



SAMPO  GROUP

2022

Risk Management Report



Contents

| | | | | | |
|---|-----------|--|------------|--|--|
| Sampo Group's structure and business model | 3 | | | | |
| Sampo Group and Sampo plc | 7 | | | | |
| Classification of risks | 7 | | | | |
| Core risk management activities | 12 | | | | |
| Sampo Group risk profile..... | 13 | | | | |
| Underwriting risks at Sampo Group | 14 | | | | |
| Market risks at Sampo Group level..... | 17 | | | | |
| The role of Sampo plc | 25 | | | | |
| Sampo Group capitalisation..... | 28 | | | | |
| If Group | 32 | | | | |
| Underwriting risks and performance | 32 | | | | |
| Market risks and investment performance | 39 | | | | |
| Counterparty default risks | 45 | | | | |
| Operational risks | 46 | | | | |
| Emerging risks | 46 | | | | |
| Capitalisation | 48 | | | | |
| | | Topdanmark Group | 52 | | |
| | | Underwriting risks and performance..... | 54 | | |
| | | Market risks and investment performance | 58 | | |
| | | Counterparty default risks | 65 | | |
| | | Operational risks | 65 | | |
| | | Emerging risks | 66 | | |
| | | Capitalisation | 67 | | |
| | | Hastings Group | 71 | | |
| | | Underwriting risks and performance..... | 72 | | |
| | | Market risks and investment performance | 75 | | |
| | | Liquidity risks..... | 78 | | |
| | | Counterparty default risks | 79 | | |
| | | Operational risks | 79 | | |
| | | Emerging risks | 80 | | |
| | | Capitalisation | 82 | | |
| | | Mandatum Group | 85 | | |
| | | Underwriting risks and performance..... | 85 | | |
| | | Market risks and investment performance | 92 | | |
| | | Counterparty default risks | 100 | | |
| | | Operational risks | 100 | | |
| | | Risks related to asset management activities..... | 101 | | |
| | | Emerging risks | 101 | | |
| | | Capitalisation..... | 102 | | |
| | | Appendices | 106 | | |
| | | Appendix 1: Sampo Group steering framework and risk management | 107 | | |
| | | Appendix 2: Risk definitions | 121 | | |
| | | Appendix 3: Selected management principles | 132 | | |
| | | Appendix 4: Profitability, risks, and capital | 137 | | |
| | | Appendix 5: Valuation for solvency purposes | 142 | | |



Sampo Group's structure and business model

Sampo Group ("Group") is engaged in non-life insurance, life insurance and asset management services mainly in the Nordics and the United Kingdom. The strategy of the Group is focused on non-life insurance.

The business activities are conducted by the subsidiaries If P&C Insurance Holding Ltd (publ) ("If"), Mandatum Holding Ltd ("Mandatum"), Hastings Group (Consolidated) Limited ("Hastings") and Topdanmark A/S ("Topdanmark"). The first three are wholly owned by the Group's parent company, Sampo plc ("parent company" or "Sampo"). The parent company is a listed holding company and has no insurance activities of its own. Sampo has a 48.5 per cent holding of shares and 49.3 per cent of votes in Topdanmark.

The legal structure of Sampo Group including major operative companies of subsidiaries is shown in the graph Sampo Group structure.

The sub-groups organise their business activities to implement strategic decisions made by Sampo. The

subsidiaries have set their own infrastructures and management as well as operational processes in place.

The primary management tool for Sampo is the work in the companies' Boards of Directors. The Boards of If, Mandatum and Hastings mainly consist of Sampo Group's management. Regarding its wholly owned subsidiaries, Sampo gives more exact guidance on how activities should be organised in terms of Group-wide principles and there is a frequent dialogue between Sampo and the subsidiaries in major operational matters. In addition, Sampo is monitoring performance, risks and capitalisation at detailed levels.

In Topdanmark, the Chairman and two other board members are from Sampo Group's management, and they constitute three of the total six board members elected by the annual general meeting. Topdanmark has also adopted Sampo's main Group-wide principles and policies, including the risk management principles. The dialogue between Sampo and Topdanmark as well as the Risk Management report focus on performance, risk and

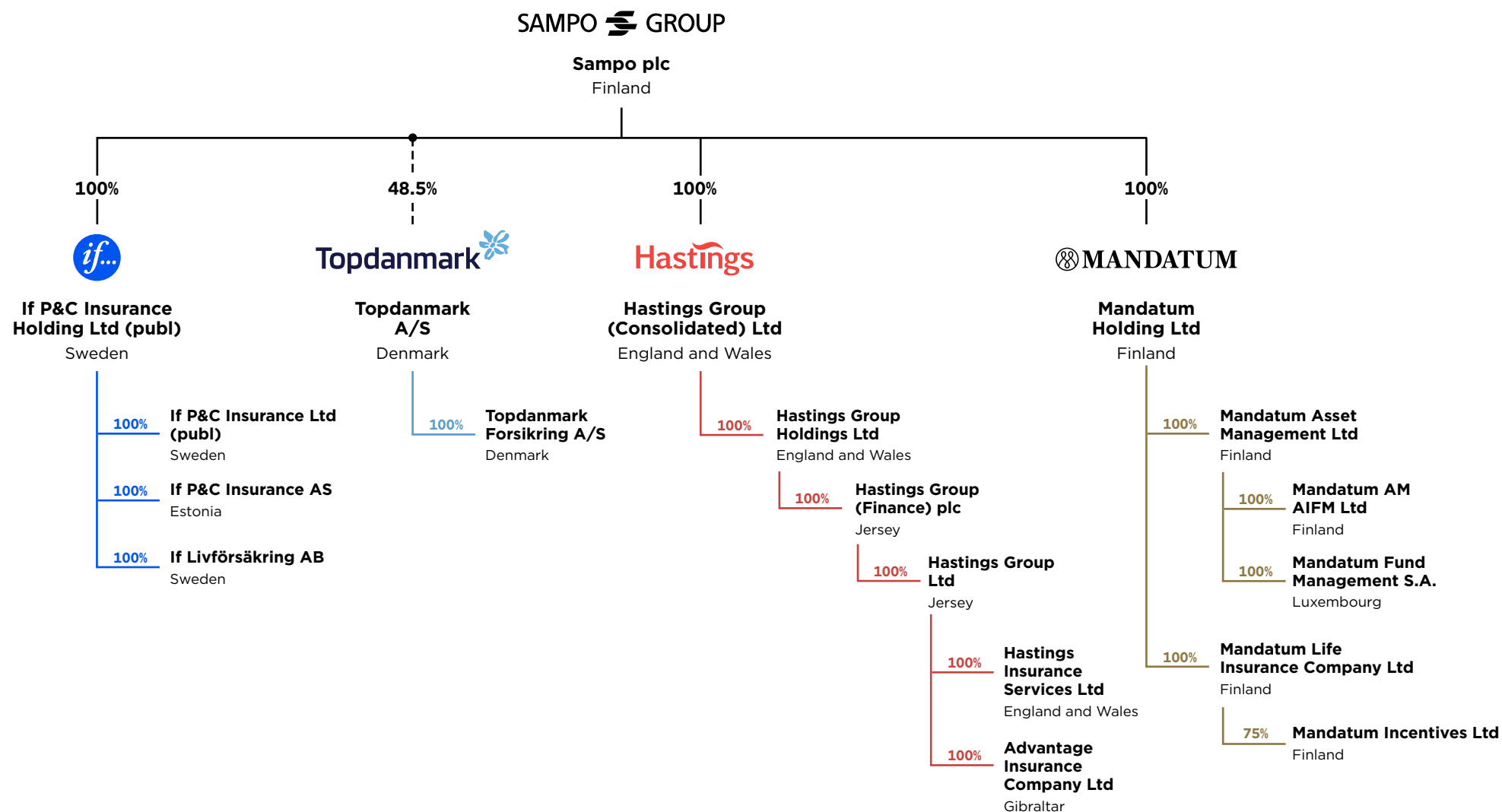
capitalisation reporting and is not as detailed as between Sampo and its wholly owned subsidiaries.

In February 2021 Sampo announced its new strategy to become a pure insurance group with a focus on P&C insurance operations and to materially reduce the stake in Nordea. During the first half of 2022 the remaining holding in Nordea was sold completely.

Nordax Holding AB, of which Sampo owns 19.1 per cent, was treated as an associated company of the Group until Q4 2022. At the end of 2022 to end the consolidation, Nordax was reclassified from the associated company to financial assets. In addition, Sampo plc owns a portfolio of holdings in companies operating in the financial service industry. The portfolio amounts to approximately EUR 1.0 billion including Nordax holding at the end of 2022. The other financial service companies are not covered in the Risk Management report as they are not controlled by Sampo.

Group structure

31 December 2022



As described above, Sampo Group's legal structure and business model are both straightforward and simple. In addition, there are only a limited number of intragroup exposures, of which the most material are as follows: Sampo's holding of hybrid capital issued by Mandatum, internal dividends, Topdanmark's hybrid capital owned by If, and service charges. Service charges are related to intragroup outsourcing agreements. If and Mandatum Life have outsourced a part of their investment management processes to Mandatum Asset Management and Sampo has outsourced its IT platform services and payroll accounting to If. Between Sampo and Topdanmark or Sampo and Hastings there are no outsourcing agreements.

Sampo's capital management framework aims to support value creation by enabling its strategy. Quantitative targets are set for group solvency and group financial leverage, but other metrics are also steered. Subsidiary

balance sheets are calibrated to cover needs for business plans and to provide a stable dividend. Potential risk concentrations and adequate diversification of risks are generally monitored closely, and their sources are analysed. To the extent possible risk concentrations are proactively prevented by strategic decisions.

Further information on Sampo Group's steering framework and risk management process can be found in **Appendix 1 Sampo Group steering framework and risk management process**.

Sampo has a diversified shareholder base and the major shareholders (**Shareholders, Board of Directors' Report, www.sampo.com/year2022**) have owned their holdings for many years. Sampo Group's main supervisor is the Finnish Financial Supervisory Authority. Due to Sampo Group's activities in the Nordic and Baltic countries, Gibraltar and the UK, other supervisors have

supervisory responsibilities as well. In the financial year 2022 Sampo Group's auditor was Deloitte Ltd.

Sampo Group is applying IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* from 1 January 2023. The reporting for 2022 is made by applying IFRS 4 *Insurance contracts* and IAS 39 *Financial Instruments: Recognition and Measurement* standards for the group. The reporting of the group's parent company Sampo plc complies with the Finnish Accounting Standards. Implementation of IFRS 17 or IFRS 9 does not have an impact on the Solvency II calculations.

Sampo Group and Sampo plc

- Classification of risks 7
- Core risk management activities12
- Sampo Group risk profile13
- Underwriting risks at Sampo Group14
- Market risks at Sampo Group level17
- The role of Sampo plc26
- Sampo Group capitalisation28

Sampo Group and Sampo plc

Sampo Group companies operate in business areas where specific features of value creation are the pricing of risks and the active management of risk portfolios in addition to sound client services. Hence common risk definitions are needed as a basis for business activities.

Classification of risks

In Sampo Group, the risks associated with business activities fall into three main categories as shown in the picture **Classification of risks in Sampo Group**: business risks, reputational risk and risks inherent in the business operations. The first two risk classes are only briefly described in this Risk Management Disclosure as the focus is on the third risk class.

Business risks

Business risk is the risk of losses due to changes in the competitive environment and/or lack of internal operational flexibility. Unexpected abrupt changes or already identified, but internally neglected trends can cause larger than expected fluctuations in profitability when volumes, margins, costs, and capital charges change

and in the long run they may also endanger the existence of Sampo Group's business models.

External drivers behind such changes are varied, including for instance general economic development, changes in commonly shared values, developments in the institutional and physical environment and technological innovations. Because external drivers are inter-connected, the customer preferences and demand can change unpredictably and there may be a need to change regulations as well. If the company's understanding of changes or its willingness and ability to act accordingly is inadequate and competitors are more able to meet clients' and regulation's altered expectations, the company is highly exposed to business risk.

Due to the predominantly external nature of the drivers and development in the competitive environment, managing business risks is the responsibility of the executive level senior management. Proactive strategic decision making is the central tool in managing business risks, which relate to competitive advantage. The maintenance of internal operational flexibility – i.e., the ability to adjust the business model and cost structure when needed – is also an efficient tool in managing business risks.

Business risks do not have a regulatory capital charge, although they may be a material source of earnings volatility. Because of this, business risks may influence the amount and structure of the actual capital base, if deemed prudent in the existing business environment.

Sustainability as a business risk driver

Issues related to sustainability are changing the preferences and values of the Sampo Group companies' stakeholders and, as a result, creating a shift in the operating and competitive environment. For example, investors and authorities are putting an increasing focus on sustainability, but consumers and employees also pay attention to these topics when choosing a brand or an employer.

The Group companies operate mainly in countries that are characterised by an inherent respect for human rights, high transparency, and low levels of corruption and bribery. In addition, the compliance requirements for labour rights, health and environmental legislation, and freedom of speech and association are high. These themes are also inherent in the operations of all Sampo Group companies.

The key sustainability-related business risk drivers for Sampo Group can be divided into five main categories:

Sustainable business management and practices are fundamental to the Sampo Group companies' operations. Good governance in Sampo Group means effective policies, management practices, and training that provide assurance that the Group companies and their personnel, suppliers, and other business partners comply with laws, regulations and generally accepted principles on human rights, labour rights, the environment and climate, anti-money laundering, counter-terrorist financing, and anti-corruption and bribery. Further, they include comprehensive information security and cybersecurity governance systems, and data protection activities.

Sustainable corporate culture includes factors relating to the work environment, diversity, equity and inclusion, employee health and well-being, competence development, remuneration, and talent attraction and retention. The Sampo Group companies want to provide customers with the best service in all situations. Here, skilled, and motivated employees are an essential success factor. Losing talent or being perceived as an unattractive employer would pose large risks for the businesses. Therefore, the Sampo Group companies

strive to ensure a sound work environment, not only because it is stipulated by law, but also because it lays the foundation for sustainable business performance. Diversity, equity, and inclusion are key focus areas for the Sampo Group companies, which are committed to providing a non-discriminatory, open, and agreeable working environment where everyone is treated fairly and equally. Risks related to these themes are managed, for example, by having strong internal policies and governance structures, conducting organisational development programmes, and offering employees training, interesting career opportunities and attractive remuneration packages.

