

A Decade of Increasing Dividends

Our insurance businesses once again reported excellent results despite the challenging investment climate. The Board proposes to the AGM that the dividend be increased for the tenth consecutive year.

2018 was a year of solid economic growth in Sampo's core markets in the Nordics and it provided a good operating environment for our subsidiaries and associated companies. However, it would appear that we have now reached the summit of this economic cycle. Markedly slower economic growth is forecast, although not total stagnation. We can therefore cautiously assume that the economic environment will also remain favorable in 2019.

The weaker economic prospects and increasing uncertainty have been reflected in interest rates. Interest rates are still expected to rise but at a significantly slower pace. The European Central Bank has stated that it will not raise interest rates before the fall of 2019. Meanwhile, Sweden's central bank, the Riksbank, has commenced the normalization of its monetary policy and raised the interest rate. Higher interest rates would obviously be beneficial to Sampo.



As regards the stock market, 2018 ended in a very different mood than the year began. In spring market continued to be buoyed by strong economic prospects and optimism, but uncertainty began to take hold as summer turned to fall. Growth concerns and political risks, as well as the trade negotiations of the United States in particular, have kept investors on their toes. Towards the end of the year, the stock market experienced its deepest plunge since the financial crisis. As the valuation of many shares was quite high after the prolonged uptrend, a healthy correction could actually be a good thing. No major erosion of profits has been evident as of yet, but it remains uncertain as to whether the macroeconomic outlook will provide enough support to the profit forecasts to be materialized.

Sampo Group once again reported good results for 2018. Profit before taxes was EUR 2,094 million (2,482). Without the non-recurring profit item caused by the change in Topdanmark's accounting treatment, the figure for the reference year was EUR 1,776 million.

As Group CEO of Sampo, I have promised our shareholders that I would strive to raise dividends each year. I am pleased to say that I have kept this promise. The Board proposes to the AGM in April that the dividend be increased for the tenth consecutive year. The dividend proposal for 2018 is EUR 2.85 per share.

Underwriting Still Going Strong

If's continuous and determined investments in the area of digitalization are reflected in better customer experiences and improved profitability. At 85.2 per cent, If's combined ratio was the best in the company's history, when excluding one-offs. If has managed to keep its combined ratio below 90 per cent for seven years now. This is a fantastic achievement!

If won new customers in all markets in 2018. The growth was particularly strong in Sweden, If's largest market, where the number of household customers increased by more than 4 per cent compared to 2017. The growth in the number of customers has also been realized as increased premiums, which were up 2.9 per cent in local currencies. As a result of this solid growth, If increased its dividend to Sampo plc to SEK 7 billion, or approximately EUR 675 million.

Meanwhile, Topdanmark's first complete year as Sampo's subsidiary was a success. The company's profit before taxes was EUR 199 million, with an excellent combined ratio of 82.3 per cent. Topdanmark also continued to enjoy solid growth. In non-life insurance, premiums increased by 1.7 per cent, and in life insurance by 18.6 per cent.

Like If, Topdanmark is also investing heavily in the digitalization of its business. As much as 62 per cent of

Topdanmark's claims are already reported digitally and the investments are beginning to bear fruit.

Topdanmark's Board proposes a dividend of DKK 15 per share to the AGM on 3 April. Sampo's share of the dividend will be EUR 84 million.

Mandatum Life thrived in spite of a challenging investment climate. Its profit before taxes was EUR 450 million, including a non-recurring compensation of EUR 197 million, which related to a cooperation agreement signed with Danske Bank. Mandatum Life's result was excellent even without this non-recurring item, and its expense result was the best in the company's history, at EUR 35 million.

Mandatum Life's premiums from unit-linked contracts reached a new record level of EUR 976 million in 2018. Meanwhile, the with profit technical reserves continued to decrease as planned, by approximately EUR 350 million from the previous year. In particular, the contraction of with profit reserves related to the higher guarantees, which tie up large amounts of capital, improves the company's dividend payment capacity to the parent company, Sampo plc. Regardless of the tumult in the capital markets in late 2018, Mandatum Life's focus area, unit-linked technical reserves, remained almost at the level of 2017 and represented 62 per cent of all technical reserves. Mandatum Life paid a dividend of EUR 300 million to Sampo plc in 2018.

Nordea's Turnaround Could be Faster

Sampo's share of Nordea's net result was EUR 625 million. Many things have been done well and are being done well at Nordea. In 2018, the company continued its major IT investments according to plan and moved its headquarter to Finland. However, the company continues to have plenty of unrealized potential.

Following the announcement by Björn Wahlroos that he would no longer be available for the Nordea Board, the Nomination Board proposes to the AGM on 28 March that Torbjörn Magnusson be elected Chairman of the Board. This will also streamline Sampo's governance model, as the future Group CEO and President will also serve as Chairman of the Board of the Group's largest associated company. In order to safeguard the continuity of financial expertise of Nordea's Board, three new members with a solid banking background are also being proposed to be elected to the Board.

Regardless of Nordea's weak result, the company's solvency remains good. The bank has also continued to reduce its risks according to plan and focused its operations on its core market, the Nordic countries. Nordea's Board proposes to the AGM a dividend of EUR 0.69 per share. If approved, it will bring Sampo EUR 594 million in dividends.

Time to Pass on the Torch

I have served as Group CEO and President of Sampo for ten years now. In fact, whilst my contract would have permitted me to retire more than three years ago, I have continued in my post at the request of the Board. However, I have now decided to move on and pass on the torch to Torbjörn Magnusson, who has been appointed the new Group CEO and President as of 1 January 2020 by Sampo's Board of Directors.

I am delighted that Torbjörn has decided to accept the position. His excellent track record since 2002 as CEO of If has been undisputable. In my position as Chairman of



If's Board, I have cooperated closely with him for 17 years, so I can truly say I know the man well. Torbjörn's appointment is also a proof of Sampo Group's strong corporate culture and bench strength. This is also demonstrated by the appointment of Morten Thorsrud, If's Head of Business Area Private, as Torbjörn's successor at the helm of If. I am positive that If and the whole Sampo Group will be in good hands.

Torbjörn will certainly bring straightforwardness and new energy to Sampo. However, our primary objective will remain the same: creating value for our shareholders. Torbjörn also shares my view regarding the importance of steadily increasing dividends to our shareholders. It has been gratifying to watch the growth in the number of our shareholders, and, in particular, private shareholders.

I would like to extend my heartfelt thanks to the shareholders who have placed their trust in Sampo, our customers, and the entire personnel of Sampo Group, during my decade as Group CEO. In particular, I wish to thank the Board of Sampo and its Chairman, Björn Wahlroos, for the confidence they have shown me and their excellent co-operation. I have learned a lot from Björn over the years, and we have achieved great results together. Although, we will no longer be colleagues, I know our friendship continues.

Kari Stadigh

Group CEO and President