash equivalents at 1 January	1,199	1,439
Cash and cash equivalents at 31 December	1,447	1,199
Net change in cash and cash equivalents	**248**	**-239**

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

Additional information to the statement of cash flows:

EURm	2018	2017
Interest income received	42	40
Interest expense paid	-50	-62
Dividend income received	1,671	1,453

NOTES TO SAMPO PLC'S FINANCIAL STATEMENTS

Notes to Sampo plc's Financial Statements

Summary of Significant Accounting Policies

The presentation of Sampo plc's financial statements together with the notes has been prepared in accordance with the Finnish Accounting Act and Ordinance. The accounting 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 on the Income Statement 1–4

1 Other operating income

EURm	2018	2017
Income from property occupied for own activities	17	18
Other	0	0
Total	**17**	**18**

2 Other operating expenses

EURm	2018	2017
Rental expenses	-1	-1
IT expenses	-2	-2
External services	-6	-5
Other staff costs	-1	-1
Other	-5	-6
Total	**-14**	**-14**

Item Other includes e.g. administration fees.

3 Auditors' fees

EURm	2018	2017
Authorised Public Accountants Ernst & Young Oy		
Auditing fees	-0.2	-0.2
Tax consultancy	-0.1	0.0
Other fees	-0.2	-0.2
Total	**-0.4**	**-0.4**

4 Financial income and expense

EURm	2018	2017
Dividend income in total	1,671	1,453
Interest income in total	53	43
Interest expense in total	-63	-50
Gains on disposal in total	11	9
Exchange result	41	26
Other	-36	-71
Total	**1,677**	**1,410**

Notes on the Assets 5–9

5 Receivables from group companies

EURm	2018	2017
Cost at beginning of year	**266**	**298**
Additions	0	86
Disposals	-5	-119
Carrying amount at end of year	**261**	**266**

Receivables are subordinated loans issued by subsidiaries. More information in the consolidated note 28 Financial liabilities.

6 Other shares and participations

	2018	Fair value changes		2017	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	745	10	32	175	3	-15

7 Other investment receivables

	2018	Fair value changes		2017	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	23	0	19	58	4	-14

8 Other receivables

EURm	2018	2017
Trading receivables	1	1
Derivatives	1	0
Other	77	19
Total	**79**	**19**

9 Prepayments and accrued income

EURm	2018	2017
Accrued interest	24	13
Derivatives	40	3
Other	3	10
Total	**68**	**26**

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

	Restricted equity		Unrestricted equity			
EURm	**Share capital**	**Fair value reserve**	**Invested unrestricted capital**	**Other reserves**	**Retained earnings**	**Total**
Carrying amount at 1 January 2017	**98**	**28**	**1,527**	**273**	**5,624**	**7,549**
Dividends					-1,288	-1,288
Recognition of undrawn dividends					39	39
Financial assets available-for-sale						
- recognised in equity		24				24
- recognised in p/l		-6				-6
Profit for the year					1,396	1,396
Carrying amount at 31 December 2017	**98**	**45**	**1,527**	**273**	**5,772**	**7,714**

Distributable assets

EURm	**2018**	**2017**
Parent company		
Profit for the year	1,669	1,396
Retained earnings	4,328	4,376
Invested unrestricted capital	1,527	1,527
Other reserves	269	273
Total	**7,792**	**7,571**

11 Share capital

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

12 Other liabilities

EURm	2018	2017
Derivatives	14	4
Guarantees for derivate contracts	41	7
Other	1	1
Total	**56**	**11**

13 Accruals and deferred income

EURm	2018	2017
Deferred interest	26	14
Derivatives	22	6
Other	11	16
Total	**59**	**36**

Notes on the Income Taxes 14

14 Deferred tax assets and liabilities

EURm	2018	2017
Deferred tax assets		
Losses	14	14
Fair value reserve	1	-
Deferred tax liabilities		
Fair value reserve	-	-11
Total, net	**15**	**3**

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	2018	2017
Not more than one year	1	1
Over one year but not more than five years	4	4
Over five years	0	1
Total	**5**	**6**

Notes on the Staff and Management 17–19

17 Staff numbers

EURm	Average during the year 2018	Average during the year 2017
Full-time staff	62	56
Part-time staff	2	4
Temporary staff	1	3
Total	**65**	**63**

18 Board fees and management remuneration

EURk		2018	2017
Managing Director	Kari Stadigh	**4,143**	**3,690**
Members of the Board of Directors			
Björn Wahlroos		175	175
Christian Clausen		96	96
Jannica Fagerholm		115	115
Adine Grate Axén		96	96
Veli-Matti Mattila		90	90
Risto Murto		90	90
Antti Mäkinen		96	-
Eira Palin-Lehtinen		115	115
Per Arthur Sørlie		-	96

In accordance with the decision of the Annual General Meeting in 2018, the company has compensated the transfer tax related to the acquisition of the company shares, in total EUR 4,082.75 (EUR 928.50 pertaining to the Vice Chairman and EUR 3,154.25 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

EURk	Supplementary pension costs	Statutory pension costs	Total
Pension contributions paid during the year			
President/CEO[1]	400	148	548
Former Chairmen of the Board			
Kalevi Keinänen[2]	9	-	9
Former Presidents/CEO:s			
Harri Hollmen[3]	21	-	21
	430	**148**	**578**

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

[2] Group pension agreement with a retirement age of 60 years and a pension benefit of 66 per cent of the pensionable TyEL-salary (TyEL: Employee's Pension Act). The payment for 2018 is based on a TyEL index adjustment.