Sustainable investment management and operations are important in managing investment risks and in mitigating potential adverse impacts on the Group's reputation. Therefore, the Sampo Group companies take environmental (including climate change), social and governance ("ESG") issues into account when assessing the security, quality, liquidity, and profitability of investments. Investment opportunities are carefully analysed before any investments are made and ESG issues are considered along with other factors that might affect the risk-return ratio of individual investments. Depending on the asset class, the Group companies use different

ESG strategies to ensure the effective consideration and management of investment risks arising from ESG issues. The strategies used include, for example, ESG integration, sector-based screening, norms-based screening, and engagement with investee companies.

Sustainable product and service offering is important in meeting the evolving needs of all customers and in mitigating potential adverse impacts on the Group's reputation. Therefore, the Sampo Group companies aim to take ESG issues, including climate change, into account in product and service development, insurance underwriting, and supply chain management. Additionally, sustainable product and service offering requires being attentive to the risks relating to inappropriate customer advice and product sales, lack of clarity on conditions, prices and fees, and errors in claims handling and complaint processes. The focus in sales and marketing practices is on meeting the demands and needs of the customer and providing the customer with the information necessary for them to make well-informed decisions on their insurance coverage. The Sampo Group companies manage risks related to these themes, for example, by having effective internal policies and governance structures, and offering employees training.

Environmental issues and climate change are factors that are expected to have a mid and long-term effect on Sampo Group's businesses. Climate-related risks can be categorised into physical risks and transition risks. Physical risks can be further classified into long-term weather changes (chronic risks) and extreme weather events such as storms, floods, or droughts (acute risks). Transition risks refer to risks arising from the shift to a low carbon economy, for example changes in technology, legislation, and consumer sentiment.

The strength of the risks depends on the trajectory of global warming. A scenario in line with the Paris Climate Agreement, limiting the temperature rise to 1.5°C, would have moderate consequences, whereas 3–5°C scenarios would have severe consequences for industry, infrastructure, and public health. Especially in geographically vulnerable regions, abandonment of low-lying coastal areas due to rising sea levels and food and water shortages, can lead to large-scale migration and outbreaks of diseases.

Physical risks are risk factors affecting especially the financial position and results of the Group's non-life insurers. The increasing likelihood of extreme weather conditions and natural disasters is included in internal

risk models. Climate-related risks are also managed effectively with reinsurance programs and price assessments. Since climate change could increase the frequency and/or severity of physical risks, the Sampo Group companies conduct sensitivity analyses using scenarios in which the severity of natural catastrophes is assumed to increase.

The Sampo Group companies also help their corporate and private customers to manage climate-related risks. Extreme weather events can, for example, damage properties, lead to crop failure and business interruption. Loss prevention is an essential part of insurance services, as it helps customers to reduce economic losses and mitigates the impacts of climate change.

The Sampo Group companies' investments can be exposed to both physical risks and transition risks, depending on the investment in question. Investments are particularly exposed to physical risks in the form of losses incurred from extreme weather events. The transition to a low-carbon society with potentially increasing environmental and climate regulation, more stringent emission requirements, and changes in market preferences, could in turn cause transition risks for the Group's investments and possible revaluation

of assets as operating models in carbon intense sectors change. To manage physical risks and transition risks, investment opportunities are carefully analysed before any investments are made and climate-related risks are considered along with other factors affecting the risk-return ratio of individual investments. The methods used by Sampo Group companies include, for example, annual analysis of the carbon footprint and climate impact of investments, sector-based screening and ESG integration, monitoring the geographical distribution of investments, and engagement with investee companies.

In terms of scenario analysis, Sampo has analysed the Group investment portfolio's exposure to systemic economic and financial climate risks in three different climate scenarios over the period from 2022 to 2060. The analysis is based on the investment allocation as at 31 December 2021. The three scenarios analysed are the following:

- **Orderly transition:** This scenario describes an easy and smooth transition where political and social organisations act quickly and predictably to achieve net-zero carbon emissions by 2050. This scenario is most closely corresponding to the 'very low emissions' IPCC scenario SSP1-RCP1.9;

- **Disorderly transition:** In this scenario, transition to a greener economy happens, but in a disorderly manner. Sudden divestments in 2025 to align portfolios to the goals of the Paris Climate Agreement have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock. This scenario is most closely corresponding to the same 'very low emissions' IPCC scenario SSP1-RCP1.9 as the orderly transition scenario; and
- **Failed transition:** In this scenario the world fails to meet the goals of the Paris Climate Agreement and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events. This scenario focuses on physical risk as transition does not happen and is most closely corresponding to the 'high emissions' IPCC scenario SSP3-RCP7.0.

According to the modelled results Sampo's current investment portfolio is relatively resilient to climate risk in all three scenarios. This is due to the significant allocation to fixed income instruments, which tends to be less affected than equities, as well as the geographical allocation towards mainly the Nordics and other countries in Europe where the effects of climate change is expected to be lower than other parts of the world. In the short run, the main risk is related to the pricing-in shock in the Net zero disorderly scenario. In the long run, there will always be a negative impact on the returns in all scenarios, due to increased physical risks. In addition, returns from "brown" sectors are particularly affected in both Net zero pathways.

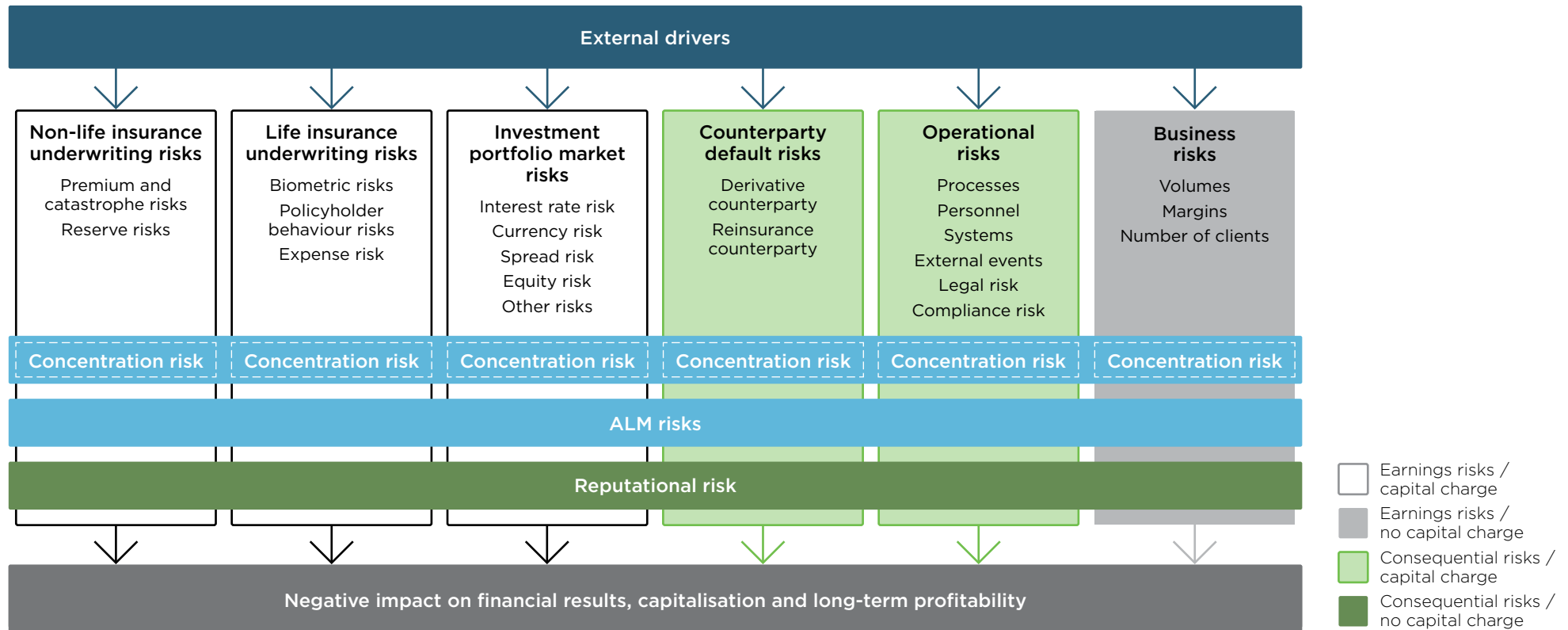
Further information on sustainability in Sampo Group is available in the **Sustainability Report 2022** published in May 2023 www.sampo.com/year2022.

Reputational risk

Managing stakeholder relationships means satisfied customers, professional staff, good co-operation with authorities and the trust and approval of the environment. These contribute to a key success factor of the company, its reputation.

Reputational risk refers to the risk that adverse publicity regarding the company's business practices or associations, whether accurate or not, causes a loss of confidence in the integrity of the institution. Reputational risk is often a consequence of a materialised operational or compliance risk and often manifests as a deterioration of reputation amongst customers and other stakeholders. Reputational risk is related to all activities shown in the graph Classification of Risks in Sampo Group. As the roots of reputational risk are varied, the tools to prevent it must be diverse and embedded within the corporate culture. These are reflected in the way in which Sampo Group deals with ESG issues and with key stakeholders (i.e., customers, personnel, investors, co-operation partners, authorities) and how Sampo Group has organised its corporate governance system.

Classification of risks in Sampo Group



Risks inherent in business operations

In its underwriting and investment operations, Sampo Group is consciously taking certain risks to generate earnings. These earnings risks are carefully selected

and actively managed. Underwriting risks are priced to reflect their inherent risk levels and the expected return of investments is compared to the related risks. Furthermore, earnings related risk exposures are adjusted continuously and their impact on the capital need is assessed regularly.

Successful management of underwriting risks and investment portfolio market risks is the main source of earnings for Sampo Group companies. Day-to-day management of these risks, i.e., maintaining them within given limits and authorisations is the responsibility of the business areas and the investment units.

Some risks, such as counterparty default risks and operational risks presented in the graph Classification of Risks in Sampo Group are indirect repercussions of Sampo's normal business activities. They are one-sided risks, which in principle have no related earnings potential. Accordingly, the risk management objective is to mitigate these risks efficiently rather than actively manage them. Mitigation of consequential risks is the responsibility of the business areas and the investment units. The capital need for these risks is measured by independent risk management functions. It must be noted that the categorisation of risks between earnings and consequential risks varies depending on the industry. For Sampo Group's clients, for instance, the events that are subject to insurance policies are consequential risks and for Sampo Group these same risks are earnings risks.

Some risks such as interest rate, currency and liquidity risks are by their nature simultaneously linked to various activities. To manage these risks efficiently, Sampo Group companies must have a detailed understanding of expected cash flows and their variance within each of the company's activities. In addition, a thorough understanding of how the market values of assets and liabilities may fluctuate at the total balance sheet level under different scenarios is needed. These balance sheet level risks are commonly defined as Asset and Liability Management ("ALM") risks. In addition to interest rate,

currency and liquidity risk, inflation risk and risks relating to GDP growth rates are central ALM risks in Sampo Group. The ALM risks are one of the focus areas of senior management because of their relevance to risks and earnings in the long run.

In general, concentration risk arises when the company's risk exposures are not diversified enough. When this is the case, an individual extremely unfavourable claim or financial market event, for instance, could threaten the solvency of the company.

Concentrations can evolve within separate activities – large single name or industry specific insurance or investment exposures – or across activities when a single name or an industry is contributing widely to the profitability and risks of the company through both insurance and investment activities.

Concentration risk may also materialise indirectly when profitability and the capital position react similarly to general economic developments or to structural changes in the institutional environment in different areas of business.

More detailed risk definitions can be found in

Appendix 2 Risk definitions.

Core risk management activities

To create value for all stakeholders in the long run, Sampo Group companies must have the following forms of capital in place:

- Financial flexibility in the form of adequate capital and liquidity.
- Good technological infrastructure.
- Intellectual capital in the form of comprehensive proprietary actuarial data and analytical tools to convert this data into information.
- Human capital in the form of skilful and motivated employees.
- Social and relationship capital in the form of good relationships with society and clients to understand the changing needs of different stakeholders.

These resources are being continuously developed in Sampo Group companies. They are in use when the following core activities related to risk pricing, risk taking, and active management of risk portfolios are conducted.

Appropriate selection and pricing of underwriting risks

- Underwriting risks are carefully selected and are priced to reflect their inherent risk levels.
- Insurance products are developed proactively to meet clients' changing needs and preferences.

Effective management of underwriting exposures

- Diversification is actively sought.
- Reinsurance is used effectively to reduce largest exposures.

Careful selection and execution of investment transactions

- Risk return ratios and sustainability issues of separate investments opportunities are carefully analysed.
- Transactions are executed effectively.

Effective mitigation of consequential risks

- Counterparty default risks are mitigated by carefully selecting counterparties, applying collateral agreements, and assuring adequate diversification.
- High quality and cost-efficient business processes are maintained.
- Continuity and recovery plans are continuously developed to secure business continuity.

Effective management of investment portfolios and the balance sheet

- Balance between expected returns and risks in investment portfolios and the balance sheet is optimised, considering the features of insurance liabilities, internally assessed capital needs, regulatory solvency rules and rating requirements.
- Liquidity risks are managed by having an adequate portion of investments in liquid instruments. The portion is mainly dependent on the features of the liabilities.

At the Group level, the risk management focus is on capitalisation, leverage, and liquidity. It is also essential to identify potential risk concentrations and to have a thorough understanding of how solvency and reported profits of Group companies would develop under different scenarios. These concentrations and correlations may influence Group-level capitalisation, leverage, and liquidity as well as on Group-level management actions.

When the above-mentioned core activities are successfully implemented, a balance between profits, risks and capitalisation can be achieved and shareholder value can be created.

Sampo Group risk profile

Sampo's strategy is to create long-term value from its non-life insurance operations. The Group's focus within non-life insurance is on the private and SME business in the Nordic countries and the digital distribution market in the United Kingdom. Sampo Group is first and foremost exposed to the general performance of the Nordic economies. However, the Nordic economies typically are at any given time in different stages of their economic cycles, because of reasons such as different economic structures and separate currencies. Also, geographically the Nordics as a large area is more a source of underwriting diversification than concentration. Hence, inherently the Nordic area is a good basis for a diversified business. Geographic diversification is extended also outside of the Nordics into the United Kingdom via Hastings.

To further maintain diversification of businesses Sampo Group proactively prevents concentrations, to the extent possible, by segregating the duties of separate business areas. As a result, separate companies have very few overlapping areas in their underwriting and investments activities. Despite proactive strategic decisions on segregation of duties, concentrations in underwriting and

investments may appear and hence liabilities and assets are monitored at the Group level to identify potential concentrations at a single company or risk factor level.

