Group's notes to the financial statements

Summary of material accounting principles

Sampo plc (business ID 0142213-3) is a Finnish public company listed in Helsinki Nasdaq. It is domiciled in Helsinki and the headquarters are at Fabianinkatu 27, 00100 Helsinki, Finland. The consolidated financial statements of Sampo Group include Sampo plc together with its subsidiaries and associates as of 31 December 2023. The group subsidiaries have insurance and financing activities in Finland, Sweden, Norway, Denmark, the Baltic countries, and the United Kingdom.

A copy of the Group's financial statements is available at the internet address **www.sampo.com**.

Basis of preparation

Sampo Group has prepared the consolidated financial statements for 2023 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 on 31 December 2023.

In the financial year of 2023, Sampo adopted two new standards IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*. The impact of these two standards on the Group's financial statements reporting is described in the section IFRS 17 and IFRS 9 transition.

The annual improvements or other amendments to the standards, adopted at the beginning of 2023, 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 going concern accounting assumption has been assessed by the Board and used in the preparation of the financial statements.

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 6 March 2024. In accordance with Limited Liability Companies Act, the Annual General Meeting has right to approve or reject the consolidated financial statements or change the statements after they have been issued.

Consolidation

Subsidiaries

The consolidated financial statements combine the financial statements of Sampo plc and all its subsidiaries. Companies in which the Group has control are consolidated as subsidiaries. Control exists when the Group has more than half of the voting power or it has power over the entity together with exposure to variable returns from its involvement there and the ability to use its power to affect the amount of these returns. 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. Acquisition-related costs are recognised through profit or loss. 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.

Non-controlling interests

The technical division of profit for the financial year and the total comprehensive income to the owners of the parent and non-controlling interests is presented after the statement of comprehensive income. The share of profits is attributed to non-controlling interests even if it should be negative.

Non-controlling interests are presented in the balance sheet separately as part of equity.

Non-controlling interests in an acquiree are measured either at fair value or as a proportionate share of net assets of the acquiree. The choice is made for each acquisition separately. At the end of the financial reporting period, Sampo's non-controlling interests were determined as the proportionate share of net assets of the acquirees.

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 the 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. During comparative period, exchange differences arising from non-monetary financial assets classified as available-for-sale financial assets were recognised 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 from an 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)	11.0960	11.4745
Danish krona (DKK)	7.4529	7.4510
Pound sterling (GBP)	0.8691	0.8697

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 are organised in accordance with the business segments. The Group's business segments are If, Topdanmark, Hastings, and Holding (including Nordea in 2022). Mandatum was presented as a segment until it was reclassified as discontinued operations during the first quarter of 2023.

Geographical information has been given on income from external customers and non-current assets. The reported areas are Finland, Sweden, Norway, Denmark, United Kingdom, 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.

Non-current assets held for sale and discontinued operations

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, and 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. In addition, the management must be committed to a plan to sell, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. The classification, presentation, and measurement requirements of non-current assets or disposal groups held for sale also apply to those that are held for distribution to owners acting in their capacity as owners.

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. Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset shall be measured in accordance with applicable IFRSs. If the fair value less costs to sell is the lower, an entity recognises an impairment loss at initial reclassification. Gains for subsequent increases in fair value are recognised through profit or loss. Once reclassified, any depreciation or recognition of associates' share of profit or loss on such assets ceases.

Income and expense recognition principles related to insurance contracts

The introduction of IFRS 17 changed the structure of the statement of profit or loss to reflect the key sources of profit. The insurance service result, comprising of insurance revenue, insurance service expenses, and reinsurance result, reflects the result relating to underwriting and servicing insurance policies. The net financial result reflects the impacts arising from financial components of insurance contracts.

Insurance revenue

Insurance revenue reflects the compensation that Sampo receives from the policyholder in return for the transfer of risk (insurance contract services) on an earned basis. The insurance revenue recognised in the reporting period is based on premium receipts and expected premium receipts allocated linearly over the underlying terms of the insurance contracts, i.e. based on the passage of time. The liability for remaining coverage is reduced with a corresponding amount as the insurance revenue.

Insurance service expenses

The insurance service expenses comprise of both claims incurred and operating expenses.

Claims incurred for the reporting period include claims payments during the period and changes in the liability for incurred claims. The change in liability for the incurred claims includes the changes in undiscounted best estimate, discounted risk adjustment and the changes in discounting effect due to changes in underlying best estimate or changes in payment patterns. The claims incurred also include claims handling expenses and changes in the loss component.

Operating expenses reported in the insurance service result relate to administrative expenses arising from the handling of insurance contracts. Additionally, the operating expenses include the acquisition cash flows recognised in profit or loss, where the liability for remaining coverage changes with a corresponding amount.

