SAMPO GROUP

IFRS 17 Update

Sampo Group briefing to investors and analysts

1 DECEMBER 2022

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Disclaimer

This presentation may contain forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Sampo believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

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Any IFRS 17 or IFRS 9 related information including any assessment or expectations included in this presentation are based on Sampo Group's preliminary views and are subject to change.

IFRS17/9 not expected to materially change Sampo's financials

No effect on the operational business or business mix

No effect on balance sheet targets, solvency or capital management

No changes in financial targets, limited impact on P&C KPIs

New standard to change the structure of financial statements

Overview of key accounting changes and effects

P&C operations

- P&C operations set to use the simplified Premium Allocation Approach (PAA)
- Introduction of risk adjustment and discounting of claims
- Assumptions and methodologies to reflect entity-specific circumstances

Sampo Group

- Structure of the P&L to reflect key sources of profit
- Mark-to-market effects of assets and liabilities to be taken through net profit
- Comparative IFRS 17 figures to be restated for 2022
- No restatement of IFRS 9 figures

Simplified methodology used for majority of the business

PAA to be used for P&C insurance operations, accounting for 80%-85% of PBT*

**2021 IFRS 4 profit before taxes adjusted for Nordea-related and e.o. items*

IFRS 17 briefing	FY 2022 results	Press release	FY 2022 financial statements	Q1 2023 result
Conceptual overview of IFRS 17/9 effects	Transition effects and opening balance	Release of IFRS 17 comparative numbers	Details of transition effects	First disclosure of results under IFRS 17/9
1 December 2022	10 February 2023	End of March 2023	4 April 2023	10 May 2023

Wider discounting of claims reserves to drive increase in equity

Key assumptions and effects

Discounting

- All claims reserves discounted under IFRS 17, whereas only a small part of reserves was discounted under IFRS 4
- Bottom-up approach applied consisting of a separate risk-free-rate and additional illiquidity premium

Risk adjustment

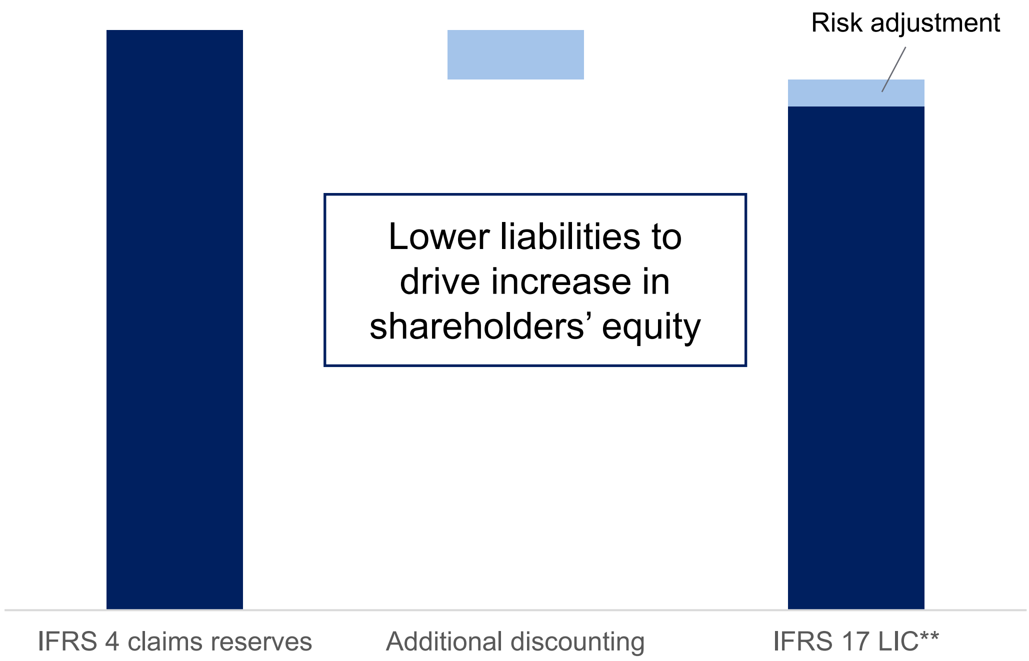
- Risk adjustment derived through confidence level technique and aggregated to Sampo Group level
- Sum of IFRS 17 best estimate and risk adjustment expected to be comparable to IFRS 4 claims reserves