It is regarded that the current business model where all companies have their own operational processes and agreements with counterparties is preventing accumulation of counterparty default risks and operational risks. Hence, these risks are mainly managed at company level.

The number of intragroup exposures between the Group companies is small and the parent company is the main source of internal liquidity and capital within the Group. This effectively prevents the contagion risk, and hence potential problems of one company will not directly affect the other Group companies.

Underwriting and market risk concentrations and their management are described in the next sections as well as the parent company's role as a risk manager of group-wide risks and as a source of liquidity.

Underwriting risks at Sampo Group

With respect to the underwriting businesses carried out in the subsidiary companies, it has been established that If, Topdanmark and Mandatum all operate within the Nordic countries, but mostly in different geographical areas and in different lines of business and hence their underwriting risks are different by nature. There are, however, some common risk factors such as the life expectancy in Finland. Also, in Denmark If and Topdanmark have some overlapping areas. However, there are no material underwriting risk concentrations in the normal course of business. Hastings operates solely in the United Kingdom, and hence its underwriting risks are geographically distinct from the Nordics. Consequently, business lines as such are contributing diversification benefits rather than a concentration of risks.

The three major Solvency II Lines of Business in the Group's non-life operations are Motor vehicle liability insurance, Other motor insurance and Fire and other

damage to property insurance. Sampo Group's non-life underwriting profit increased in 2022 by 2 per cent to EUR 1,314 million (1,282). Group P&C gross written premiums increased by 6 per cent to EUR 8,136 million (7,644), driven by strong renewals, high retention and disciplined pricing. Note that in the table Non-life underwriting performance, 31 December 2022, and 31 December 2021 underwriting performance and written premiums are reported in line with Solvency II definitions and may not add up exactly to the figures presented in the financial statements under IFRS.

The table Non-life underwriting performance, 31 December 2022 and 31 December 2021 presents the development of the premiums, claims, operating expenses, reinsurer's share, and underwriting performance per Solvency II lines of business for the last two years.

Non-life underwriting performance

31 December 2022 and 31 December 2021

| Underwriting performance by SII LoB, EURm | Premiums written | | Premiums earned | | Claims incurred | | Operating expense | | Reinsurers share per LoB | | Total underwriting performance direct insurance | |
|--|------------------|--------------|-----------------|--------------|-----------------|--------------|-------------------|--------------|--------------------------|-----------|---|--------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Medical expense insurance | 309 | 287 | 302 | 283 | 214 | 155 | 78 | 73 | 0 | 5 | 10 | 49 |
| Income protection insurance | 632 | 603 | 621 | 584 | 413 | 409 | 130 | 114 | -1 | 7 | 80 | 53 |
| Workers' compensation insurance | 304 | 292 | 308 | 291 | 166 | 144 | 55 | 52 | 2 | 9 | 85 | 87 |
| Motor vehicle liability insurance | 1,535 | 1,418 | 1,455 | 1,412 | 1,163 | 884 | 243 | 257 | 26 | -30 | 24 | 300 |
| Other motor insurance | 2,123 | 2,073 | 2,092 | 2,045 | 1,442 | 1,323 | 365 | 366 | 12 | -10 | 273 | 366 |
| Marine, aviation and transport insurance | 147 | 133 | 145 | 133 | 88 | 52 | 27 | 24 | 28 | 12 | 2 | 46 |
| Fire and other damage to property insurance | 2,529 | 2,333 | 2,470 | 2,284 | 1,585 | 1,536 | 421 | 401 | 166 | 62 | 299 | 285 |
| General liability insurance | 466 | 422 | 452 | 411 | 307 | 255 | 83 | 67 | 41 | 24 | 21 | 65 |
| Assistance | 31 | 29 | 32 | 29 | 22 | 7 | 4 | 5 | 0 | 0 | 6 | 17 |
| Other life insurance | 59 | 54 | 57 | 52 | 12 | 13 | 10 | 12 | 2 | 2 | 32 | 25 |
| Annuities stemming from non-life insurance contracts and relating to health insurance obligations | 0 | 0 | 0 | 0 | -188 | 55 | 0 | 0 | 0 | 0 | 188 | -55 |
| Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | 0 | 0 | 0 | 0 | -194 | 77 | 0 | 0 | 1 | 0 | 193 | -77 |
| Total (excluding other expenses) | 8,136 | 7,644 | 7,934 | 7,524 | 5,028 | 4,910 | 1,417 | 1,372 | 277 | 81 | 1,212 | 1,161 |
| Other expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 3 |
| Total | 8,136 | 7,644 | 7,934 | 7,524 | 5,028 | 4,910 | 1,417 | 1,372 | 277 | 81 | 1,217 | 1,164 |

The figures are segmented in accordance with Solvency II defined Lines of Business, which differ from the insurance class segmentation according to local GAAP or IFRS requirements. The figures in this table may not add up exactly to the ones presented in the financial statement.

The main non-life underwriting risks that may influence future claims are the risk of single large claims and the risk of catastrophe events. However, Sampo Group companies have comprehensive reinsurance programmes in place contributing to the low level of underwriting risk. The negative economic impacts of natural catastrophes

and single large claims are mitigated also by the Group's well-diversified portfolio. Claims costs may also be affected by uncertainty in claims outstanding caused by higher-than-expected claims inflation, lower discount rates or an increased retirement age with the consequence that both annuities and lump sum payments would

increase. However, higher long-term inflation would be expected to coincide with higher nominal discount rates, whereby the effects would in part cancel each other out. Net technical provisions in non-life insurance according to IFRS have been presented in the following table.

Technical provisions non-life insurance

Sampo Group, 31 December 2022

| | Sweden | | Norway | | Finland | | Denmark | | Baltics | | United Kingdom | | Total | |
|-----------------------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|------------|------------|----------------|------------|---------------|------------|
| | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration |
| Motor other and MTPL | 1,597 | 6.8 | 565 | 1.3 | 866 | 10.3 | 426 | 1.6 | 146 | 3.4 | 1,106 | 1.4 | 4,706 | 4.9 |
| Workers' compensation | 0 | 0.0 | 170 | 3.6 | 897 | 11.3 | 1,084 | 7.3 | 0 | 0.0 | 0 | 0.0 | 2,150 | 8.7 |
| Liability | 339 | 3.6 | 149 | 1.5 | 125 | 2.9 | 231 | 2.6 | 25 | 2.3 | 0 | 0.0 | 869 | 2.8 |
| Accident | 422 | 6.7 | 473 | 4.9 | 236 | 5.7 | 322 | 1.8 | 10 | 0.5 | 0 | 0.0 | 1,463 | 4.8 |
| Property | 500 | 0.9 | 614 | 1.0 | 301 | 1.0 | 501 | 1.2 | 49 | 0.7 | 34 | 1.2 | 1,999 | 1.0 |
| Marine, aviation, transport | 27 | 0.9 | 27 | 0.8 | 13 | 1.2 | 36 | 0.7 | 3 | 1.0 | 0 | 0.0 | 105 | 0.8 |
| Other | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 35 | 0.9 | 0 | 0.0 | 0 | 0.0 | 35 | 0.9 |
| Total | 2,885 | 5.3 | 1,997 | 2.3 | 2,439 | 8.6 | 2,634 | 4.0 | 233 | 2.6 | 1,140 | 1.4 | 11,327 | 4.7 |

Life insurance operations are split into with profit and unit-linked businesses. Policyholders bear market risks directly in unit-linked policies, whereas in with profit policies the policyholders are entitled to a guaranteed interest rate with a potential for bonuses. However, both with profit and unit-linked policies include life underwriting risks (biometric, policyholder behaviour and expense risks). In Sampo Group's life insurance operations the main biometric risks are longevity,

mortality, and disability risks. Longevity risk is the main biometric risk in the Group's life insurance business in Mandatum, and it arises mainly from its with profit group pension portfolio. However, the level of biometric risks in with profit policies is low compared to market risks. Mandatum has decided not to write new with profit products. Technical provisions according to IFRS have been presented in the following table.

Net technical provisions life insurance

Sampo Group, 31 December 2022

| EURm | IFRS | Solvency II | Adjustment |
|--------------|---------------|---------------|---------------|
| Unit Linked | 9,908 | 9,501 | -407 |
| With Profit | 2,967 | 2,053 | -914 |
| Total | 12,875 | 11,554 | -1,321 |

In the table Underwriting solvency capital requirements of insurance sub-groups, 31 December 2022, underwriting risks of the four insurance sub-groups are compared to each other based on their standard formula gross SCRs, because the reported Sampo Group underwriting SCR is based on them. Standard formula SCRs do not reflect the risks as measured by internal models used by If and Topdanmark and the group specific parameters ("GSPs") used by Hastings, but in this context, they can be used as a common basis for comparison purposes.

If is contributing most to the Group SCR and it has clear focus on non-life underwriting and related health underwriting. Its business is well-spread over all Nordic countries but having the smallest portion of the business in Denmark. Geographical diversification is not considered by standard formula and hence If's internally assessed capital need for underwriting risks is much smaller.

Mandatum has a focus on Finnish life insurance risks, Topdanmark on non-life insurance risks in Denmark and Hastings on non-life insurance risks in the United Kingdom, and hence they have practically no lines of business or geographical diversification benefits within underwriting.

All in all, at Sampo Group level, the underwriting activities are well-diversified by lines of businesses, geographical areas, and client-groups. At Sampo Group level the standard formula gives a diversification benefit of EUR 351 million because underwriting activities at the Group level are more evenly distributed over lines of businesses than in separate companies. Sampo considers that the diversified Group SCR for underwriting risks of EUR 1,875 million is a relatively conservative measure of the underwriting capital requirement, because the standard formula at the sub-group or Sampo Group level does not consider geographical and client base diversifications.

Market risks at Sampo Group level

For all subsidiaries, their insurance liabilities and the company specific risk appetite are the starting points for their investment activities. The insurance liabilities including loss absorbing buffers as well as the risk appetite of If, Topdanmark, Hastings and Mandatum differ, and as a result the structures and risks of the investment portfolios and the balance sheets of the four companies differ respectively. Companies' average investment returns, and volatilities of investment returns also differ which can be seen in the Annual investment returns at market values, 2013–2022, presented in the sub-group specific sections of this report. Sampo Group's investment assets presented in the tables and graphs in this section do not include investments in the shares of subsidiaries.

The total amount of Sampo Group's investment assets as at 31 December 2022 was EUR 22,346 million (28,672) as presented in the graph on the following page. Mandatum's investment assets presented here do not include assets which cover unit-linked contracts.

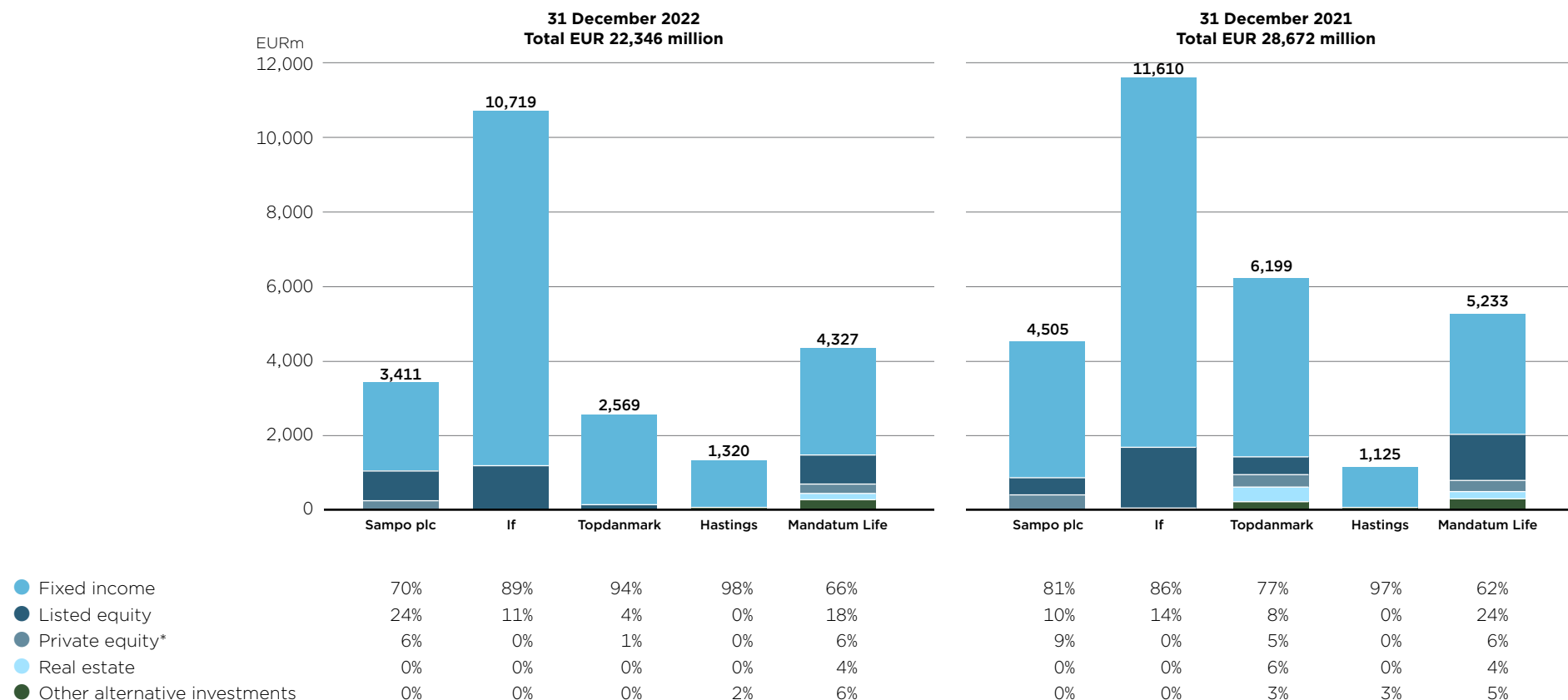
Underwriting solvency capital requirements of insurance sub-groups

31 December 2022

| Underwriting risk, EURm | If | Topdanmark | Hastings | Mandatum Life | Sampo plc | Diversified Sampo Group | Sum of the parts | Delta |
|--------------------------|--------------|------------|------------|---------------|-----------|-------------------------|------------------|-------------|
| Life underwriting | 80 | 0 | 1 | 295 | 0 | 352 | 376 | -24 |
| Health underwriting | 510 | 229 | 0 | 2 | 0 | 729 | 741 | -12 |
| Non-life underwriting | 1,126 | 252 | 343 | 0 | 0 | 1,653 | 1,721 | -68 |
| Sum of sub-risks | 1,717 | 481 | 344 | 297 | 0 | 2,734 | 2,838 | -104 |
| Diversification | -469 | -140 | -1 | -1 | 0 | -859 | -612 | -246 |
| Underwriting risk | 1,247 | 341 | 343 | 295 | 0 | 1,875 | 2,226 | -351 |

Development of investments

Sampo plc, If, Topdanmark, Hastings and Mandatum Life



The content of the figures in this graph is different compared to the financial asset line presented in the balance sheet.