Reinsurance result

Reinsurance result comprises both reinsurance premium expenses and reinsurer's share of claims incurred. Reinsurance premium expenses related to reinsurance contracts held are recognised similarly to insurance revenue and reflect the premium payments attributable to the reporting period for the reinsurance contract services received. Any commissions received reduce the reinsurance premium expenses. The reinsurers' share of claims incurred is reported consistently with direct insurance expenses, including also changes in the risk of non-performance.

Insurance finance income or expense

The insurance finance income or expenses included in the net financial result reflect the impacts arising from financial components. These include changes in the liability for incurred claims related to changes in discount rates and time value of money (unwinding). Therefore, the effect from changes in interest rates as well as interest expense is presented in its entirety as insurance finance income or expenses. The effect of changes in indexation of annuities is also presented within insurance finance income or expenses. Amounts related to reinsurance contracts are presented separately. The option to present changes in discounting effect in other comprehensive income is not applied.

Net investment income

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.

Revenue from contracts with customers

Other income consists of income from insurance-related services provided, that do not involve a transfer of significant insurance risk, and are therefore accounted for under IFRS 15 *Revenue from contracts with customers*. Such income is primarily attributable to sales commission and services for administration, claims settlement, etc. in insurance contracts on behalf of other parties.

Furthermore, If Group's subsidiary Viking Assistance Group AS provides roadside assistance. Income from these services is recognised when roadside assistance has been provided.

The subsidiary Hastings has revenue from broker activities in accordance with IFRS 15 *Revenue from Contracts with Customers*. The revenue consists principally of fees and commissions relating to the arrangement of third party underwritten insurance contracts and ancillary products.

Revenue from insurance brokerage activities is recognised at the point of sale to the customer and revenue from other retail services is recognised when the service has been completed. Revenue arising from insurance broking activities is measured on an agency basis, net of cost, at the fair value of the income receivable after adjusting for any allowance for expected future cancellation refunds. Hastings may also provide contracts for the provision of other ad hoc, point-in-time services to customers. Such income is recognised when the performance obligation has been satisfied at the expected value of consideration.

In the consolidated financial statements, the fees and commissions from external broker activities are included in Other income or Other expenses.

Financial assets and liabilities

Sampo Group is applying IFRS 9 *Financial Instruments* from 1 January 2023. IFRS 9 superseded IAS 39 *Financial Instruments: Recognition and Measurement*. Sampo Group applied the temporary exemption regarding the adoption of IFRS 9 and implemented IFRS 9 at the same time as IFRS 17 *Insurance Contracts*. The IFRS 9 comparative figures 2022 were not restated. More details on the IFRS 9 transition are included in the section Transition to IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*.

Initial recognition and derecognition

Financial assets and liabilities are measured at the initial recognition at fair value. If the acquired financial assets and liabilities are not measured at fair value, transaction costs directly attributable to acquisition or issue are added or deducted respectively.

Purchases and sales of financial assets at fair value through profit or loss 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 other 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 substantially transferred all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

IFRS 9 Classification and measurement principles (applied 1 January 2023 onwards)

Financial assets are classified as being subsequently measured either at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL). Under IFRS 9, the majority of Sampo Group's financial assets are classified at fair value through profit or loss and only a limited amount of financial assets is measured at amortised cost. No financial assets are classified as FVOCI.

The classification of financial assets into these measurement categories is based on Sampo Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Business model reflects how the portfolios of financial assets are managed to achieve business objectives and to generate cash flows. The factors considered in determining the portfolio's business model include how the financial assets' performance is evaluated and reported to management, how risks are assessed and managed, past experience of how the cash flows have been collected, and how compensation is linked to performance.

Financial assets at fair value through profit or loss

Financial assets classified as at fair value through profit or loss include mainly investments in equity instruments and funds, debt instruments, and other loans.

Equity instruments are classified and measured at fair value through profit or loss.

Debt instruments, such as bonds and other interest-bearing securities, are classified as measured at fair value through profit or loss when the business model reflects the assets being managed and evaluated on a fair value basis. The instruments are initially recognised and subsequently measured at fair value. Transaction costs that are directly attributable to the issue or acquisition of the assets are expensed in profit or loss.

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 under net investment income.

Derivative instruments that are not designated as hedges and do not meet the requirements for hedge accounting are classified as financial assets at fair value through profit or loss. Derivatives 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 under net investment income.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost only if the objective of the business model is to hold a financial asset in order to collect contractual cash flows, and the contractual cash flows of the financial asset meet the SPPI criteria (solely payments of principal and interest - criteria, SPPI) i.e. it is consistent with basic lending arrangement. SPPI criteria is met when the financial instrument's contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortised cost comprise mainly debt instruments, loans, and receivables.