[3] Group pension agreement with a retirement age of 60 and a pension benefit of 60 per cent of the pensionable TyEL-salary. The payment for 2018 is based on a TyEL index adjustment.

Notes on Shares Held 20

20 Shares held as of 31 dec, 2018

Company name	Percentage of share capital held	Carrying amount EURm
Group undertakings		
P&C insurance		
If Skadeförsäkring Holding AB, Stockholm Sweden	100.00	1,886
P&C and life insurance		
Topdanmark A/S, Copenhague Denmark	48.90	1,398
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, 7 February 2019

Sampo plc

Board of Directors

Christian Clausen **Jannica Fagerholm** **Adine Grate Axén**

Veli-Matti Mattila **Antti Mäkinen** **Risto Murto**

Eira Palin-Lehtinen

Björn Wahlroos
Chairman

Kari Stadigh
Group CEO

Auditor's Report (Translation of the Finnish original)

To the Annual General Meeting of Sampo plc

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Sampo plc (business identity code 0142213-3) for the year ended 31 December, 2018. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 37 to the consolidated financial statements and note 3 to the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities *We refer to the Summary of significant accounting policies, Accounting policies regarding management judgment and key sources of estimation uncertainties and Notes 25 and 26.* At 31.12.2018 the Group has insurance contract liabilities representing amounting to mEUR 29.805 (31.12.2017: mEUR 30.158) which represents 82 % of the Group's total liabilities and it is thus the single largest liability of the Group. The insurance contract liabilities comprise life and non-life insurance contract liabilities. The life insurance contract liabilities are based on estimate of future claims payments. The estimate is based on assumptions which include uncertainty. Changes in assumptions can result in material impacts to the valuation of the liabilities. Key assumption areas include interest rate and life expectancy of policy holders. The estimation of non-life insurance contract liabilities involves significant assumptions to be made in provisions for claims outstanding. Key assumption areas include inflation rate and life expectancy of beneficiaries. The liabilities are based on a best estimate of ultimate cost of all claims incurred but not settled, whether reported or not, together with claims handling costs.	Our audit procedures included 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 internal actuarial specialists to assist us in assessing the appropriateness of assumptions used. We assessed the adequacy of disclosures relating to insurance contracts liabilities.

Valuation of financial assets

We refer to the Summary of significant accounting policies, Accounting policies regarding management judgment and key sources of estimation uncertainties and Notes 9 and 14-19.

The Group's investment portfolio excluding investments in associates represents amounts to mEUR 33.363 (2017: mEUR 33.615 which represents 68 % of the Group's total assets. Fair value measurement can be subjective, specifically in areas where fair value is based on a model based valuation. Valuation techniques for private equity funds, non-listed bonds and non-listed equities involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could lead to different estimates of fair value. Specific areas of audit focus include the valuation of level 2 and 3 assets according to IFRS where valuation techniques use unobservable inputs. The investment portfolio include level 2 assets amounting to mEUR 8.086 and level 3 assets amounting to mEUR 2.148 (refer to note 17).

This matter is a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).

Our audit procedures included testing the effectiveness of controls in place over recording fair values of assets using unobservable input.

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.

Associated company Nordea

We refer to the Summary of significant accounting policies and note 13.

The value of the Nordea shares in the consolidated balance sheet amounts to mEUR 7.535 (31.12.2017: mEUR 7.578). 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 15% of the Group's total assets.

The book value of the Nordea holding exceeded the market value of the Group's ownership at the reporting date, due to which an impairment test has been prepared at 31.12.2018.

Our audit procedures included testing the effectiveness of controls in place over recognizing the Group's share of Nordea's financial information.

Our audit procedures included, among others, involving our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group in preparing the impairment test.

We assessed the adequacy of disclosures relating to associated companies.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 10.4.2002, and our appointment represents a total period of uninterrupted engagement of 17 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors with referred statements and the Corporate Governance Statement, Remuneration report and the Group CEO's review, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the other reports and statements mentioned above are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions based on the assignment of the Audit Committee

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 27 February 2019

Ernst & Young Oy
Authorized Public Accountant Firm

Kristina Sandin
Authorized Public Accountant

2018

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