Sampo Plc figures do not include intragroup items nor derivatives but accrued interest is included; these amount to EUR 118 million. Operational bank accounts not used for investment operations amounting to EUR 103 million are excluded.

If figures include cash EUR 272 million.

Topdanmark figures do not include Topdanmark Liv for the year 2022.

The total investment allocation of Mandatum Life is equal to EUR 4,327 million. When EUR 7 million of intra-group assets, EUR 24 million of accrued interest, EUR 372 million of cash, EUR 172 million of real estates and an adjustment of EUR 1 million to the value of loans and receivables are deducted, and EUR 25 million of derivatives are added, the total is equal to EUR 3,776 million, which corresponds to the sum of Mandatum's financial assets on Sampo Group's balance sheet.

* Private equity also includes direct holdings in non-listed equities.

Investment activities and market risk taking are arranged pro-actively in such a way that there is no significant overlap between the wholly owned subsidiaries' single name risks except with regards to Nordic banks where the companies have their extra funds in short-term money market assets and cash. From the diversification of the assets of the balance sheet perspective, Topdanmark is a positive factor because the role of Danish assets is dominant in its portfolios and especially the role of

Danish covered bonds is central. In Sampo Group's other insurance companies' portfolios the weight of Danish investments has been immaterial. Even though Hastings' investment portfolio is smaller than other Group companies' portfolios, it has had a positive impact on the diversification of Sampo Group's investments. Most Hastings' assets are British investments, denominated in pound sterling, which is a market that other Sampo Group companies have very limited exposure to. Moreover,

Hastings' investment portfolio consists mainly of investment grade fixed income investments.

The market risks of the four insurance sub-groups, respective figures of the parent company Sampo plc and Sampo Group level figures are presented below in the table Market risk solvency capital requirements of sub-groups and Sampo plc, 31 December 2022.

Market risk solvency capital requirements of sub-groups and Sampo plc

31 December 2022

| Market risk, EURm | If | Topdanmark | Hastings | Mandatum Life | Sampo plc | Diversified Sampo Group | Sum of the parts | Delta |
|-----------------------------|--------------|------------|-----------|---------------|--------------|----------------------------|------------------|-------------|
| Interest rate | 124 | 2 | 36 | 95 | 71 | 253 | 328 | -76 |
| Equity | 421 | 51 | 4 | 730 | 464 | 1,633 | 1,669 | -37 |
| Property | 0 | 26 | 1 | 42 | 0 | 70 | 70 | 0 |
| Spread | 396 | 86 | 38 | 301 | 15 | 837 | 837 | 0 |
| Concentration / Group level | 0 | 0 | 3 | 7 | 374 | 136 | 384 | -248 |
| Currency / Group level | 682 | 1 | 1 | 144 | 327 | 1,069 | 1,154 | -85 |
| Sum of sub-risks | 1,623 | 166 | 84 | 1,319 | 1,250 | 3,997 | 4,442 | -445 |
| Diversification | -404 | -20 | -28 | -210 | -475 | -996 | -1,137 | 141 |
| Market risk | 1,219 | 146 | 56 | 1,109 | 775 | 3,001 | 3,306 | -304 |

From the table it can be seen that in Mandatum, the main risk factor for market risk is equity risk. In If equity, currency and spread risks are the main risk contributors and on relative terms there is a larger diversification effect than in Mandatum because of a more even market risk profile. Topdanmark is matching its liabilities with assets and hence the capital requirements for interest rate risk and currency risk are minor whereas equity, spread and property risks are the main contributors of market risk SCR. In Hastings market risks are the smallest compared to the other insurance sub-groups. At Sampo Group level concentration risk comes entirely from Sampo plc.

A summary of Sampo Group's solvency sensitivities on market risk factors is presented in the table Estimated solvency sensitivities on market risk factors, Sampo Group, 31 December 2022.

It can be seen from the table that Sampo Group is exposed to a fall and would benefit from an increase in interest rates. This sensitivity follows mainly from the fact that the duration of insurance liabilities is longer than the fixed income asset duration in If and Mandatum Life.

Estimated solvency sensitivities on market risk factors

Sampo Group, 31 December 2022

| | | Interest rates | | Spreads | Equity prices | | |
|----------------|-------------|----------------|------|---------|---------------|------|------|
| | 31 Dec 2022 | -1% | +1% | +1% | -10% | -20% | -30% |
| Solvency ratio | 210% | 204% | 214% | 204% | 212% | 210% | 205% |

Solvency sensitivity to spreads is affected by the spread sensitivity of fixed income investments and the Solvency II volatility adjustments ("VA") applied by Mandatum and Hastings when valuing their technical provisions. The VA is assumed to increase by 25 bps in this spread stress, and it is buffering some of the effects that movements in spreads have on the solvency ratio.

The Solvency II symmetric adjustment ("SA") of the equity risk capital requirement was -3.0 per cent at the end of 2022. The SA is assumed to reach a value of -8.1 per cent in the scenario where equity prices fall by 10 per cent and -and its lower bound of -10 per cent in the scenario where equity prices fall by 20 per cent and 30 per cent. As can be seen from the sensitivities, the SA buffers equity market risk when the SA is within its bounds [-10 per cent, +10 per cent]. The SA is based on the ratio of the current level of a broad equity index (defined by EIOPA) and its 36-month moving average. The SA buffers consequently systematic, but not company specific, equity risk. In the case that the price development of individual equity investments deviate from the index, the SA does not buffer the effect that this deviation has on the Sampo Group's solvency ratio.

In the next paragraphs concentrations by homogenous risk groups and by single names are presented first and after that balance sheet level risks are discussed.

Holdings by sector, geographical area and asset class

Regarding fixed income and equity exposures financial institutions and covered bonds have a material weight in the group-wide portfolios whereas the role of public sector investments is quite limited. Most of these assets are issued by Nordic corporates and institutions, although Hastings brings some diversification in this respect. Most corporate issuers, although being based in the Nordic countries, are operating at global markets and hence their performance is not that dependent on the Nordic markets. Exposures by sector, asset class and rating are presented in the following table. Sampo considers that the balance sheet values describe the maximum exposure amount exposed to credit risk.

Exposures by sector, asset class and rating

Sampo Group, 31 December 2022

| EURm | AAA | AA+ - AA- | A+ - A- | BBB+ - BBB- | BB+ - C | D | Non-rated | Fixed income total | Listed equities | Other | Counter- party risk | Total | Change from 31 Dec 2021 |
|--------------------------------|---------------|-----------------|---------------|-------------------|---------------|----------|---------------|--------------------------|--------------------|---------------|------------------------|---------------|-------------------------------|
| Basic industry | 0 | 0 | 22 | 245 | 50 | 0 | 70 | 388 | 134 | 0 | 0 | 522 | 97 |
| Capital goods | 0 | 0 | 141 | 138 | 88 | 0 | 151 | 519 | 585 | 0 | 0 | 1,103 | -223 |
| Consumer products | 1 | 29 | 270 | 413 | 105 | 0 | 118 | 935 | 227 | 0 | 0 | 1,162 | -298 |
| Energy | 0 | 12 | 75 | 0 | 0 | 0 | 99 | 186 | 12 | 0 | 0 | 199 | -33 |
| Financial institutions | 32 | 2,059 | 3,021 | 1,055 | 162 | 0 | 88 | 6,417 | 741 | 26 | 506 | 7,690 | -1,235 |
| Governments | 422 | 71 | 0 | 0 | 0 | 0 | 0 | 493 | 0 | 0 | 0 | 493 | -20 |
| Government guaranteed | 52 | 34 | 0 | 0 | 0 | 0 | 0 | 87 | 0 | 0 | 0 | 87 | 6 |
| Health care | 0 | 0 | 18 | 92 | 139 | 0 | 56 | 305 | 35 | 0 | 0 | 340 | -157 |
| Insurance | 14 | 9 | 65 | 186 | 8 | 0 | 178 | 459 | 0 | 15 | 0 | 473 | -144 |
| Media | 0 | 0 | 0 | 0 | 0 | 3 | 30 | 33 | 0 | 0 | 0 | 33 | -54 |
| Packaging | 0 | 0 | 0 | 0 | 47 | 0 | 0 | 47 | 5 | 0 | 0 | 52 | -20 |
| Public sector, other | 651 | 37 | 0 | 0 | 0 | 0 | 0 | 687 | 0 | 0 | 0 | 687 | -250 |
| Real estate | 0 | 39 | 146 | 318 | 32 | 0 | 287 | 822 | 0 | 170 | 0 | 992 | -1,487 |
| Services | 0 | 0 | 17 | 85 | 291 | 0 | 62 | 455 | 103 | 5 | 0 | 563 | -152 |
| Technology and electronics | 0 | 12 | 29 | 29 | 5 | 0 | 80 | 155 | 110 | 1 | 0 | 266 | -140 |
| Telecommunications | 0 | 0 | 18 | 177 | 27 | 0 | 19 | 242 | 39 | 0 | 0 | 280 | -135 |
| Transportation | 0 | 70 | 57 | 20 | 18 | 0 | 118 | 283 | 7 | 0 | 0 | 290 | -126 |
| Utilities | 0 | 1 | 99 | 201 | 172 | 0 | 78 | 550 | 0 | 0 | 0 | 550 | -168 |
| Others | 0 | 6 | 0 | 6 | 13 | 0 | 121 | 145 | 0 | 12 | 0 | 158 | 44 |
| Asset-backed securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Covered bonds | 4,082 | 0 | 118 | 0 | 0 | 0 | 118 | 4,318 | 0 | 0 | 0 | 4,318 | -1,618 |
| Funds | 0 | 0 | 0 | 0 | 0 | 0 | 214 | 214 | 885 | 1,005 | 0 | 2,104 | -28 |
| Clearing house | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 38 | 11 | 49 | -40 |
| Total | 5,253 | 2,378 | 4,097 | 2,966 | 1,158 | 3 | 1,887 | 17,741 | 2,884 | 1,272 | 517 | 22,413 | -6,181 |
| Change from 31 Dec 2021 | -1,532 | 10 | -1,319 | -401 | -129 | 3 | -1,251 | -4,619 | -928 | -1,001 | 368 | -6,181 | |

In the table, both fixed income instruments and listed equities include direct and indirect investments.

Total assets differ from the graph Development of investments due to derivatives.

Topdanmark Liv is not included in the year 2022 figures.

Most of the financial institutions and covered bonds are in the Nordic countries, which can be seen in the table Fixed income investments in the financial sector, Sampo Group, 31 December 2022.

Fixed income investments in the financial sector

Sampo Group, 31 December 2022

| EURm | Covered bonds | Cash and money market securities | Long-term senior debt | Long-term subordinated debt | Total | % |
|----------------|---------------|--|--------------------------|-----------------------------------|---------------|---------------|
| Denmark | 1,813 | 869 | 156 | | 2,839 | 24.3% |
| Finland | 1,729 | 157 | 552 | 165 | 2,603 | 22.3% |
| Sweden | 44 | 2,028 | 291 | 127 | 2,490 | 21.3% |
| France | 520 | | 515 | 283 | 1,318 | 11.3% |
| Norway | 179 | | 328 | 264 | 771 | 6.6% |
| United States | | 2 | 346 | 2 | 350 | 3.0% |
| United Kingdom | | 62 | 176 | 2 | 240 | 2.1% |
| Canada | 32 | | 197 | | 230 | 2.0% |
| Netherlands | | | 161 | 50 | 211 | 1.8% |
| Ireland | | 138 | 27 | 24 | 188 | 1.6% |
| Iceland | | | 56 | 33 | 89 | 0.8% |
| Germany | | 1 | 81 | | 82 | 0.7% |
| Spain | | | 40 | | 40 | 0.3% |
| Gibraltar | | 40 | | | 40 | 0.3% |
| Switzerland | | | 26 | 13 | 40 | 0.3% |
| Luxembourg | | 6 | 34 | | 39 | 0.3% |
| New Zealand | | | 25 | | 25 | 0.2% |
| Australia | | | 25 | | 25 | 0.2% |
| Austria | | | 18 | | 18 | 0.2% |
| Bermuda | | | 16 | | 16 | 0.1% |
| Belgium | | | 14 | | 14 | 0.1% |
| Estonia | | | | 8 | 8 | 0.1% |
| Cayman Islands | | | 5 | | 5 | 0.0% |
| Jersey | | 0 | | | 0 | 0.0% |
| Total | 4,318 | 3,302 | 3,087 | 971 | 11,679 | 100.0% |

Topdanmark Liv is not included in the year 2022 figures.

The public-sector exposure includes government bonds, government guaranteed bonds and other public-sector investments as shown in the table Fixed income investments in the public sector, Sampo Group, 31 December 2022. The public sector has had a relatively minor role in Sampo Group's portfolios and these exposures have been mainly in the Nordic countries.

The listed equity investments of Sampo Group totalled EUR 2,884 million at the end of year 2022 (3,812). At the end of year 2022, the listed equity exposure of If was EUR 1,169 million (1,646). The proportion of listed equities in If's investment portfolio was 11 per cent. In Mandatum Life, the listed equity exposure was EUR 784 million at the end of year 2022 (1,233) and the proportion of listed equities was 18 per cent of the investment portfolio. In Topdanmark, the listed equity exposure was EUR 111 million at the end of year 2022 (478). At the end of year 2022 Hastings didn't have listed equity investments.

The geographical core of Sampo Group's equity investments is in the Nordic companies. The proportion of Nordic companies' equities corresponds to 57 per cent of the total equity portfolio. This is in line with Sampo Group's investment strategy of focusing on Nordic companies. However, these Nordic companies are mainly competing in global markets, only a few are operationally purely domestic companies. Hence, the ultimate risk is not highly dependent on the Nordic economies. A breakdown of the listed equity exposures of Sampo Group is shown in the graph Breakdown of listed equity investments by geographical regions, Sampo Group, 31 December 2022 and 31 December 2021.