Other items

- Assets and liabilities reduce due to reclassification of DAC and premium receivables to liability for remaining coverage (LRC*)
- Insignificant effect from introduction of loss component related to onerous contracts

P&C claims reserves expected to decrease

Sampo Group P&C claims reserves – illustrative effect



**LRC = liability for remaining coverage*
***LIC = liability for incurred claims*

Illustrative effect – potentially subject to change

Limited positive effect expected on Sampo's P&C KPIs

Summary of key effects Sampo's P&C disclosures

- Limited changes in P&C insurance revenue – Sampo to continue disclosure of gross written premiums
- Small positive effect on the combined ratio from **broadening of discounting**
- Prior year development will **no longer include changes to discount rates** - these will instead be taken through the net financial result
- Underwriting ratios to be disclosed on a net of reinsurance basis, with the ceded result reported in one line

Key points

- ✓ No change in financial targets
- ✓ Limited changes to P&C KPIs
- ✓ No material change in net profit

Underwriting components of IFRS 17 P&L

Profit or loss item	Component/meaning
Insurance revenue	Gross premiums and release of LRC
less Insurance service expenses	Claims and expenses
less Reinsurance result	Ceded premiums and claims
Insurance service result	**Sum of insurance revenue and costs**
plus broker income & expense	Hastings related items
Underwriting profit	**Total technical profitability**

If P&C: small combined ratio benefit expected on run-rate basis

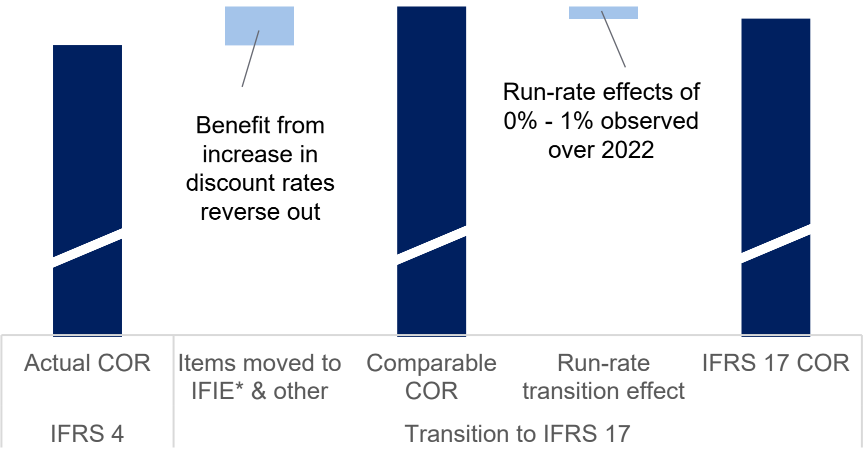
Summary of key changes to If's KPIs

- Claims reserves discounted using market rates under IFRS 17 – under IFRS 4 only annuity reserves (c40% of claims reserves) were discounted
- Each 1% increased in discount rates equates to a combined ratio improvement of just below 1 percentage point
- Changes in discount rates taken through net financial result under IFRS 17, whereas these were included as prior year development in IFRS 4
- The combined ratio will remain on a net of reinsurance basis
- Education/development costs to remain in the insurance service result and cost/expense ratios to keep focus on managing all costs that hit profits
- Reclassification of reinsurance items expected to add 30bps to cost/expense ratios – no effect on actual costs or the cost reduction target

No change to strategy, products, operations, financial strength or targets

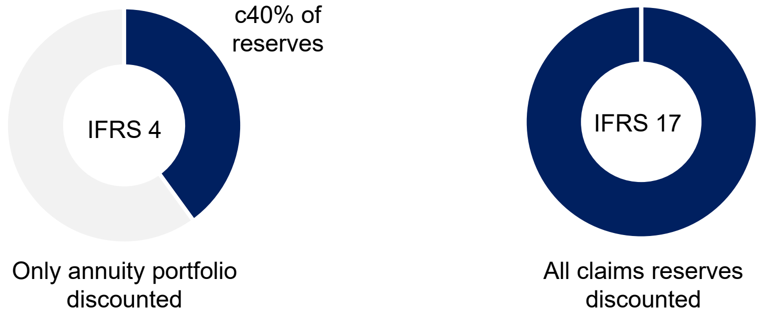
IFRS 17 has a small positive effect on If's run-rate COR

