

A Successful Year with Some Challenges



2019 proved to be another successful year for Sampo. The Group's P&C insurance operations continued to excel in underwriting and investment returns were good across all of the different businesses.

If reported a combination of strong premium growth and low combined ratios. If achieved a combined ratio of 84.5 per cent in 2019, while its premium income increased by 5.7 per cent. If managed to attract a large number of new customers with its excellent product offering, not least in the digital world. This growth represented a record high and is a very impressive number for a P&C company as it was approximately three times higher than the GDP growth across the Nordic countries last year.

I'm pleased to say that all of our Nordic business areas and countries experienced positive growth in 2019. In the business area Private, we reported strong growth in all countries. This growth was supported by increased customer satisfaction as a result of people engagement, as well as product improvements and innovation. The business area reported an excellent result and continuously improved risk and cost ratios.

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In the business area Commercial, we achieved healthy growth in Sweden and Norway, whereas developments in Denmark and Finland were more subdued. We continued to raise rates to meet the claims inflation, which was somewhat higher than in recent history. We also managed to continue to improve our cost ratio in this area.

In the business area Industrial, the growth was impressive in all countries. A best ever underwriting result was recorded thanks to the strong growth in combination with disciplined underwriting across all business units.

In a similar fashion, Topdanmark's P&C operation, also reported strong results and an excellent combined ratio. Topdanmark's life insurance company continued its impressive growth with a premium increase of 9.8 per cent.

Our Finnish life insurance subsidiary Mandatum Life reached an all-time high for its unit-linked savings as

equity values appreciated substantially during 2019. At the same time the company managed to increase the speed of running off the with-profit book, which resulted in an approximately EUR 300 million reduction in the book during the year.

In 2019 Nordea's redomiciliation to Finland placed an unexpectedly heavy stress on Sampo Group's capital structure as the capital requirement for Sampo's Nordea holding grew substantially. This was resolved by the distribution of a small proportion of Sampo's Nordea shares as an extra dividend to Sampo's shareholders in August 2019 which led to a change in the applicable solvency regime. At the end of 2019, we were back with a strong solvency ratio of 167 per cent.

A positive first step for Nordea

2019 was a year of big changes for Nordea, with new management and new financial targets. The fourth quarter of 2019 represented the first step toward meeting the 2022 financial targets. Whilst one quarter alone is a short period of time, progress was achieved in terms of capital, costs, and also high-quality income.

As an owner, it is gratifying to see the commitment and determination with which the new management is working towards realizing the new targets. I am convinced the

management and staff will continue the good work in the coming quarters.

Investment returns exceeded expectations

All of our insurance operations benefited from the strong equity markets in 2019, even though the beginning of the year proved to be challenging for the investment operations. The general view in the market was that interest rates would finally start to increase from their historically low levels. However, by late summer it became apparent to most market players that the low interest rates would stay with us longer than expected.

Whilst low interest rates are challenging for Sampo from a capital perspective, the decreasing interest rate environment offered good equity returns and it helped Sampo to produce excellent investment returns for 2019.

Committed to paying an attractive dividend

In October 2019, we stated that we no longer believe that the interests of either the company or its shareholders are best served by sticking to the plan of ever-increasing dividends. Therefore, Sampo's Board of Directors approved

a new dividend policy in February 2020. Based on this policy, Sampo will pay out at least 70 per cent of the net profit as dividends in the coming years. In accordance with the communication dated 6 February 2020, Sampo's Board has proposed a dividend of EUR 2.20 per share for 2019.

At Sampo, we are focused on creating shareholder value and we believe that this is best done over time by increasing the earnings of our operations. This is ultimately the only way to be able to pay attractive dividends to our shareholders in the long run.

Sampo is an insurance group

Sampo is not only an insurance group from the regulatory point of view. In a normal year with the current group structure, the insurance businesses would indeed produce some 70 per cent of Sampo Group's results before taxes. Reflecting on this, Sampo Group would definitely have looked very different had Björn Wahlroos and my predecessor Kari Stadigh not foreseen the huge potential for our P&C business almost two decades ago. I would also like to give my thanks to our Board – and obviously all of our employees working across all parts of the group. We would not be in this good position without all of your great efforts.

As the new CEO, I am looking optimistically at 2020. I believe that Sampo Group will prosper through our underwriting focus, in-depth knowledge about the markets, and the strong balance sheet. I expect the operating environment to provide both challenges and opportunities, and I look forward to meeting them with enthusiasm and confidence.

Torbjörn Magnusson

Group CEO and President