Fixed income investments in the public sector

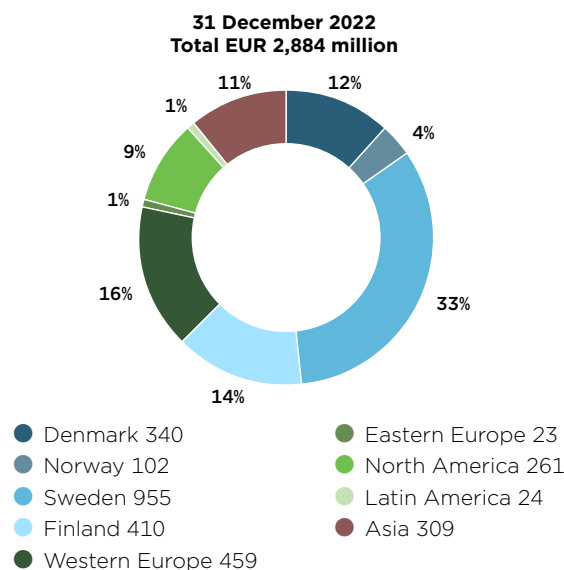
Sampo Group, 31 December 2022

| EURm | Governments | Governments guaranteed | Public sector, other | Total |
|----------------|-------------|------------------------|----------------------|--------------|
| Sweden | 404 | | 184 | 588 |
| Norway | | | 369 | 369 |
| Finland | 19 | 24 | | 42 |
| Supranationals | | | 135 | 135 |
| United Kingdom | 71 | | | 71 |
| Germany | | 52 | | 52 |
| France | | 10 | | 10 |
| Total | 493 | 87 | 687 | 1,267 |

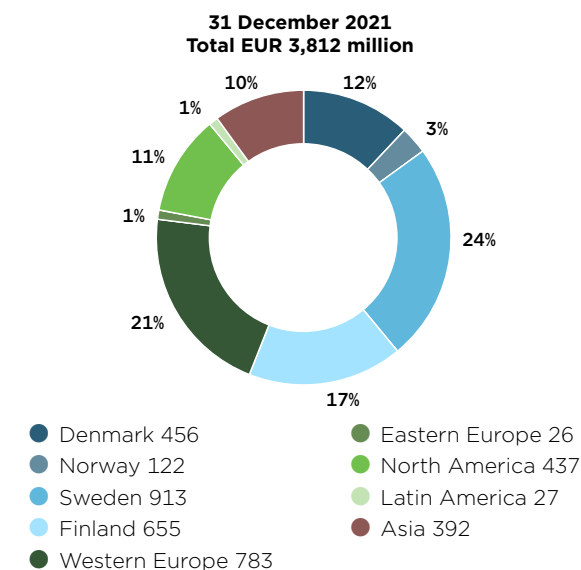
Topdanmark Liv is not included in the year 2022 figures.

Breakdown of listed equity investments by geographical regions

Sampo Group



Topdanmark Liv is not included in the year 2022 figures.



Largest holdings by single name

The largest exposures by individual issuers and counterparties are presented in the table Largest exposures by issuer and asset class, Sampo Group, 31 December 2022.

The largest high-yield and non-rated fixed income investment single-name exposures are presented in the table Ten largest direct high yield and non-rated fixed income investments, Sampo Group, 31 December 2022. Furthermore, the largest direct listed equity exposures are presented in the table Ten largest direct listed equity investments, Sampo Group, 31 December 2022.

The exposures in fixed income instruments issued by non-investment grade issuers are significant, because a relatively small number of Nordic companies are rated. Furthermore, many of the Nordic rated companies have a high yield rating.

Largest exposures by issuer and asset class

Sampo Group, 31 December 2022

| Issuer | Total, EURm | % of total investment assets | Cash and short-term fixed income | Long-term fixed income, total | Long-term fixed income: Government guaranteed | Long-term fixed income: Covered bonds | Long-term fixed income: Senior bonds | Long-term fixed income: Tier 1 and Tier 2 | Equities | Un- collateralized part of derivatives |
|--------------------------------|---------------|------------------------------------|--|-------------------------------------|--|--|--|--|------------|---|
| Nordea Bank | 1,416 | 6% | 715 | 699 | 0 | 496 | 130 | 73 | 0 | 2 |
| Skandinaviska Enskilda Banken | 818 | 4% | 639 | 178 | 0 | 65 | 93 | 20 | 0 | 1 |
| Danske Bank | 801 | 4% | 516 | 286 | 0 | 119 | 137 | 29 | 0 | 0 |
| Nykredit Realkredit A/S | 645 | 3% | 0 | 645 | 0 | 645 | 0 | 0 | 0 | 0 |
| BNP Paribas | 601 | 3% | 541 | 60 | 0 | 0 | 60 | 0 | 0 | 0 |
| Sweden | 588 | 3% | 0 | 588 | 0 | 0 | 588 | 0 | 0 | 0 |
| Realkredit Danmark | 514 | 2% | 0 | 514 | 0 | 514 | 0 | 0 | 0 | 0 |
| Nordax | 425 | 2% | 0 | 0 | 0 | 0 | 0 | 0 | 425 | 0 |
| Norway | 369 | 2% | 0 | 369 | 0 | 0 | 369 | 0 | 0 | 0 |
| Saxo Bank | 345 | 2% | 0 | 31 | 0 | 0 | 13 | 17 | 314 | 0 |
| Total top 10 exposures | 6,522 | 29% | 2,411 | 3,368 | 0 | 1,840 | 1,389 | 140 | 739 | 3 |
| Other | 15,824 | 71% | | | | | | | | |
| Total investment assets | 22,346 | 100% | | | | | | | | |

Danish covered bond issuers presented as separate issuers.

Topdanmark Liv is not included in the year 2022 figures.

Ten largest direct high yield and non-rated fixed income investments and direct listed equity investments

Sampo Group, 31 December 2022

| Ten largest direct high yield and non-rated fixed income investments | Rating | Total, EURm | % of total direct fixed income investments |
|--|--------|---------------|--|
| Ellevio Holding 1 AB | NR | 60 | 0.4% |
| Teollisuuden Voima | BB+ | 54 | 0.3% |
| Saab | NR | 53 | 0.3% |
| Granite Debtco 9 Limited | NR | 49 | 0.3% |
| Granite Debtco 10 Limited | NR | 45 | 0.3% |
| Huhtamaki | BB+ | 44 | 0.3% |
| ALM Equity | NR | 43 | 0.3% |
| Pohjolan Voima | NR | 41 | 0.3% |
| Visma Group Holding | NR | 36 | 0.2% |
| Schibsted | NR | 35 | 0.2% |
| Total top 10 exposures | | 459 | 2.8% |
| Other direct fixed income investments | | 15,790 | 97.2% |
| Total direct fixed income investments | | 16,249 | 100.0% |

| Ten largest direct listed equity investments | Total, EURm | % of total direct equity investments |
|--|--------------|--------------------------------------|
| Nordax* | 425 | 21.3% |
| Saxo Bank* | 314 | 15.7% |
| Volvo | 131 | 6.6% |
| ABB | 114 | 5.7% |
| Enento Group | 62 | 3.1% |
| Volvo Car | 55 | 2.8% |
| Nederman Holding | 54 | 2.7% |
| Husqvarna | 52 | 2.6% |
| Vaisala | 50 | 2.5% |
| Yara International | 48 | 2.4% |
| Total top 10 exposures | 1,306 | 65.5% |
| Other direct equity investments | 689 | 34.5% |
| Total direct equity investments | 1,995 | 100.0% |

* Although Nordax and Saxo Bank are not listed companies, they are major equity investments in Sampo plc's portfolio and are therefore included in the table.

Topdanmark Liv is not included in the year 2022 figures.

Balance sheet concentrations

In general, Sampo Group is structurally dependent on the performance of the Nordic economies as already described earlier. Sampo Group is also economically exposed to a fall in interest rates, as can be seen in the table

Estimated solvency sensitivities on market risk factors, Sampo Group, 31 December 2022 presented earlier.

This follows from the duration of insurance liabilities being longer than fixed income asset duration in If and Mandatum Life. This is being partially mitigated by Mandatum receiving fixed in interest rate swaps to hedge some of the long-dated interest rate risk inherent in its technical provisions. In Topdanmark and Hastings interest rate risk of the balance sheet is being actively hedged and hence Topdanmark or Hastings are not increasing interest rate risk materially at the Group level.

Sampo Group benefits when interest rates rise, as the economic value of insurance liabilities decreases more than the value of assets backing them.

The role of Sampo plc

Sampo plc is as the Group's holding company responsible for the group's capital management activities. These actions are guided by targets set for group-level solvency and financial leverage (see **Appendix 4 Profitability, risks and capital**) and they include decisions on group-level investment exposures, business growth and performance targets, reinsurance strategies, capital distributions and capital instrument issuances. In addition, group-level risk accumulations and concentrations are monitored regularly and managed by adjusting aggregated risks where necessary.

The parent company Sampo plc is also a source of liquidity within the Group. Hence, the healthy funding structure and the capacity to generate funds if needed are on continuous focus. Sampo plc needs liquidity to manage the group's financing needs, enable dividend security and to finance potential transactions. Sampo plc funding is mainly limited to internal dividends and investment returns but can periodically be complemented with new debt and capital or asset sales. Hence, holding company liquidity needs to be managed holistically together with the dividend policy, strategic ambitions, and balance sheet targets.

As at 31 December 2022 Sampo had long-term strategic holdings of EUR 6,066 million in the subsidiary and associated companies and they were funded mainly by capital of EUR 6,814 million, senior debt of EUR 1,306

million and subordinated debt of EUR 1,489 million. Average remaining maturity of senior debt was 4.5 years and EUR 806 million of it had a maturity longer than 5 years. Senior debt is used to fund other financial assets as well. The average maturity of subordinated loans and fixed income instruments of EUR 127 million was 1.7

years. Funding structure of strategic holdings and other holdings can be considered strong.

The capacity to generate funds is dependent on leverage and liquidity buffers which can be inferred from the table Balance sheet structure, Sampo plc, 31 December 2022 and 31 December 2021.

Balance sheet structure

Sampo plc, 31 December 2022 and 31 December 2021

| EURm | 31 Dec 2022 | 31 Dec 2021 |
|---------------------------|--------------|---------------|
| Assets total | 9,685 | 12,327 |
| Liquidity | 2,467 | 3,732 |
| Investment assets | 990 | 836 |
| Other investments | 2 | 2 |
| Fixed income | 27 | 39 |
| Equity & private equity | 961 | 795 |
| Subordinated loans | 100 | 100 |
| Equity holdings | 6,066 | 7,596 |
| Subsidiaries | 6,066 | 5,639 |
| Associated | 0 | 1,956 |
| Other assets | 62 | 63 |

| EURm | 31 Dec 2022 | 31 Dec 2021 |
|------------------------------|--------------|---------------|
| Liabilities total | 9,685 | 12,327 |
| CPs issued | 0 | 0 |
| Long-term senior debt | 1,306 | 1,878 |
| Private placements | 21 | 47 |
| Bonds issued | 1,285 | 1,831 |
| Subordinated debt | 1,489 | 1,487 |
| Capital | 6,814 | 8,823 |
| Undistributable capital | 98 | 98 |
| Distributable capital | 6,716 | 8,725 |
| Other liabilities | 77 | 138 |

The leverage of Sampo plc was moderate at year end according to for example these measures:

- The financial leverage measured as the portion of debt within all liabilities was 29 per cent (28).
- Sampo's net debt is EUR 201 million (-505) and can be considered as low.

Regarding liquidity, Sampo plc held EUR 2,467 million (3,732) in bank account balances and short-term money market investments. Liquidity is mainly affected by received and paid dividends as well as changes in issued debt instruments and changes in investments. Sampo's dividend payment takes place in May and it will significantly lower the liquidity position of the holding

company. A part of the investment assets (990) can be sold in case liquidity is needed. Short-term liquidity can be considered adequate.

All in all, Sampo plc is in a good position to refinance its current debt and even issue more debt. This capacity together with the tradable financial assets, means that Sampo plc can generate liquid funds.

Currently Sampo Group has a capital buffer in excess of the Solvency Capital Requirement. The subordinated loans presented in the table Balance sheet structure, Sampo plc, 31 December 2022 and 31 December 2021 are currently all issued by Mandatum and eliminated from Group's own funds. In case these assets would be sold, in addition to

liquidity in Sampo plc, also own funds and Sampo Group solvency ratio would increase.

Sampo plc is able to balance risks within Sampo Group. When Sampo plc is managing its funding, capital structure and liquidity, it takes into account that some of its operative companies have other base currencies (the Swedish krona, the Danish krone, pound sterling) than the euro, and are exposed to lower interest rates. These risks may affect Sampo's decisions on the issuance of debt instruments and the composition of the liquidity portfolio.

The maturities of financial assets and liabilities and lease liabilities are presented in the table Cash flows according to contractual maturity, Sampo plc, 31 December 2022.

Cash flows according to contractual maturity

Sampo plc, 31 December 2022

| EURm | Carrying amount total | | | Cash flows | | | | | | |
|---|-----------------------|--|---|-------------|------------|-------------|------------|------------|---------------|------------|
| | Carrying amount total | Carrying amount without contractual maturity | Carrying amount with contractual maturity | 2023 | 2024 | 2025 | 2026 | 2027 | 2028-2037 | 2038- |
| Financial assets | 3,596 | 2,799 | 797 | 688 | 24 | 8 | 8 | 8 | 77 | 183 |
| Financial assets (non-derivatives) | 3,596 | 2,799 | 797 | 688 | 24 | 8 | 8 | 8 | 77 | 183 |
| Interest rate swaps | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| FX forwards | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial liabilities | 2,816 | 0 | 2,816 | -416 | -65 | -224 | -60 | -60 | -2,513 | 0 |
| Financial liabilities (non-derivatives) | 2,802 | 0 | 2,802 | -416 | -63 | -223 | -59 | -59 | -2,504 | 0 |
| Interest rate swaps | 14 | 0 | 14 | 0 | -2 | -1 | -1 | -1 | -9 | 0 |
| FX derivatives | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 2 | 0 | 2 | -1 | -1 | 0 | 0 | 0 | 0 | 0 |
| Net technical provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Sampo plc's treatment of deferred tax assets and liabilities is based on IAS 12 Income Taxes standard. The company has recognised a deferred tax asset in accordance with Finnish tax legislation over confirmed taxable losses. Confirmed taxable losses are valid for ten years, after which they expire. On 31 December 2022, the total of company's deferred tax asset from confirmed taxable losses was EUR 34.3 million. The deferred tax asset is presented as an off-balance sheet item.