If P&C combined ratio – illustrative figures



**IFIE = Insurance finance income / expense, which is part of the net financial result*

COR benefit driven by broadened discounting



Hastings: operating ratio to benefit from use of discount rates

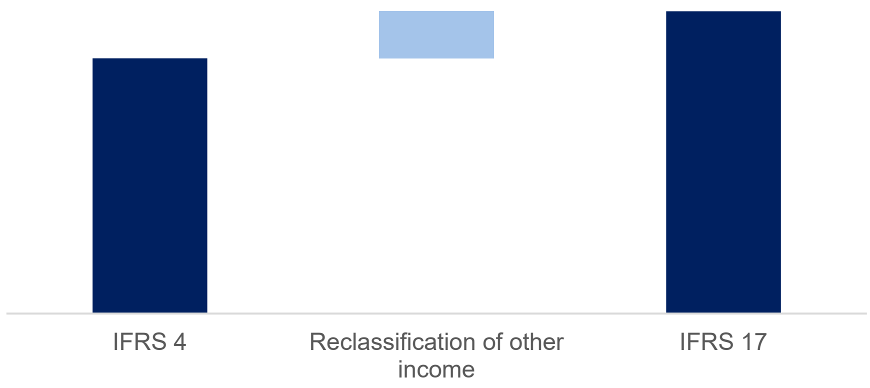
Summary of key changes to Hastings' KPIs

- Some underwriting items classified as other income/expenses under IFRS 4 to be reclassified into insurance revenue/expenses under IFRS 17
- The reclassification will lead to higher insurance revenue and a lower loss ratio but has no material effect on net profit
- Introduction of discounting to benefit the loss and operating ratios but will have no significant impact on net profit
- Each 1% increase in the discount rates is estimated to benefit the operating ratio by around 1 percentage point
- Operating ratio and loss ratio to remain on a net of reinsurance basis

No change to strategy, products, operations, financial strength or targets

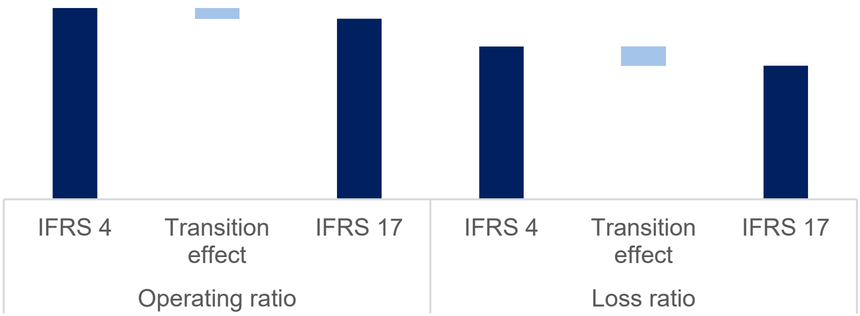
IFRS 17 revenue will increase due to reclassification

Hastings insurance revenue – illustrative data



Loss ratio affected by reclassification of revenue, effects on operating less significant

