



Group CEO's Review

Excellent performance across the board

In 2021, Sampo Group delivered excellent financial results, structural simplification, and attractive capital returns.

Customer centricity and a strong underwriting culture have been the hallmarks of Sampo's insurance operations for several decades. We have consistently invested in our capabilities to ensure we deliver the best possible outcomes for our customers and shareholders. Therefore, I am delighted to report excellent financial results for 2021, which are supported by high customer satisfaction and retention rates, as well as attractive capital returns amounting to nearly EUR 3 billion.

A key part of Sampo's strategy is to increase the focus on our unique P&C insurance operations, as this is where we see the greatest potential for future value creation. We are the only operator with leading positions in all countries and customer segments in the attractive Nordic P&C insurance market, and we have a regional operating platform that allows us to benefit from our economies of scale. In addition, our presence in the digital UK P&C insurance market gives us an option to enhance medium-term earnings growth. In less than last 18 months, we have executed our strategy by cutting our Nordea stake by 70 per cent and we remain determined to continue to increase our focus on P&C operations.

“ Sampo is focusing on its unique P&C operations.

As a group, we operate in a stable environment as our businesses are mainly present in robust Nordic economies and P&C insurance markets. However, the asset side of our balance sheet is naturally correlated to global capital markets. At the start of 2022, the capital markets environment has become more uncertain than it was in 2021. This is partly due to geopolitical events, which may affect investment returns generated in 2022. However, I do not envisage it having any material impact on the strong underlying momentum of our business.

Outstanding results in P&C operations

Sampo Group delivered excellent results across all our operations in 2021. We achieved a group combined ratio of 81.4 per cent, well ahead of our below 86 per cent target. Meanwhile, underwriting profits grew by 19 per cent, excluding reported COVID-19 effects and the Hastings acquisition, exceeding our target of mid-single-digit growth annually on average in the 2021-23 period.

The result was supported by the excellent profitability of our largest subsidiary, If P&C, which achieved a combined

ratio of 81.3 per cent and an underwriting profit of EUR 891 million in 2021. This represented growth of 15 per cent year-on-year excluding COVID-19 effects, which is also ahead of the targets communicated at our capital markets day in February 2021.

If P&C's excellent financial results are underpinned by strong business trends, both in terms of the successful implementation of key operational initiatives and attractive profitability on new business and renewals. In Business Area Private, we delivered excellent retention of 90 per cent and growth in customer numbers to over 3.2 million households, most of whom have several products with us. Our customer proposition is supported by strong digital service capabilities that ensure both convenience and efficiency for our customers. This is evident not only in customer satisfaction rates, but also in the rapidly increasing use of our customer portal, MyPages, which recorded 11 million log ins in 2021 – a five-fold increase compared to just five years ago.

In Commercial and Industrial, we have taken resolute pricing action over recent years to address profitability. In Commercial, the increase in pricing is now enabling a greater focus on growth. To facilitate this, we are

strengthening our distribution capabilities, particularly in regard to smaller companies, where digital insurance services are increasingly relevant to our customer proposition. Meanwhile, the Industrial business area enjoyed another strong 1 January renewal in 2022 with rate increases ahead of claims inflation. We aim to further enhance profitability in the Industrial book over 2022 to ensure attractive returns on capital.

If P&C has also made great progress with its work in the area of sustainability. It has committed to setting science-based climate targets aligned with the Paris Climate Agreement and introduced ESG criteria based on the UN Global Compact in its underwriting processes. As a major risk transfer and capital provider in the Nordic region, we are determined to be a positive influence wherever we can make a difference.

Sampo's digital UK P&C insurance business, Hastings, performed well over 2021 with an operating ratio of 80.3 per cent, which was materially ahead of the 88 per cent target. It also achieved a small increase in customer numbers. Given the strong progress made to date, I am delighted that Sampo was able to increase its ownership in Hastings to 100 per cent in December 2021, as this will

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simplify governance and knowledge sharing between If and Hastings, and also entitle our shareholders to a greater share of future profits.

Looking beyond P&C underwriting, strong capital markets allowed us to generate attractive investment returns over 2021. If P&C delivered an investment return of 4.3 per cent, while Mandatum achieved 10.2 per cent on its assets. The benign capital markets environment also supported growth in Mandatum's third-party client assets, which increased by 21 per cent to EUR 11.1 billion, which was also supported by positive market movements and EUR 0.6 billion of net flows.

Strong momentum on group simplification

In February 2021, we formally announced that Sampo Group's strategic focus will be on creating value from P&C insurance and that the holding in Nordea will be materially reduced over the following 18 months. In this regard, during 2021, we made determined progress on this plan by reducing our holding in Nordea from 16 per cent to 6 per cent.

In total, the Nordea disposals generated gross proceeds of EUR 3.8 billion. Part of the proceeds have been retained to ensure that the group has a solid balance sheet and approximately EUR 800 million was used to increase our Hastings stake to 100 per cent. To ensure that our capital base is efficient, as well as strong, we will return the remaining capital through dividends and buybacks.

Record-high dividend proposal

Thanks to our strong operational results and strategic progress, the Board has proposed a record-high dividend of EUR 4.10 per share for our AGM to be held in May 2022. Of this dividend, EUR 1.70 per share represents the insurance dividend, which we have increased by 6 per cent year-on-year to reflect strong growth in underwriting profits. In addition to the dividend, we executed the EUR 750 million share buyback programme, taking total capital returns for 2021 to nearly EUR 3 billion.

Finally, I would like to take this opportunity to thank all our employees across the Nordics, Baltics, and UK for their hard work and dedication last year. The excellent result delivered by Sampo in 2021 is clearly the product of your outstanding efforts. I look forward to continuing our work in the future.

Torbjörn Magnusson

Group CEO and President