Deferred tax liabilities have been recognised for unrealised increases in the value of the company's investments. The net deferred tax liability was zero on 31 December 2022.

The balance sheet does not include any other deferred taxes from temporary differences.

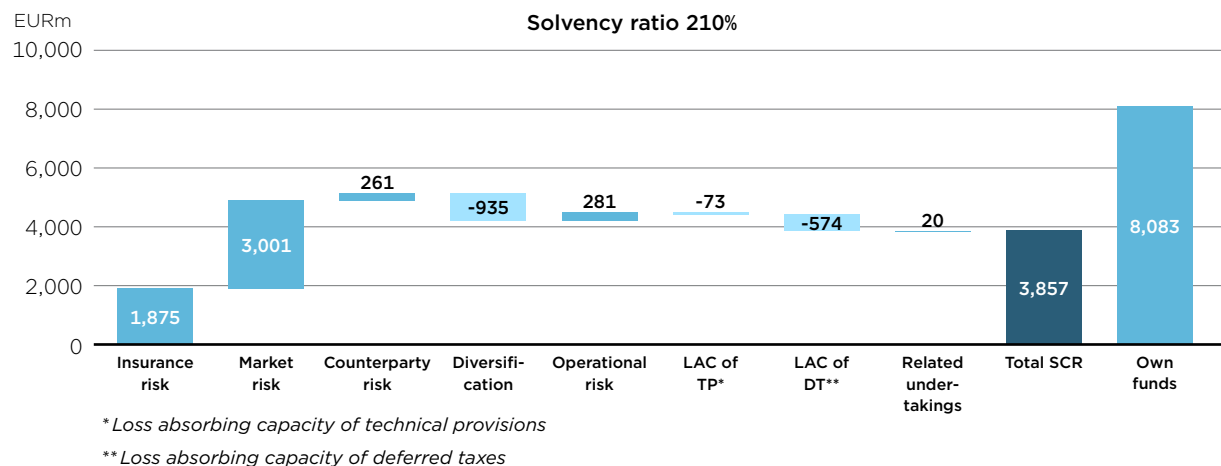
Sampo Group capitalisation

The principles of Sampo Group capitalisation and the calculation methods are described in detail in **Appendix 4 Profitability, risks and capital**.

Sampo Group's own funds and SCR are presented in the graph Solvency by Solvency II Rules, Sampo Group, 31

Solvency by Solvency II rules

Sampo Group, 31 December 2022



December 2022. Sampo Group's ratio of eligible own funds to Group SCR at the end of 2022 was 210 per cent (185). Sampo Group has been continuously compliant with the regulatory capital requirement during 2022. The Group SCR decreased by EUR 2,048 million primarily due to significantly lower equity risk. In total 246 million Nordea shares were sold during 2022, which completed Sampo's exit from Nordea as the entire holding in Nordea was sold. In addition, equity markets fell during 2022, lowering the market values of equity investments and

decreasing the equity risk capital requirement further. Sampo Group has not applied for approval to use an internal model on the Group level, and therefore the standard formula SCRs are applied in Solvency II. Sampo does not use Hasting's Group Specific Parameters (GSPs) in the Group SCR.

The Group LAC of DT was EUR -574 million and it is calculated based on the subsidiaries' LAC of DT figures following EIOPA guidelines on Group LAC of DT.

The table Eligible own funds, Sampo Group, 31 December 2022 and 31 December 2021 presents Sampo Group's own funds by tiers.

The Group's own funds consists of ordinary share capital, the reconciliation reserve as well as subordinated liabilities, which are eligible at the Group level. As at 31 December 2022 the Group's own funds were EUR 8,083 million (10,924).

The entire ordinary share capital of EUR 98 million and reconciliation reserve of EUR 6,249 million (8,675) fully meet with the requirements for inclusion in Tier 1 unrestricted items. In comparison, IFRS Consolidated Group equity as at 31 December 2022 was EUR 9,543 million (13,464) (see **Appendix 5 Valuation for solvency purposes**). All in all, the structure of own funds is solid because Tier 1 items make up approximately 79 per cent of all own funds and the reconciliation reserve is a major contributor.

The reconciliation reserve is a sum of retained earnings, net income for the financial year and other reserves deducted by proposed dividends and other distributions and adjusted by Solvency II valuation differences, net deferred tax assets, own shares held directly and Topdanmark's minority interest. The composition of the reconciliation reserve is presented in the table Composition of the reconciliation reserve, Sampo Group, 31 December 2022 and 31 December 2021.

Eligible own funds

Sampo Group, 31 December 2022 and 31 December 2021

| EURm | 31 Dec 2022 | 31 Dec 2021 |
|--|--------------|---------------|
| Tier 1 total | 6,367 | 8,906 |
| Ordinary share capital | 98 | 98 |
| Reconciliation reserve | 6,249 | 8,675 |
| Net effect of other financial sectors | 0 | 0 |
| Tier 1 - restricted | 20 | 133 |
| Tier 2 (Subordinated liabilities) | 1,671 | 1,981 |
| Tier 3 (Deferred tax assets) | 45 | 38 |
| Eligible own funds | 8,083 | 10,924 |

Composition of the reconciliation reserve

Sampo Group, 31 December 2022 and 31 December 2021

| EURm | 31 Dec 2022 | 31 Dec 2021 |
|--|--------------|--------------|
| Reserves, retained earnings and net income for the year (before SII adjustments) | 9,445 | 13,371 |
| Foreseeable dividends, distributions and charges | -1,892 | -2,612 |
| Own shares (held directly and indirectly) | -181 | -476 |
| Other non-available own funds | -373 | -441 |
| Net deferred tax assets shown separately in Tier 3 | -45 | -38 |
| Valuation adjustments according to Solvency II | -706 | -1,129 |
| Reconciliation reserve | 6,249 | 8,675 |

In the table Eligible own funds, Sampo Group, 31 December 2022 and 31 December 2021 the own funds items included in Sampo Group's Tier 1 restricted and Tier 2 capital, amounting to EUR 20 million and EUR 1,671 million respectively as of 31 December 2022, consist of subordinated debt instruments held by external

investors. In addition, a share of If's Norwegian natural perils capital is included as Tier 2 own funds.

As at 31 December 2022 EUR 100 million of a total of EUR 350 million of the subordinated debt issued by Mandatum Life was in Sampo's investment portfolio. Topdanmark

has issued two subordinated debt instruments by nominal amount of DKK 1,100 million in total, and about 85 per cent of these are held in Sampo Group companies' investment portfolios. The details of subordinated debt instruments issued by Sampo, If, Topdanmark and Mandatum are shown in the companies' respective tables. Full instrument details are available also in Sampo's webpages www.sampo.com/investors/debt-instruments/sampo-plc, www.sampo.com/investors/debt-instruments/if, www.sampo.com/investors/debt-instruments/topdanmark and www.sampo.com/investors/debt-instruments/mandatum.

There were no new redemptions or issuances of subordinated debt from Sampo plc, If, Mandatum or Hastings during 2022. However, If is calling the SEK 1,000 million Tier 1 loan in March 2023 and the loan was already deducted from the Group's own funds as of 31 December 2022. Following the sale of Topdanmark Liv

Holding A/S, Topdanmark issued a subordinated Tier 1 loan of DKK 400 million in December 2022 to replace the loan of a similar size that was redeemed in November 2022. Furthermore, Topdanmark redeemed DKK 800 million subordinated tier 2 loan in December 2022.

The Group's own funds decreased by EUR 2,841 million over the reporting period. Several developments took place during the year. High profitability in the insurance operations as well as rising interest rates increased the Own funds, whereas negative equity market returns had an opposite effect. In line with its P&C focused strategy Sampo continued to exit its holding in Nordea Bank Abp, which was completed on 29 April 2022 through a disposal of 200 million shares. Sampo had already sold 46 million Nordea shares in the open market during February-April and the gross proceeds generated during 2022 amounted to EUR 2.3 billion. Sampo announced in total EUR 1,250 million of share buybacks during 2022 and EUR 1,228

million were deducted from Own funds. The proposed dividend of EUR 1,337 million and a buyback programme of EUR 400 million, that management intends to propose, are additionally deducted from own funds at the year-end. This includes an insurance dividend of EUR 1.80 per share (EUR 926 million), in line with profits from the Group's insurance operations, and an extra dividend of EUR 0.8 per share (EUR 411 million). As a result of these changes in the Own funds and the SCR in particular, the Ratio of eligible own funds to Group SCR increased to 210 per cent (185). Because of the regulatory limitation that Tier 2 items can only cover up to 20 per cent of the Minimum Consolidated Group SCR ("MCR"), there is a restriction affecting the availability and transferability of Tier 2 own funds at the Group level during the period when calculating Tier 2 capital and Ratio of eligible own funds to MCR.

If Group

| | |
|--|----|
| Underwriting risks and performance | 32 |
| Market risks and investment performance..... | 39 |
| Counterparty default risks | 45 |
| Operational risks | 46 |
| Emerging risks..... | 46 |
| Capitalisation | 48 |

If Group

If Group (“If”) conducts property and casualty (“P&C”) insurance operations in the Nordic and Baltic countries, offering a full range of insurance solutions and services to private individuals and corporations over a geographically diverse area. Nordic corporate customers with global operations are also served by branch offices in France, Germany, the Netherlands and the United Kingdom as well as via international partners. Thus, the underwriting business of If is well diversified across countries, lines of business and customer segments.

The Nordic P&C insurance market is relatively concentrated with the four largest insurers accounting for approximately 70 to 90 per cent of the markets in Sweden, Norway and Finland. The market is more fragmented in Denmark. Other market characteristics are high customer retention levels and low expense ratios as well as an increasing use of digital services throughout the customer journey, from sales to claims.

Stable performance based on customer satisfaction, underwriting excellence and operational efficiency, supported by continuous investments in digitalisation, are at the core of If’s business strategy. If is committed

to provide the best possible service for its customers by ensuring that every customer is properly insured for risks in their daily lives and businesses. This is summarised in the customer promise “By your side”.

Sustainability is a crucial part of If’s strategic framework and thereby central for If and its stakeholders. If’s ambition is to be the most caring insurance company and actively contribute to a more sustainable society. Sustainability risks, such as climate change risks, are not considered as a stand-alone risk category in If’s Risk Management System. Instead, the risks are an integral part of assessments of each main risk category.

Altogether 2022 became a challenging year, affected by the ongoing war in Ukraine, lingering pandemic effects in China and the high inflation environment. Nevertheless, If’s business model has proven robust due to its high degree of diversification and long-standing tradition of remote and online-based distribution. As of year-end, If presented strong results in several areas, financially as well as qualitatively. For instance, full-year key performance indicators such as combined ratio, risk ratio and premium growth have shown record results.

Underwriting risks and performance

If’s Nordic insurance operations are organised in accordance with customer segments into the cross-border business areas private, commercial (small and medium sized companies) and industrial (large corporates) where business area private accounts for more than half of the total premium income. Claims within all Nordic business areas are handled by a common cross-functional claims unit. The Baltic operations comprise a separate business area carried out through the Estonian company with branches in Latvia and Lithuania.

Although severe weather claims became worse than expected due to the harsh winter months in 2022, If’s underwriting performance for the year improved by 10 per cent from EUR 888.0 million to EUR 975.9 million. The premium development was solid supported by a growing customer base in all countries. For business area private, premium development was dampened by the relatively weak sales of new cars in the Nordics. Business area commercial, industrial and Baltic delivered a strong growth favoured by a continued high and stable retention level as well as further rate increases in line with claims

inflation across all business areas. The positive premium development was also favoured by improved retention, especially within business area commercial.

The performance of each business area in 2022 is presented below:

- Business area private: Despite a positive premium development with solid growth in Property and Personal insurance, the underwriting performance deteriorated, due to significant increase in total claims cost, especially in Sweden and Norway. This is explained by harsh winter conditions as well as extra claims inflation reserving where the cost of spare parts is the main cost driver in all countries.
- Business area commercial: The underwriting performance was positive, supported by rate actions, high and stable retention, and an increased number of customers which altogether contributed to a strong premium development especially in Norway, Finland and Sweden. Total claims costs increased in Norway. However, this was outweighed by much lower claims

costs as a result of decreased annuities. The annuities declined due to higher discount rates within the Finnish Personal insurance portfolio. Total claims costs were relatively stable in Sweden and Denmark.

- Business area industrial: The underwriting performance improved compared to last year, mostly due to reduced total claims costs regarding Personal insurance. The reduction was explained by decreased annuities following from higher discount rates. The premium development was strong, especially in Sweden and Denmark. This was primarily a consequence of indexations, significant rate increases and portfolio changes stemming from the high inflation environment.
- Business area Baltic: Although 2022 showed a solid premium growth in all countries, driven by continued rate increases to mitigate claims inflation, the underwriting performance deteriorated slightly. This was mainly due to increased claims costs within Motor insurance in Estonia as total claims costs increased in Estonia and Latvia but remained relatively stable in Lithuania.

The three major Solvency II lines of business in If are motor vehicle liability insurance, other motor insurance and fire and other damage to property insurance. The table Underwriting performance, If, 31 December 2022 and 31 December 2021 presents the development of the premiums, claims, operating expenses, reinsurer's share and underwriting performance per Solvency II lines of business for the last two years.