Financial assets measured at amortised costs are initially recognised at their fair value, including transaction costs directly attributable to the acquisition of the asset. Loans and other receivables are subsequently measured at amortised cost using the effective interest rate method.

Interest revenue is calculated using the effective interest rate method. Under IFRS 9 financial assets subsequently measured at amortised cost are subject to loss allowance, that is, expected credit losses (ECL) requirements.

Financial liabilities

Financial liabilities, including subordinated debt securities, debt securities in issue, and other financial liabilities, are subsequently measured at amortised cost using the effective interest rate method. Interest expenses and gains or losses on derecognition are recognised in the income statement.

Derivative financial liabilities are measured at fair value through profit or loss.

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.

IAS 39 Classification and measurement principles (comparative period 2022)

During the comparative year 2022, based on the measurement practice, financial assets and liabilities were 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. Accounting principles related to classification and measurement principles under IAS 39 are presented in full in the Financial Statements 2022.

Fair value

The fair value of financial instruments is determined primarily by using quoted prices in active markets. Instruments are measured either at a bid price or at the last trade price if there is an auction policy in the stock market of the price source. An exception are the syndicated loans which are measured at a mid-price because of the lower liquidity. 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 based on the relevant market prices of the component parts.

Fair values of financial assets are based on either published price quotations or valuation techniques based on market observable inputs, where available. If these are not available, 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. For a limited amount of assets, the value needs to be determined using these other techniques.

The carrying amount of cash and cash equivalents as well as settlement receivables included in other assets is used as an approximation of fair value.

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. 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.

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.

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 profit or loss, may be impaired. A financial asset is impaired and impairment losses are recognised based on the estimated future cash flows of the financial asset 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.

There is objective evidence of impairment, if, for example, an issuer or debtor 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. 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. In Sampo Group the impairment is assessed individually for each asset.

Financial assets measured at amortised cost

IFRS 9 introduced a forward-looking ECL model, which in Sampo Group is mainly applicable to financial assets measured at amortised cost. Impairment requirements do not apply to equity instruments or other financial instruments measured at FVPL. Expected credit losses reflect past events, i.e. historical loss experience, current conditions, and forecasts of future economic conditions.

IFRS 9 introduces a general approach for impairment in which a loss allowance is calculated either for 12-month expected credit losses or lifetime expected credit losses. A three staged model is used to determine the ECL at each reporting date. In stage 1, the credit risk has not increased significantly. Loss allowance is measured at an amount equal to 12-month expected credit losses. In stages 2 and 3, the credit risk has increased significantly since initial recognition and the loss allowance is measured at an amount equal to the lifetime expected credit losses. In stage 3, the financial asset is assessed to be credit-impaired (at default) and the interest is calculated on the credit-impaired amount instead of gross carrying amount.

In Sampo Group, the general approach is based on three components, namely probability of default (PD), loss given default (LGD), and exposure at default (EAD).

Derivative financial instruments and hedge accounting

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

Derivatives held for trading

Derivative instruments that are not designated as hedges 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.

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. During the financial year, cash flow hedging has been applied in Hastings.

Hedge accounting applies to hedges that are effective in relation to the hedged risk and meet the hedge accounting requirements of IFRS 9. 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.

Cash flow hedging

Cash flow hedging is used to hedge the interest cash flows of individual floating rate debt securities or other floating rate assets or liabilities. The hedging instruments used include currency forward contracts.

Derivative instruments which are designated as hedges and are effective as such, are measured at fair value. The effective part of the change in fair value is recognised in other comprehensive income.

The cumulative change in fair value is transferred from equity and recognised in profit or loss in the same period that the hedged cash flows affect profit or loss.

When a hedging instrument expires, is sold, terminated, or the hedge no longer meets the criteria for hedge accounting, the cumulative change in fair value remains in equity until the hedged cash flows affect profit or loss.

Leases

Group as lessee

All lease contracts are primarily recognised in the balance sheet in accordance with IFRS 16 *Leases*. The only optional exemptions include certain short-term contracts with a duration under 12 months or low-value contracts for which the lease payments can be recognised as an expense on a straight-line basis over the lease term.

Right-of-use assets related to lease contracts (right to use an underlying asset) are recognised in the asset side as part of Property, plant and equipment and the corresponding lease liabilities in the liability side as part of Other liabilities. A right-of-use asset is recognised at the commencement date of the lease and measured at cost that includes the amount of the initial measurement of the liability and potential prepaid rents to the lessor. Right-of-use assets are amortised on a straight-line basis over the lease period. Lease liability is also recognised at the commencement date and measured at the present value of the lease payments.

Depreciations on right-of-use assets and interests on the lease liabilities are recognised in the income statement.

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. Instead, it is tested at least annually for impairment.