Hastings' operating ratio and loss ratio - illustrative data



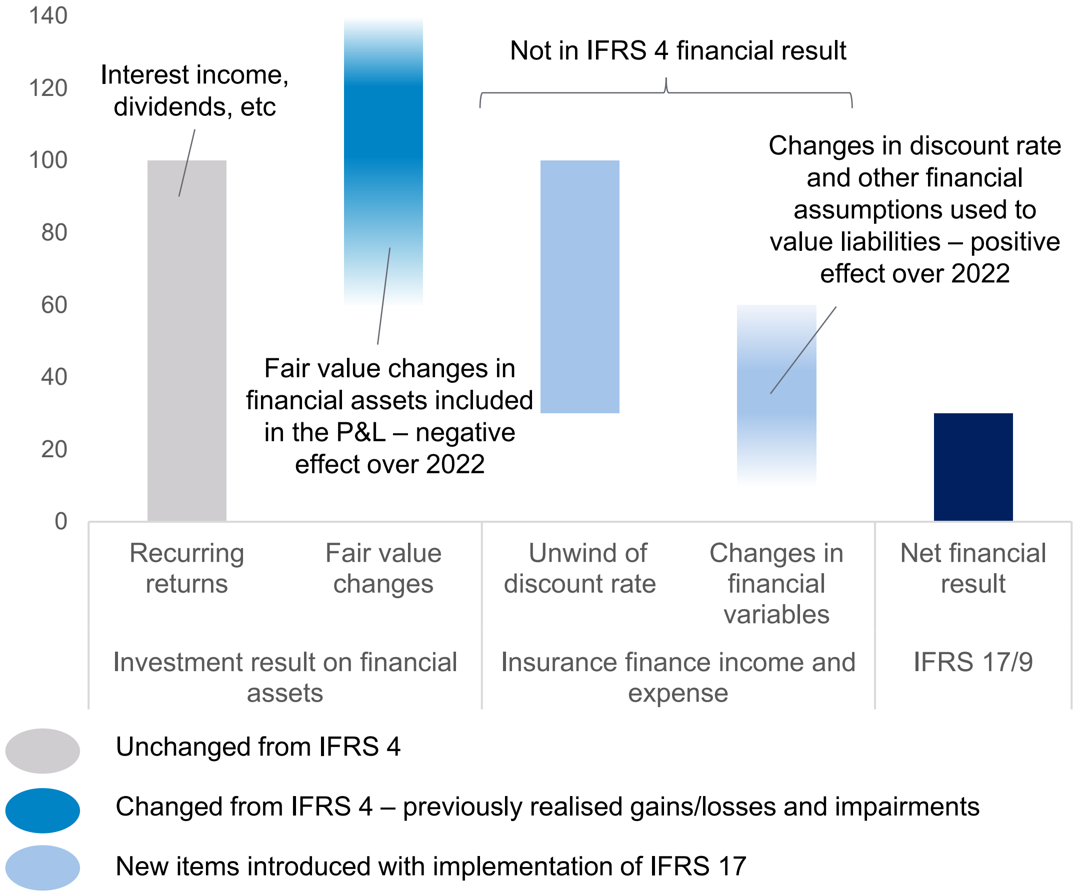
Significant changes in the composition of the financial result

Key changes expected

- Following the implementation of IFRS 9, Sampo will mark financial assets to market though the P&L instead of in OCI
- Only a minor amount of assets will be held at amortised cost and the effect of expected credit losses (ECL) is expected to be minor
- Limited effect on the balance sheet from IFRS 9 as financial assets are already mainly held at fair value
- Asset-side returns partly offset by introduction of unwind of discount rate in financial result, which represents a financial cost
- Effects from changes in financial variables, such as discount rates, on insurance liabilities will be through the net financial result in IFRS 17
- The impact of IFRS17/9 on Sampo's financial results will depend on financial market conditions in each individual reporting period

Under IFRS 17 changes in liability discount rates will be included in the net financial result

Illustration of main drivers of P&C net financial result – bars not to scale



Mandatum: With profit portfolio remains key profit and dividend driver

With profit (WP) business to remain main profit driver

- Net investment income from the With profit (WP) business will remain the key profit driver
- Insurance service result to be driven by Contractual service margin (CSM) release related to the IFRS 17 unit-linked business and risk policies
- CSM of EUR 0.4 bn expected to run of at around 7%-8% per annum
- No material impact from onerous contracts