Underwriting performance

If, 31 December 2022 and 31 December 2021

| Underwriting performance by SII LoB, EURm | Premiums written | | Premiums earned | | Claims incurred | | Operating expense | | Reinsurers share per LoB | | Total underwriting performance direct insurance | |
|--|------------------|--------------|-----------------|--------------|-----------------|--------------|-------------------|--------------|--------------------------|------------|---|------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Medical expense insurance | 309 | 287 | 302 | 283 | 214 | 155 | 78 | 74 | 0 | 5 | 10 | 49 |
| Income protection insurance | 387 | 355 | 375 | 345 | 212 | 202 | 90 | 85 | 0 | 8 | 73 | 50 |
| Workers' compensation insurance | 186 | 181 | 186 | 180 | 99 | 69 | 40 | 39 | 2 | 10 | 46 | 62 |
| Motor vehicle liability insurance | 548 | 555 | 550 | 550 | 361 | 128 | 162 | 144 | -1 | 1 | 28 | 278 |
| Other motor insurance | 1,506 | 1,504 | 1,497 | 1,487 | 1,011 | 930 | 302 | 290 | 2 | 2 | 181 | 265 |
| Marine, aviation and transport insurance | 138 | 125 | 136 | 125 | 84 | 48 | 26 | 23 | 28 | 12 | 0 | 43 |
| Fire and other damage to property insurance | 1,916 | 1,734 | 1,854 | 1,690 | 1,200 | 1,152 | 314 | 298 | 130 | 47 | 211 | 193 |
| General liability insurance | 384 | 339 | 366 | 329 | 249 | 196 | 69 | 56 | 37 | 23 | 11 | 54 |
| Assistance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other life insurance | 59 | 54 | 57 | 52 | 12 | 13 | 10 | 12 | 2 | 2 | 32 | 25 |
| Annuities stemming from non-life insurance contracts and relating to health insurance obligations | 0 | 0 | 0 | 0 | -188 | 55 | 0 | 0 | 0 | 0 | 188 | -55 |
| Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | 0 | 0 | 0 | 0 | -194 | 77 | 0 | 0 | 1 | 0 | 193 | -77 |
| Total (excluding other expenses) | 5,432 | 5,134 | 5,322 | 5,041 | 3,060 | 3,026 | 1,091 | 1,020 | 202 | 110 | 971 | 886 |
| Other expenses | | 0 | | 0 | | 0 | | 0 | | 0 | 5 | 2 |
| Total | 5,432 | 5,134 | 5,322 | 5,041 | 3,060 | 3,026 | 1,091 | 1,020 | 202 | 110 | 976 | 888 |

The figures are segmented in accordance with Solvency II defined lines of business, which differ from the insurance class segmentation according to local GAAP or IFRS requirements that are used in other tables.

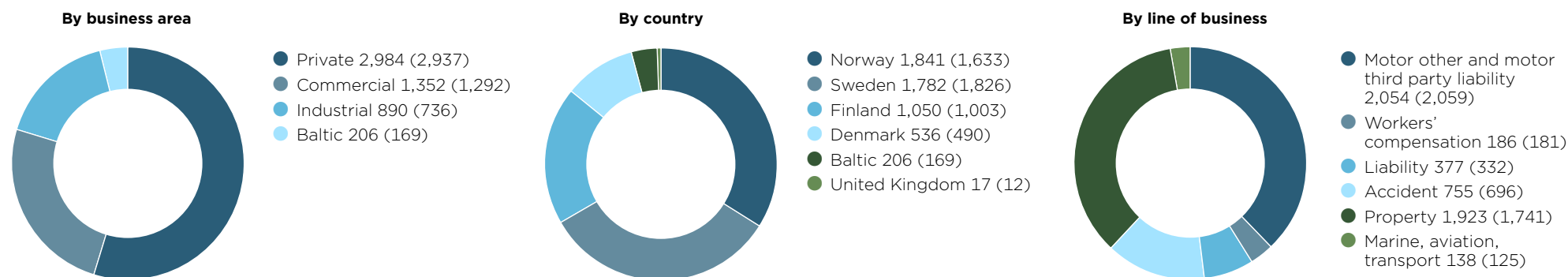
As shown in the graph Breakdown of gross written premiums by business area, country, and line of business, If, 31 December 2022, the If insurance portfolio is well

diversified across business areas, countries, and lines of business. The six lines of business are segmented in accordance with the insurance class segmentation used in IFRS.

There are minor differences between the figures reported by Sampo Group and If due to differences in foreign exchange rates used in the consolidation.

Breakdown of gross written premiums

If, 31 December 2022, total EUR 5 432 (5,134) million



The following adjustments from IFRS Lines of Business to Solvency II Lines of Business are made:

- IFRS Line of Business Motor other and Motor third party liability (2,054) include Solvency II Line of Business Motor vehicle liability insurance (548) and Other motor insurance (1,506).
- IFRS line of business accident (755) includes Solvency II line of businesses income protection insurance (387), other life insurance (59), medical expense insurance (309) and assistance (0).

Premium and catastrophe risk and their management and control

Definitions of premium and catastrophe risk can be found in **Appendix 2 Risk definitions**.

Given the inherent uncertainty of P&C insurance business, there is a risk of losses due to unexpectedly high claims costs. Examples of what could lead to high claims costs include large fires and natural catastrophes or an unforeseen increase in the frequency of claims or the average size of small and medium-sized claims.

The principal methods for mitigating premium risks are reinsurance, diversification, prudent underwriting and regular follow-ups linked to the strategy and financial planning process.

Sensitivity test of underwriting result

If, 31 December 2022 and 31 December 2021

| Key figures | Current level (2022) | Change in current level | Effect on pre-tax profit, (EURm) | |
|--|-------------------------|----------------------------|----------------------------------|--------|
| | | | 2022 | 2021 |
| Combined ratio, business area Private | 82% | +/- 1 percentage point | +/- 29 | +/- 29 |
| Combined ratio, business area Commercial | 75% | +/- 1 percentage point | +/- 13 | +/- 13 |
| Combined ratio, business area Industrial | 86% | +/- 1 percentage point | +/- 6 | +/- 5 |
| Combined ratio, business area Baltics | 90% | +/- 1 percentage point | +/- 2 | +/- 2 |
| Net premiums earned (EURm) | 5,002 | +/- 1 per cent | +/- 50 | +/- 48 |
| Net claims incurred (EURm) | 3,245 | +/- 1 per cent | +/- 32 | +/- 31 |
| Ceded written premiums (EURm) | 329 | +/- 10 per cent | +/- 33 | +/- 28 |

The sensitivity of the underwriting result and hence the underwriting risk is presented by changes in certain key figures in the table Sensitivity test of underwriting result, If, 31 December 2022 and 31 December 2021.

The Underwriting Committee is an advisory and preparatory body to the CEOs in the respective companies. In accordance with the instructions for the Underwriting Committee, the Committee monitors compliance with the established underwriting principles. The Chairman of the Underwriting Committee is, among other things, responsible for the approval of underwriting deviations defined in the Underwriting Policy.

The Underwriting Policy, approved by the Boards of Directors, sets general principles, restrictions, and directions for the underwriting activities. The Underwriting Policy is supplemented by guidelines

outlining how to conduct underwriting within each business area in greater detail.

The business areas manage the underwriting risk on a day-to-day basis. A crucial factor affecting the profitability and risk of non-life insurance operations is the ability to accurately estimate future claims and expenses and thereby price insurance contracts correctly. The premiums are set through tariffs within the business area Private and for smaller risks within the business area Commercial. The underwriting of risks in the business area Industrial and of more complex risks within the business area Commercial is to a greater extent based on principles and individual underwriting than on tariffs. The risk related to pricing is mitigated by continuous monitoring of risk ratio and claims cost as well as development of systems to support tariff analysis. Pricing is in general based on statistical analyses of historical

claims data and assessments of future claims frequency and claims inflation.

If's reinsurance policy stipulates guidelines for the purchase of reinsurance. The optimal choice of reinsurance is evaluated by considering the expected cost versus the benefit of the reinsurance, the impact on result volatility and capital requirements. The main evaluation tool is If's internal model in which frequency claims, large claims and natural catastrophes are modelled.

A group-wide reinsurance program is in place in If since 2003. In 2022, retention levels were between SEK 100 million (approximately EUR 9.0 million) and SEK 250 million (approximately EUR 22.5 million) per risk and SEK 250 million (approximately EUR 22.5 million) per event.

Reserve risk and its management and control

The definition of reserve risk can be found in **Appendix 2 Risk definitions**.

The main reserve risks for If are stemming from uncertainty in the claim amounts caused by higher-than-expected claims inflation, increased retirement age and increased life expectancy.

Reserves, especially in long tailed business, are sensitive to assumptions of future claims inflation since they affect the future claim amount. An increased retirement age, through for instance a political decision, will increase the duration and present value of annuities as these decrease, or expire, at retirement. An increase in life expectancy will likewise increase the duration and present value of annuities. The present value of discounted reserves is sensitive to decreasing interest rates, especially in Sweden and Finland, due to the longer duration of the technical provisions.

The duration of the provisions, and thus the sensitivity to changes in discount rates, varies with each product portfolio. The weighted average duration for 2022 across the product portfolios was 5.3 years.

For lines of businesses such as Motor third party liability and Workers' compensation, legislation differs significantly between countries. Some of the provisions for these lines include annuities that are sensitive to changes in inflation, retirement age, mortality assumptions and discount rates. The proportion of

technical provisions related to Motor third party liability and Workers' compensation was 44 (48) per cent.

In the tables Net technical provisions by line of business and major geographical area, If, 31 December 2022 and 31 December 2021, the size and duration of If's technical provisions are presented by line of business and major geographical area.

Net technical provisions by line of business and major geographical area

If, 31 December 2022 and 31 December 2021

| | Sweden | | Norway | | Finland | | Denmark | | Baltics | | Total | |
|-----------------------------|--------------|------------|--------------|------------|--------------|------------|------------|------------|------------|------------|--------------|------------|
| 31 December 2022 | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration |
| Motor other and MTPL | 1,597 | 6.8 | 565 | 1.3 | 866 | 10.3 | 171 | 2.4 | 146 | 3.4 | 3,345 | 6.4 |
| Workers' compensation | 0 | 0.0 | 170 | 3.6 | 897 | 11.3 | 309 | 8.1 | 0 | 0.0 | 1,375 | 9.7 |
| Liability | 339 | 3.6 | 149 | 1.5 | 125 | 2.9 | 93 | 3.0 | 25 | 2.3 | 731 | 2.9 |
| Accident | 422 | 6.7 | 473 | 4.9 | 236 | 5.7 | 111 | 1.9 | 10 | 0.5 | 1,253 | 5.4 |
| Property | 500 | 0.9 | 614 | 1.0 | 301 | 1.0 | 203 | 0.7 | 49 | 0.7 | 1,667 | 0.9 |
| Marine, aviation, transport | 27 | 0.9 | 27 | 0.8 | 13 | 1.2 | 33 | 0.6 | 3 | 1.0 | 102 | 0.8 |
| Total | 2,885 | 5.3 | 1,997 | 2.3 | 2,439 | 8.7 | 920 | 3.8 | 233 | 2.6 | 8,473 | 5.3 |

| | Sweden | | Norway | | Finland | | Denmark | | Baltics | | Total | |
|-----------------------------|--------------|------------|--------------|------------|--------------|-------------|------------|------------|------------|------------|--------------|------------|
| 31 December 2021 | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration | EURm | Duration |
| Motor other and MTPL | 1,771 | 8.0 | 538 | 1.5 | 1,046 | 13.6 | 146 | 1.6 | 124 | 5.7 | 3,626 | 8.3 |
| Workers' compensation | 0 | 0.0 | 171 | 7.7 | 1,139 | 12.9 | 282 | 10.5 | 0 | 0.0 | 1,592 | 12.0 |
| Liability | 311 | 3.8 | 123 | 1.1 | 109 | 3.6 | 79 | 3.1 | 27 | 2.4 | 649 | 3.1 |
| Accident | 438 | 7.2 | 448 | 7.1 | 198 | 6.6 | 105 | 1.8 | 8 | 0.5 | 1,196 | 6.6 |
| Property | 533 | 1.0 | 569 | 0.9 | 265 | 1.1 | 153 | 0.7 | 43 | 1.7 | 1,563 | 1.0 |
| Marine, aviation, transport | 21 | 1.0 | 22 | 0.8 | 11 | 1.2 | 28 | 0.6 | 3 | 0.9 | 85 | 0.8 |
| Total | 3,074 | 6.2 | 1,871 | 3.1 | 2,769 | 11.2 | 793 | 4.7 | 205 | 4.1 | 8,712 | 7.0 |

The sensitivity of If's technical provisions to an increase in inflation, an increase in life expectancy and a decrease in the discount rate is presented in the table Sensitivities of technical provisions, If, 31 December 2022.

The technical provisions are further analysed by claims years. The output from this analysis is illustrated both before and after reinsurance in the claims cost trend tables. These are disclosed in the **Note 21** in the Financial Statements www.sampo.com/year2022.

The If Boards of Directors approve the policies governing the calculation of technical provisions. The Chief Actuary is responsible for the Actuarial function and reports to the Boards of Directors and the CEOs and advises on actuarial matters. The Actuarial function is responsible for ensuring compliance with the steering documents and that local rules and regulations are reflected in guidelines and working routines. The Chief Actuary issues a quarterly report on the adequacy of If's technical provisions.

Sensitivities of technical provisions

If, 31 December 2022 and 31 December 2021

| Technical provision item | Risk factor | Change in risk parameter | Country | Effect EURm 2022 | Effect EURm 2021 |
|--|---------------------------|------------------------------------|---------|---------------------|---------------------|
| Nominal provisions (IFRS 4) | Inflation increase | Increase by 1 percentage point | Sweden | 110.4 | 134.7 |
| | | | Denmark | 21.3 | 19.3 |
| | | | Norway | 35.5 | 63.3 |
| | | | Finland | 49.4 | 41.1 |
| Annuities and estimated share of claims provisions to future annuities | Decrease in mortality | Life expectancy increase by 1 year | Sweden | 15.3 | 15.4 |
| | | | Denmark | 0.8 | 1.0 |
| | | | Finland | 50.5 | 76.9 |
| Discounted provisions (annuities and part of Finnish IBNR, IFRS 4) | Decrease in discount rate | Decrease by 1 percentage point | Sweden | 75.4 | 97.8 |
| | | | Denmark | 17.6 | 21.2 |
| | | | Finland | 190.1 | 313.1 |

The Actuarial Committee is a preparatory and advisory board for If's Chief Actuary. The committee secures a comprehensive view over reserve risk, discusses, and gives recommendations on policies and guidelines for calculating technical provisions.

The calculation of technical provisions according to IFRS is carried out by actuaries within each business area. The

premium and claims provisions according to the Solvency II regulations are based on parameters from each business area and the Chief Actuary unit. The actuaries also develop methods and systems to support these processes. The actuarial estimates consider factors such as loss development trends, level of unpaid claims, changes in legislation, case law and economic conditions.

Market risks and investment performance

The total market value of If's investment portfolio at 31 December 2022 was EUR 10,719 million (11,610). A large part of the fixed income portfolio was concentrated to Financials. Corporate bonds issued by financial institutions and bank account balances amounted to 28.7 per cent of the fixed income portfolio. When including covered bonds, the concentration to financial institutions was 55.3 per cent. The remainder consists of real estate and private equity.

The composition of the If investment portfolios by asset class at year end 2022 and at year end 2021 as well as average maturities of fixed income investments, are shown in the table Investment allocation, If, 31 December 2022 and 31 December 2021.

The return on If's investments during 2022 amounted to -4.4 per cent, mainly due to poor equity market performance. The fixed income portfolio contributed negatively to the return, due to rising interest rates and widening spreads. The return for 2022 can be compared to the average yearly return on If's investments during 2013–2022 which is 2.3 per cent.