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 the 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

Intangible assets with an indefinite useful life, such as brands and trademarks acquired in business combinations, are not amortised. Instead, they are tested at least annually for impairment.

Property, plant and equipment

Property, plant and equipment comprise properties occupied for Sampo's own activities, office equipment, fixtures and fittings, and furniture.

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses.

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

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

- Buildings 20-50 years
- Components of buildings 15-20 years
- Property and leasehold improvements 4-10 years
- IT equipment and motor vehicles 2-5 years
- Other equipment 3-15 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.

The impairment loss is reversed if there has been a change in circumstances and the recoverable amount has changed after the recognition of the impairment loss, but no more than to the carrying amount that it would have been without recognition of the impairment loss. Impairment losses recognised for goodwill are not reversed.

Insurance contracts

Sampo Group is applying IFRS 17 *Insurance Contracts* from 1 January 2023 and comparative figures are restated for 2022. Sampo Group's operations are focused on the P&C business and Sampo primarily uses the premium allocation approach (PAA) under IFRS 17. More details on IFRS 17 transition are included in the section Transition to IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*.

The risks involved in insurance contracts are widely elaborated in the Group's **note 37**.

P&C operations

Scope

In the Group's P&C insurance contracts, insurance risk is considered significant. Insurance contracts issued by third party underwriters (panel underwriters), which do not transfer any insurance risk to the Group companies, are not in the scope of IFRS 17 but instead accounted for under IFRS 15 *Revenue from Contracts with Customers*.

Insurance contracts containing one or more components within the scope of different accounting standards are accounted for separately. Sampo evaluates the insurance contracts to identify components from the contracts. For example, an insurance contract may include an investment component or a component for services other than insurance contract services (or both).

Level of aggregation

Insurance contracts are aggregated into portfolios of insurance contracts. The portfolios comprise contracts with similar risks that are managed together. These portfolios are further divided into annual cohorts, i.e. contracts not issued more than one year apart.

In Sampo Group's P&C operations, portfolios are determined based on a segmentation of business, or a combination of line of business (as defined by the management), business area and country. Portfolios are determined separately for each legal entity or based on product lines.

Sampo Group has identified some onerous contracts, but all in all their amount is insignificant.

The carrying amount of the portfolios of insurance and reinsurance contracts determines their presentation as assets or liabilities in the balance sheet.

Contract boundary

The initial measurement of a group of insurance contracts includes all future cash flows arising within the contract boundary. In determining which cash flows fall within the contract boundary, substantive rights and obligations arising from the terms of the contract, together with applicable laws and regulations, are considered.

In Sampo Group's P&C operations, the majority of contracts have a one-year contract boundary, typically until the next renewal date, i.e. contract has one-year coverage period during which there are substantive rights and obligations.

Measurement

IFRS 17 introduces a general measurement model (GMM) applicable to all insurance contracts to measure insurance contract liabilities. Under the general measurement model insurance contracts are measured based on future cash flows, adjusted to reflect the time value of money, including a risk adjustment, and a contractual service margin (CSM).

When certain eligibility criteria are met, insurers may apply a simplified approach, the premium allocation approach (PAA), for the measurement of insurance contracts. PAA is eligible for insurance contracts with a coverage period of one year or less. This approach is also available for contracts where the PAA would not materially differ from the results of the GMM. In Sampo Group's P&C operations, PAA is applied to all insurance contracts, because the coverage period for most of the insurance contracts is one year or less, and for longer insurance contracts the qualifying eligibility criteria are fulfilled.

The measurement of insurance liabilities consists of liability for remaining coverage (LRC) and acquisition cash flow asset, and liability for incurred claims (LIC), the latter including both reported but not settled claims as well as incurred but not reported claims (IBNR).

On initial recognition of P&C operations' groups of insurance contracts, the carrying amount of LRC is measured as premiums initially received less insurance acquisition cash flows. In case of onerous contracts, a loss component is recognised.

The acquisition cash flows reducing the carrying amount of LRC mainly include staff costs related to sales personnel and commissions, as well as certain costs related to selling policies through price comparison websites. Any overhead costs are expensed immediately. Sampo Group's P&C operations in the private business area have elected to recognise acquisition cash flows as an expense at the date when they are incurred. For other business areas, the acquisition costs are deferred over the coverage period of the contracts, generally one year, or longer in case of expected renewals.

Any acquisition cash flows paid, relating to a group of insurance contracts not yet recognised, are presented as a separate acquisition cash flow asset and included in the related portfolio's total carrying amount.