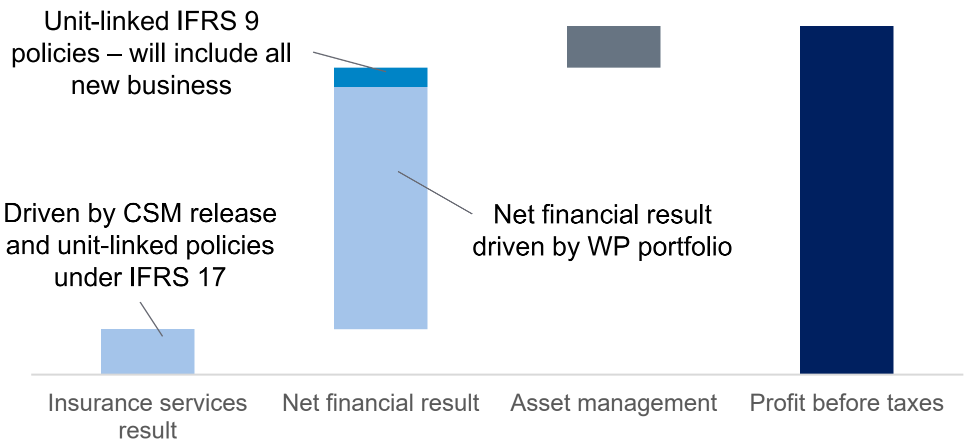
Large and growing share of Mandatum to fall outside of IFRS 17

- The unit-linked (UL) pension policies sold before 31 Dec 2022 (c30% of unit-linked) fall under IFRS 17 using the variable fee approach (VFA)
- The CSM will be limited and declining over time as UL savings policies (incl. all new UL business) are accounted for under IFRS 9
- Asset management business unaffected by IFRS17/9

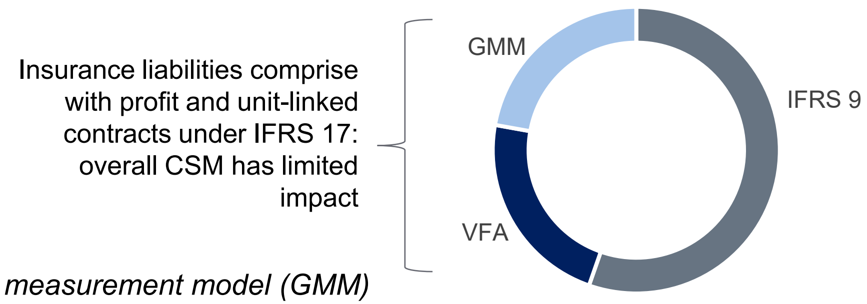
No change in solvency, capital generation or dividend capacity

Illustrative composition of Mandatum run-rate profits

Illustrative effect of main items included in Mandatum PBT



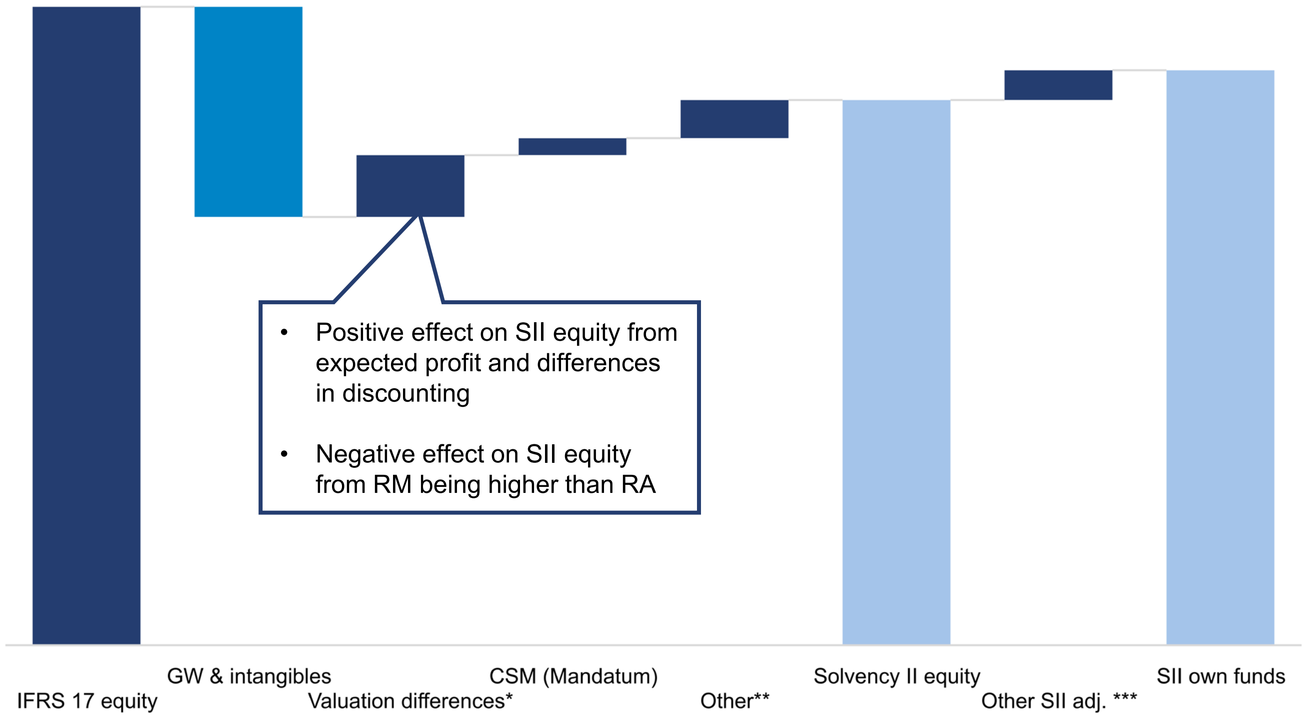
Illustrative mix of Sampo's life liabilities by valuation method