The liability for remaining coverage relates to the obligation to investigate and pay valid claims that have not yet occurred. At subsequent reporting periods, the carrying amount of LRC is increased by premiums received during the period and decreased by the amount recognised as insurance revenue for services provided in the period, which for most products is based on the passage of time (straight line basis). Consequently, any premium receipts pertaining to insurance services to be provided after the closing date, remain in this liability. The carrying amount is also increased for any premiums received in subsequent periods less additional insurance acquisition cash flows paid. The carrying amount of LRC is not discounted or adjusted with the effect of financial risk as the time between providing services and the related premium due date generally is no more than a year.

For groups of onerous contracts, a loss component is part of the liability for remaining coverage. The loss component is calculated as the difference between the liability measured with the general measurement model and with the premium allocation approach.

The liability for incurred claims (LIC) is intended to cover the future payments of all claims incurred, including claims not yet reported to the company and all claims handling expenses. Sampo Group measures the liability for incurred claims (LIC) for the group of insurance contracts at the amount of estimated fulfilment cash flows relating to incurred claims. Fulfilment cash flows consist of three components, namely expected cash flows, discounting and risk adjustment. The estimated future cash flows (best estimate) are calculated with the aid of statistical methods or through individual assessments of individual claims. Both the best estimate and risk adjustment are discounted to present value using standard actuarial methods and applying market-based yield curves. The curves are constructed based on a risk-free rate and an illiquidity premium for each of the main currencies.

Discounting

Sampo Group's P&C operations have determined the discount rates based on a bottom-up approach. The interest rate curve includes a risk-free rate (excluding credit risk adjustment) and an illiquidity premium for each currency. The illiquidity premium is mainly derived based on a portfolio of high-rated bonds for the liquid part of the interest rate curve. Beyond this, the curve converges to the ultimate forward rate, consistent with the EIOPA curves. Discount rates are constructed separately for the main currencies applied in Sampo Group's subsidiaries.

The discounting effect of current year liabilities for incurred claims and changes in the cash flows are recognised in the insurance service result. Unwinding of interest rates, effect of changes in interest rates and other financial assumptions are presented as insurance finance income or expense in profit or loss. Sampo Group has elected not to apply the OCI option allowed under IFRS 17.

Risk adjustment

IFRS 17 introduces an explicit risk adjustment included in the measurement of insurance liabilities. The risk adjustment reflects the cost of uncertainty associated with the amount and timing of cash flows arising from non-financial risk and the degree of risk aversion. The risks typically considered in P&C operations, when assessing risk adjustment, are reserve risk, longevity risk, inflation risk, and premium risk.

In Sampo Group, the risk adjustment is derived through a confidence level technique whereby management determines the appropriate quantile. The risk adjustment is calculated at the subsidiary level and aggregated into the consolidated Sampo Group level risk adjustment, without any diversification effects assumed. Under the premium allocation approach, the risk adjustment is only included in LIC, unless a group of insurance contracts is onerous.

Reinsurance contracts

The PAA model is applied to reinsurance contracts held. The corresponding accounting policies as for measuring the insurance contracts issued are applied when measuring the reinsurance contracts held. Thus, correspondingly to insurance liabilities for issued insurance contracts, the reinsurance assets for reinsurance contracts held consist of asset for remaining coverage and asset for incurred claims. The asset for incurred claims also takes into consideration the effect of the risk of non-performance by the issuer of the reinsurance contract.

Life operations

Sampo Group's life operations were reclassified as discontinued operations during the first quarter. Accounting principles related to life operations are presented in the **note 32**.

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 to which the obligation relates.

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 through profit or loss in pension costs. The actuarial gains and losses and the return of the plan assets (excluding 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 or net asset is recognised separately in the balance sheet.

The Group has also certain voluntary defined benefit plans which 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 2017 II as well as 2020 I, 2020 II and 2020 III 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. Hastings had also a share-based incentive scheme settled in cash during the financial year.

More information on the different incentive schemes of the Group companies can be found in **note 28** Incentive schemes.

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 are 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 to a large extent 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 considered 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 for 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, 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 liabilities and assets are offset in the individual companies if, and only if, they relate to income taxes levied by the same taxation authority and the company has a legally enforceable right of offset them.

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.

Treasury shares

The purchase price paid for buy-back of treasury shares (own shares) is directly deducted from equity. No gains or losses are recognised from purchase, sale, or cancellation of own shares. If own shares are re-issued, the difference between purchase price and consideration received is recognised in the premium reserve.

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 from other than associated companies are included in cash flows from operating activities. Dividends received from associates are presented in cash flows from investments. 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 have affected the revenue, expenses, assets, liabilities and contingent liabilities presented in the financial statements. Judgement is required 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 the 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 in all subsequent periods.

Insurance contracts

Sampo Group management applies judgement regarding the determination of discount rates and risk adjustment.

The interest rate curve includes a risk-free rate and an illiquidity premium determined by Management, which in Sampo Group is mainly based on a portfolio of high-rated bonds.

Risk adjustment is determined separately for all Sampo Group's companies and aggregated at the Group level. Management considers this to reflect the compensation that different entities would require for bearing non-financial risk and their degree to risk aversion. The confidence level approach is applied in the Group companies. The confidence level applied in calculating the risk adjustment is varying between group companies from 75 per cent to 85 per cent.

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 the 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.

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 about discount rates, but also about 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.

Impairment tests

Goodwill, 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 by using calculations based on the value in use. These require management estimates on matters such as future cash flows, the discount rate, and general economic growth and inflation.

Consolidation of Topdanmark as a subsidiary

According to IFRS 10 *Consolidated Financial Statements* an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

On 30 September 2017, Sampo's ownership of Topdanmark AS's shares was 44.2 per cent and 49.1 per cent of votes. At that time, Sampo's management thoroughly considered all the facts and circumstances required by the standard in assessing whether Sampo controlled Topdanmark and concluded that it should consolidate Topdanmark as a subsidiary in the consolidated financial statements. Considerations included, among other things, the fact that Sampo was the largest individual investor and Sampo was unaware of any agreements between the other investors. In addition, it was considered that Sampo had the power to direct Topdanmark's relevant activities, i.e., the activities that significantly affect the investee's returns. At the time of assessment, Sampo had three members in Topdanmark's Board of Directors, one of them being the Chairman. In total, there are 9 members on Topdanmark's Board and a vote of 50 per cent is required for the decision making, according to the Articles of Association. However, Sampo has the right, at its discretion, to convene an extraordinary general meeting to change the composition of the Board of Directors and therefore gain the majority of voting rights over the Board of Directors.

Discontinued operations

Sampo evaluated the reclassification principles set in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and IFRIC 17 *Distribution of Non-cash Assets to Owners*. As a result of the analysis, Sampo concluded that the demerger met the criteria set for arrangements considered as held for distribution to owners acting in their capacity as owners on 30 September 2023. Mandatum's assets and liabilities were reclassified as a disposal group held for distribution to owners and related liabilities on 31 March 2023.

The partial demerger was completed as planned on 1 October 2023. The first trading day for Mandatum on Nasdaq Helsinki was 2 October 2023. In the demerger, all the shares in Mandatum Holding Ltd (a wholly owned direct subsidiary of Sampo plc) and the related assets and liabilities were transferred without a liquidation procedure to Mandatum plc, a company incorporated in the demerger on the effective date.

In addition, a part of Sampo's general liabilities not allocated to any specific business operations were allocated to Mandatum plc. These liabilities cannot be legally transferred due to their nature, and therefore Sampo and Mandatum agreed on forming an equivalent debt relationship between them, amounting to EUR 102 million on 2 October 2023. Despite the allocation of general liabilities, Sampo's original liabilities in the balance sheet remain unchanged in the arrangement and Sampo plc will remain as the primary debtor towards the creditors.

Dividend liability on partial demerger

Sampo analysed the accounting principles set in IFRIC 17 *Distribution of Non-cash Assets to Owners* regarding the timing of recognition of liability for dividend payable. IFRIC 17.10 states that the liability to pay a dividend is recognised against the equity when the dividend is appropriately authorised and is no longer at the discretion of the entity. An entity shall measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed.

In September 2023, the Board of Directors completed the final evaluation of the conditions for completing the demerger. The dividend liability on the partial demerger of Mandatum was recognised in Sampo Group's balance sheet amounting to EUR 1,826 million. Sampo's management concluded that Mandatum segment's net assets represented the best estimate of Mandatum's fair value prior listing at the end of the reporting period Q3/2023.

The best estimate for the fair value of Mandatum Group was considered to be the weighted average share price during the first day of listing on 2 October 2023 in Nasdaq Helsinki. The average price of Mandatum's share was EUR 3.657, resulting in a dividend liability of EUR 1,835 million.

As the dividend liability recognised in September 2023 was EUR 1,826 million, Sampo recognised a difference of EUR 9 million in the last quarter of 2023. The income was recognised in the statement of comprehensive income as a part of the discontinued operations. In addition, Sampo recognised the loan receivable from Mandatum plc, both in the financial assets in the balance sheet and in discontinued operations in the statement of comprehensive income.

Change in reference point for disaggregation of IFRS 17 discounting effects in If

IFRS 17 *Insurance contracts*, implemented on 1 January 2023, requires insurance liability cash flows to be discounted at rates consistent with observable market prices, and for the effect of this to be disaggregated between the insurance service result and insurance finance income and expense. Following an analysis of the application of IFRS 17 over 2023, Sampo Group has decided to change the reference point used in If for disaggregation from the beginning of year to the beginning of quarter. This reflects the Group's practice of providing financial results for individual quarters, and a desire to align more closely with common market practise and the approach taken by other group companies.