General measurement model (GMM)
Variable fee approach (VFA)
Illustrative effect – potentially subject to changes

IFRS 17 to increase alignment with Solvency II

Comparison of IFRS 17 equity to Solvency II own funds



* Insurance and investment contract valuation differences
** E.g. revaluation of subordinated debt and difference in deferred taxes
*** Mainly subordinated debt (+) and dividend & BBs (-)

Illustrative effect – potentially subject to changes.

- Solvency II (SII) will remain Sampo's regulatory capital framework - no impact on SII ratio from IFRS 17
- IFRS 17 will increase alignment with Solvency II
- The most notable differences relate to:
  - Risk adjustment (IFRS 17) / Risk margin (SII)
    - RA: Confidence level approach considered economically the most appropriate
    - RM: Cost of capital approach as defined by Solvency II
  - Discount rate
    - IFRS 17: Risk-free rate plus illiquidity premium based on high grade investment portfolio and EIOPA ultimate forward rate after last liquid point
    - SII: EIOPA curve with limited use of volatility adjustment
- Solvency II also allows the inclusion of some future profits in equity

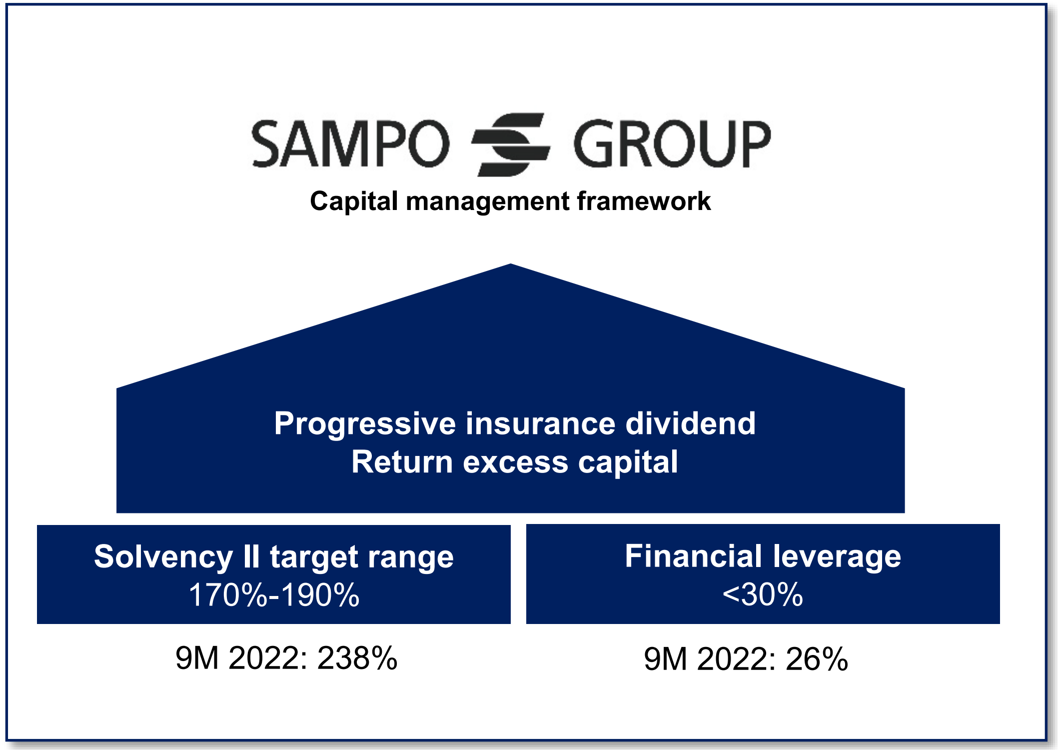
Capital management unaffected by IFRS 17/9 implementation

Sampo returns capital through a progressive annual dividend and periodic returns of excess capital

The introduction of IFRS 17/9 will not affect Sampo's solvency position or capital generation

Higher equity expected to drive slightly lower financial leverage under IFRS 17, based on existing leverage definition

EUR 1.70 p/s	EUR 1.0 bn	EUR 3-4 p/s
2021 insurance dividend	Ongoing buyback programme	Excess capital*



*Capital over and above the needs of Sampo Group's insurance operations as at 9M 2022, after allowing the ongoing buyback programme and dividend accrual based on the 2021 insurance dividend

IFRS17/9 has no effect on Sampo beyond accounting

Unaffected areas	Key accounting implications
Strategy, products, services & operations	Increase in equity and reduction in leverage
Solvency and balance sheet strength	Marginal improvement technical margins
Capital management	Net financial result to include fair value changes

Appendix

IFRS 17 will drive significant changes in the structure of the P&L

Key takeaways

- Change in how insurance service result is presented
- Separate presentation of underwriting and financial result
- Discounting effects are mainly part of the finance result

Preliminary – statement of profit or loss
Insurance revenue
Insurance service expenses
of which Claims incurred
of which Operating expenses
Reinsurance result
Premiums
Claims
Insurance service result
Net investment income
Net finance income from insurance contracts
Finance income from investment contract liabilities
Net financial result
Other income
Other expenses
Finance expenses
Profit for the reporting period before taxes

Main valuation changes

Revenue from insurance contracts:
- P&C: gross written premiums and change in LRC
- Life: expected incurred claims, release of CSM

Insurance service expenses:
- Claims incurred including discounting effect, risk adjustment and loss component
- Operating expenses including deferred acquisition costs

Fair value result on financial assets

Insurance contracts (IFRS 17) finance income/expenses
- Unwind of discount rate
- Effect of changes in interest rates and other financial assumptions

Other income and expense include for example Hastings' external brokerage result, asset management result, non-qualifying expenses and administrative expenses (outside insurance business)

Glossary

Term		Term	
Portfolio of insurance contracts	Insurance contracts subject to similar risks and managed together.	Risk adjustment for non-financial risk (RA)	The compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts.
Liability for incurred claims	An entity's obligation to: (a) investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses; and (b) pay amounts that are not included in (a) and that relate to: (i) insurance contract services that have already been provided; or (ii) any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the liability for remaining coverage.	Fulfilment cash flows	An explicit, unbiased and probability-weighted estimate (ie expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the entity fulfils insurance contracts, including a risk adjustment for non-financial risk.
		Insurance acquisition cash flows	Cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.
Liability for remaining coverage	An entity's obligation to: (a) investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred (ie the obligation that relates to the unexpired portion of the insurance coverage); and (b) pay amounts under existing insurance contracts that are not included in (a) and that relate to: (i) insurance contract services not yet provided (ie the obligations that relate to future provision of insurance contract services); or (ii) any investment components or other amounts that are not related to the provision of insurance contract services and that have not been transferred to the liability for incurred claims.	Contractual service margin (CSM)	A component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognise as it provides services under the insurance contracts in the group.

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Q&A

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Thank you!

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