The implementation of the new methodology for disaggregation is considered to be a change in accounting estimate, in accordance with IAS 8.32 *Accounting Policies, Changes in Accounting Estimates and Errors* and not a change in an accounting policy. Accounting estimates are amounts "that are subject to measurement uncertainty" and measurement techniques and inputs are used to develop an accounting estimate. Consequently, no restatement of comparative year (2022) is required (IAS 8.36). For more information, please see notes 1 and 3.

Application of new or revised IFRSs and interpretations

The Group will apply new or amended standards and interpretations related to the Group's business in the 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. The new IFRSs coming into effect in financial year 2024 will not have any significant influence on the Group's financial reporting.

Pillar II

Sampo Group is within the scope of Pillar II regulations (EU Minimum Tax Directive and OECD Safe Harbour rules). Sampo Group companies have applied a temporary mandatory relief from deferred tax accounting for any potential impacts of the top-up tax, and account for it as a current tax, should it occur.

Sampo Group will, as of fiscal year 2024, be subject to the global minimum top-up tax rules either at the ultimate parent entity level, by Sampo plc in Finland, or domestic top-up tax in the countries where Sampo Group companies operate, and where such rules are enacted.

Sampo is in the process of assessing its exposure to the global minimum top-up tax rules for when it comes into effect. The assessment does not indicate any material additional tax to be levied as a consequence of the top-up tax rules, apart from a possible exception in Gibraltar. Due to the complexities in applying the legislation and calculating GloBe income, there may still be top-up tax effects.

Transition to IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments

Summary of high-level impacts in Sampo Group

Sampo Group is applying IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* from 1 January 2023. Sampo Group's operations are focused on the P&C business and Sampo primarily uses the premium allocation approach (PAA) under IFRS 17. PAA requires changes in the calculation of insurance liabilities, including setting up an explicit risk adjustment for non-financial risk and discounting claims reserves with market rates.

The application of IFRS 9 did not have significant impacts on the measurement of Sampo Group's balance sheet items, as the main part of financial assets is currently reported at fair value in the balance sheet. However, under IFRS 9, the fair value changes of financial instruments are recognised in the statement of profit or loss, which may increase earnings volatility.

Implementation of IFRS 17 or IFRS 9 did not have an impact on the Solvency II calculations.

IFRS 17 Insurance Contracts

Transition approaches applied

On transition to IFRS 17 a full retrospective approach and restatement of the previous year's comparatives is required. However, if the application of a full retrospective approach is impracticable, then a modified retrospective approach or a fair value approach may be applied. A full retrospective approach was applied in the Group's non-life companies whereas all transition methods were applied in the Group's life company.

In the full retrospective approach, Sampo Group identifies, recognises and measures each group of insurance contracts as if IFRS 17 had always been applied and derecognised any existing balances that would not exist if IFRS 17 had always been applied. The resulting net difference was recognised in retained earnings.

Sampo Group's life operations applied the modified retrospective approach and fair value approach, when application of the full retrospective approach was impracticable. The choice of transition approach depended on the type of the product/portfolio, the issue date, and data availability.

When applying the fair value approach, Sampo Group's life operations were required to determine the contractual service margin or loss component of the liability for the remaining coverage at the transition date. as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at the same date. At the end of the reporting period 2023, Sampo Group does not have life operations due to the partial demerger and listing of Mandatum Group on 1 October 2023.

Opening balance sheet 1 January 2022

Sampo Group's opening balance sheet amounted to EUR 58.7 billion and equity to EUR 13.5 billion. Compared to the IFRS 4 closing balance sheet of EUR 61.1 billion, the opening IFRS 17 balance sheet decreased by EUR 2.4 billion. On transition to IFRS 17, both assets and liabilities decreased mainly due to reclassifications of premium receivables, and deferred acquisition costs from other assets to insurance liabilities in the balance sheet. Discounting of reserves decreased insurance liabilities, whereas introduction of risk adjustment increased insurance liabilities. The introduction of the loss component related to onerous contracts had only an insignificant impact on transition.

The net transition impact on the IFRS 17 equity was insignificant, amounting to EUR 14 million in the opening balance sheet.

The following table presents the IFRS 17 opening balance sheet, as of 1 January 2022.

EURm	1 Jan 2022
Assets	
Property, plant and equipment	373
Investment property	236
Intangible assets	3,660
Investments in associates	475
Financial assets	19,862
Financial assets related to unit-linked contracts	10,546
Deferred income tax	53
Insurance contract assets	41
Reinsurance contract assets	2,008
Other assets	712
Cash and cash equivalents	4,690
Non-current assets held for sale*	16,029
Total assets	**58,684**
Liabilities	
Insurance contract liabilities	18,266
Investment contract liabilities	7,239
Subordinated debts	2,016
Other financial liabilities	2,315
Deferred income tax	851
Other liabilities	1,532
Liabilities related to non-current assets held for sale*	13,010
Total liabilities	**45,228**
Equity	
Share capital	98
Reserves	1,530
Retained earnings	9,945
Other components of equity	1,231
Equity attributable to owners of the parent	**12,805**
Non-controlling interests	651
Total equity	**13,456**
Total equity and liabilities	**58,684**

** Topdanmark Life was classified as non-current assets held for sale on 1 January 2022 and the sale was completed on 1 December 2022. Topdanmark Life is accounted for under IFRS 17 in the opening balance 1 January 2022. Please see **note 33** for further information.*

IFRS 17 impacts on Sampo Group's non-life operations

The impact on the insurance contract liabilities due to the introduction of the new IFRS 17 components, including risk adjustment, deferred acquisition costs and additional discounting amounted to EUR -2 billion. The main impacts decreasing the insurance contract liabilities were due to the additional discounting effect and reclassifications. Under IFRS 17, all liabilities for incurred claims are discounted, whereas only a smaller part of reserves was discounted under IFRS 4.

IFRS 17 impacts on Sampo Group's life operations

In the IFRS 17 opening balance, insurance contract liabilities amounted to EUR 6.6 billion. Introduction of discounting, as well as the new IFRS 17 components, risk adjustment and CSM, increased the insurance contract liabilities. At transition, the CSM amounted to EUR 433 million.

A significant part of life insurance liabilities (unit-linked policies) is in the scope of IFRS 9, as these contracts do not include significant insurance risk or discretionary bonuses. In the opening balance sheet these investment contract liabilities amounted to EUR 7.2 billion. For contracts in scope of IFRS 9, expected profits are not presented as CSM.

At the end of reporting period 2023, Sampo Group does not have life operations due to the partial demerger and listing of Mandatum Group on 1 October 2023.

Equity bridge calculation between IFRS 4 and IFRS 17

Sampo Group assessed the impact that the application of IFRS 17 had on the Group's equity. Sampo Group's retained earnings decreased by EUR 7 million (of which revaluation of investment property was EUR 2 million), and other components of equity increased by EUR 23 million at 1 January 2022. Other components of equity increased due to the termination of shadow accounting related to the segregated group pension portfolio.

EURm	Share capital	Reserves	Retained earnings	Other components of equity	Non-controlling interests	Total
Equity 31 Dec 2021	**98**	**1,530**	**9,952**	**1,208**	**676**	**13,464**
IFRS 17 adjustments non-life companies			9		-32	-23
IFRS 17 adjustments life company			-18			-18
Tax impact			0		7	7
Other			2	23		25
Equity 1 Jan 2022	**98**	**1,530**	**9,945**	**1,231**	**651**	**13,456**

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* standard superseded IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard changed the classification and measurement of financial assets, and includes a new impairment model based on expected credit losses.

Sampo Group has applied the temporary exemption regarding the adoption of IFRS 9 *Financial Instruments* and implemented IFRS 9 at the same time as IFRS 17 Insurance Contracts i.e. on 1 January 2023. The IFRS 9 comparative figures 2022 are not restated.

Classification and measurement under IFRS 9

The table presents the changes in classification and measurement of the main financial assets and liabilities during the transition to IFRS 9. The implementation of IFRS 9 did not have a material impact on the measurement of the balance sheet, as the main part of the financial assets were reported at fair value under IAS 39 in the balance sheet, which is also the measurement principle under IFRS 9. Therefore, the new classification requirements did not have a material impact on total equity at the transition to IFRS 9

As financial assets classified as available for sale under IAS 39 are measured at fair value through profit or loss under IFRS 9, the equity reserve related to available-for-sale financial assets is transferred into retained earnings.

There were no changes in the measurement of financial liabilities on transition to IFRS 9.

Measurement category under IAS 39	Measurement category under IFRS 9	Carrying amount 31 Dec 2022 (IAS 39)	Transfer	Carrying amount 1 Jan 2023 (IFRS 9)
		EURm		EURm
Derivative financial instruments	Derivative financial instruments	79	—	79
Financial assets at fair value	Financial assets at fair value through profit or loss	3,045	—	3,045
Financial assets available for sale	Financial assets at fair value through profit or loss	16,048	—	16,048
Loans and receivables	Financial assets at amortised cost	296	—	296

The carrying amounts presented in the table above exclude the effect of expected credit losses. The effect is expected to be insignificant. Previously recognised incurred credit losses are included in the carrying amounts presented in the table.

Investments underlying unit-linked policies amounting to EUR 10.5 billion are excluded in the table.They are classified as at fair value through profit or loss both under IAS 39 and IFRS 9.