Investment allocation

If, 31 December 2022 and 31 December 2021

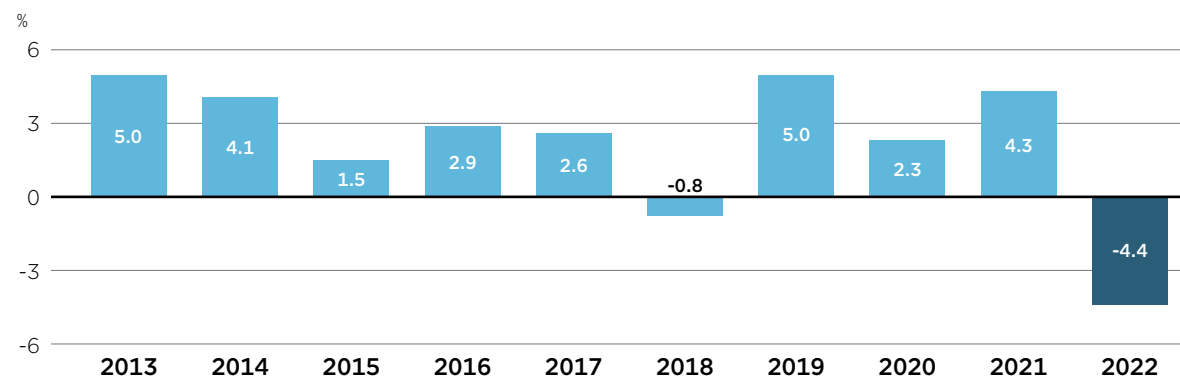
| Asset class | 2022 | | | 2021 | | |
|---|--------------------|-------------|-------------------------|--------------------|-------------|-------------------------|
| | Market value, EURm | Weight, % | Average maturity, years | Market value, EURm | Weight, % | Average maturity, years |
| Fixed income total | 9,541 | 89% | 2.9 | 9,949 | 86% | 2.3 |
| Money market securities and cash | 272 | 3% | 0.0 | 1,166 | 10% | 0.1 |
| Government bonds | 1,030 | 10% | 3.5 | 1,190 | 10% | 4.3 |
| Credit bonds, funds and loans | 8,239 | 77% | 2.9 | 7,593 | 65% | 2.4 |
| <i>Covered bonds</i> | 2,505 | 23% | 3.0 | 1,803 | 16% | 2.0 |
| <i>Investment grade bonds and loans</i> | 3,649 | 34% | 2.8 | 3,130 | 27% | 2.1 |
| <i>High-yield bonds and loans</i> | 1,088 | 10% | 2.7 | 1,499 | 13% | 2.7 |
| <i>Subordinated / Tier 2</i> | 555 | 5% | 2.9 | 629 | 5% | 3.6 |
| <i>Subordinated / Tier 1</i> | 442 | 4% | 3.0 | 532 | 5% | 2.9 |
| <i>Hedging swaps</i> | 0 | 0% | - | 0 | 0% | - |
| Listed equity total | 1,169 | 11% | - | 1,646 | 14% | - |
| Finland | 0 | 0% | - | 0 | 0% | - |
| Scandinavia | 630 | 6% | - | 1,171 | 10% | - |
| Global | 539 | 5% | - | 475 | 4% | - |
| Alternative investments total | 5 | 0% | - | 15 | 0% | - |
| Real estate | 1 | 0% | - | 1 | 0% | - |
| Private equity | 4 | 0% | - | 14 | 0% | - |
| Biometric | 0 | 0% | - | 0 | 0% | - |
| Commodities | 0 | 0% | - | 0 | 0% | - |
| Other alternative | 0 | 0% | - | 0 | 0% | - |
| Trading derivatives | 4 | 0% | - | 0 | 0% | - |
| Asset classes total | 10,719 | 100% | - | 11,610 | 100% | - |
| FX Exposure, gross position | 73 | - | - | 124 | - | - |

If's investment management strategy is conservative, with a low equity share and low fixed-income duration.

The Investment Policy is the principal document for managing market risk. Starting from January 2023, If has a separate Responsible Investment Policy, expanding the scope of the responsible investment processes and increasing alignment across the Sampo Group. Both investment performance and market risk are actively monitored and controlled by the Investment Control Committee monthly and reported to the Own Risk and Solvency Assessment Committee ("ORSA Committee") on a regular basis. Other limits, such as the allocation limits, issuer and counterparty limits, sensitivity limits for interest rates and credit spreads as well as the regulatory capital requirements are regularly monitored.

Annual investment returns at market values

If, 2013-2022



Market risks of fixed income and equity instruments

Spread risk and equity risk

Spread risk and equity risk are derived only from the asset side of the balance sheet. Exposures in fixed income and

equity instruments are presented by sector, asset class and rating in the following table, which also includes counterparty risk exposures relating to derivative transactions. Counterparty default risks are further described in section **Counterparty default risks**. Due to differences in the reporting of derivatives, the figures are not fully comparable with other tables in Sampo Group's financial statements.

Exposures by sector, asset class and rating

lf, 31 December 2022

| | | AA+ | A+ | BBB+ | BB+ | | | Fixed | | | | Change |
|--------------------------------|--------------|-------------|--------------|--------------|------------|----------|--------------|--------------|--------------|------------|------------|-------------|
| | | - | - | - | - | | | income | Listed | Other | Counter- | from |
| EURm | AAA | AA- | A- | BBB- | C | D | Non-rated | total | equities | | party risk | 31 Dec |
| | | | | | | | | | | | | 2021 |
| Basic industry | 0 | 0 | 12 | 136 | 20 | 0 | 19 | 187 | 54 | 0 | 0 | 52 |
| Capital goods | 0 | 0 | 72 | 90 | 30 | 0 | 101 | 294 | 486 | 0 | 0 | -213 |
| Consumer products | 0 | 1 | 168 | 266 | 15 | 0 | 54 | 505 | 167 | 0 | 0 | -155 |
| Energy | 0 | 0 | 14 | 0 | 0 | 0 | 99 | 113 | 4 | 0 | 0 | -22 |
| Financial institutions | 32 | 645 | 1,460 | 595 | 100 | 0 | 39 | 2,870 | 0 | 0 | 1 | -61 |
| Governments | 422 | 0 | 0 | 0 | 0 | 0 | 0 | 422 | 0 | 0 | 0 | -95 |
| Government guaranteed | 0 | 24 | 0 | 0 | 0 | 0 | 0 | 24 | 0 | 0 | 0 | -3 |
| Health care | 0 | 0 | 13 | 53 | 8 | 0 | 36 | 110 | 2 | 0 | 0 | 7 |
| Insurance | 0 | 0 | 41 | 112 | 8 | 0 | 161 | 321 | 0 | 1 | 0 | -105 |
| Media | 0 | 0 | 0 | 0 | 0 | 0 | 25 | 25 | 0 | 0 | 0 | 1 |
| Packaging | 0 | 0 | 0 | 0 | 20 | 0 | 0 | 20 | 0 | 0 | 0 | 6 |
| Public sector, other | 516 | 37 | 0 | 0 | 0 | 0 | 0 | 552 | 0 | 0 | 0 | -56 |
| Real estate | 0 | 39 | 133 | 220 | 32 | 0 | 200 | 625 | 0 | 1 | 0 | -687 |
| Services | 0 | 0 | 7 | 47 | 98 | 0 | 26 | 178 | 0 | 0 | 0 | -9 |
| Technology and electronics | 0 | 11 | 22 | 12 | 0 | 0 | 47 | 93 | 0 | 1 | 0 | -22 |
| Telecommunications | 0 | 0 | 2 | 110 | 0 | 0 | 19 | 131 | 39 | 0 | 0 | -98 |
| Transportation | 0 | 57 | 43 | 0 | 13 | 0 | 112 | 225 | 0 | 0 | 0 | -54 |
| Utilities | 0 | 0 | 70 | 136 | 77 | 0 | 43 | 326 | 0 | 0 | 0 | -1 |
| Others | 0 | 0 | 0 | 2 | 0 | 0 | 52 | 53 | 0 | 0 | 0 | 6 |
| Asset-backed securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Covered bonds | 2,505 | 0 | 0 | 0 | 0 | 0 | 0 | 2,505 | 0 | 0 | 0 | 702 |
| Funds | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 10 | 416 | 2 | 0 | -51 |
| Clearing house | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 4 |
| Total | 3,475 | 814 | 2,057 | 1,780 | 421 | 0 | 1,043 | 9,589 | 1,169 | 5 | 5 | -852 |
| Change from 31 Dec 2021 | 565 | -256 | 330 | -299 | -10 | 0 | -699 | -370 | -477 | -10 | 4 | -852 |

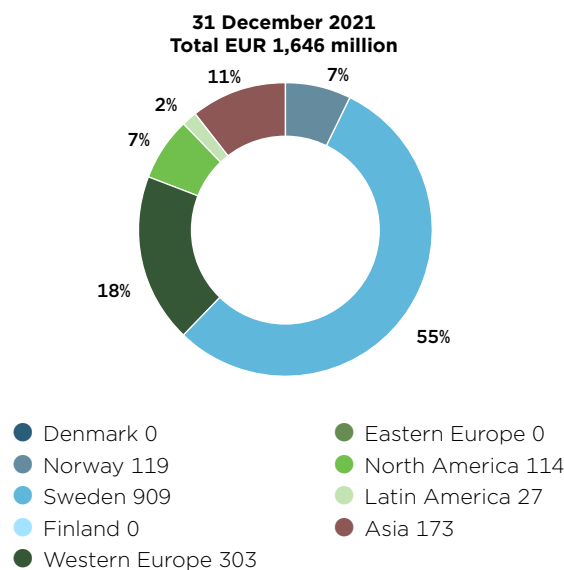
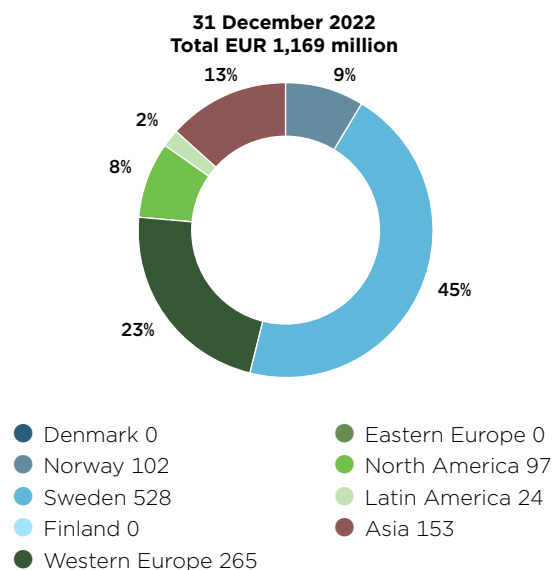
The figures include bank account balances related to insurance activities.

Most of the fixed income exposures are investment grade and the role of corporate and covered bonds issued by Nordic financial institutions is central. A part of the money market securities, cash and investment grade government bonds form a liquidity buffer.

The equity portfolio consists of Nordic shares and a diversified global fund portfolio. The changes in equity positions during the year can be seen in the graph
Breakdown of listed equity investments by geographical regions, If, 31 December 2022 and 31 December 2021.

Breakdown of listed equity investments by geographical regions

If



Market risks of balance sheet

Asset and liability management risk

Asset and Liability Management ("ALM") risk is defined in **Appendix 2 Risk definitions**.

The ALM risk is considered through the risk appetite framework and its management and governance are based on If's investment policies. To maintain the ALM risk within the overall risk appetite, the technical provisions may be matched by investing in fixed income instruments and by using currency and interest rate derivatives.

Interest rate risk

If is negatively affected when interest rates are decreasing or remaining at low levels, as the duration of liabilities in If is longer than the duration of assets. During 2022 interest rates increased considerably compared to the previous year and If invested in instruments with somewhat longer maturities. Interest rate sensitivity in terms of the average duration of fixed income investments was 1.9 years on 31 December 2022 (1.1). The respective duration of insurance liabilities was 5.3 years (7.0). The overall interest rate risk is managed by sensitivity limits for instruments sensitive to interest rate changes.

The technical provisions are under IFRS 4 predominantly stated in nominal terms on the balance sheet. However, the economic value of these provisions, meaning the present value of future claims payments, is exposed to changes in interest rates. Furthermore, If is exposed to changes in future inflation. For more information see the table **Sensitivities of technical provisions, If, 2022** in the section **Underwriting Risks and Performance**.

Currency risk

If writes insurance policies that are mostly denominated in the Scandinavian currencies and in the euro. The currency risk is reduced by matching technical provisions with investment assets in the corresponding currencies or by using currency derivatives. The currency exposure in insurance operations is hedged to the base currency on a regular basis. The currency exposure in investment assets is controlled weekly and hedged when the exposure

has reached a specific level, set with respect to cost efficiency and minimum transaction size. An active currency management can be performed within set limits. The transaction risk positions against the Swedish krona are shown in the tables Transaction risk position, If, 31 December 2022 and 31 December 2021. The table shows the net transaction risk exposures and the changes in the value of positions given a 10 per cent decrease in the value of the base currency.

Transaction risk position

If, 31 December 2022

| Base currency, SEKm | EUR | USD | JPY | GBP | SEK | NOK | CHF | DKK | Other | Total, net |
|--------------------------------|-----------|-----------|----------|-----------|----------|-----------|----------|-----------|-----------|------------|
| Insurance operations | -3,742 | -218 | 0 | -34 | -11 | -2,318 | -5 | -1,029 | -25 | -7,381 |
| Investments | 2,304 | 297 | 1 | 11 | 108 | 2,071 | 4 | 263 | 1 | 5,058 |
| Derivatives | 1,370 | -113 | 13 | 16 | -78 | 229 | 2 | 760 | 13 | 2,211 |
| Transaction risk, net position | -68 | -34 | 13 | -8 | 19 | -18 | 1 | -6 | -11 | -112 |
| Sensitivity: SEK -10% | -7 | -3 | 1 | -1 | 2 | -2 | 0 | -1 | -1 | -11 |

Transaction risk position

If, 31 December 2021

| Base currency, SEKm | EUR | USD | JPY | GBP | SEK | NOK | CHF | DKK | Other | Total, net |
|--------------------------------|-----------|-----------|----------|----------|-----------|----------|----------|-----------|----------|------------|
| Insurance operations | -3,555 | -151 | 0 | -17 | -37 | -2,197 | -2 | -932 | -19 | -6,911 |
| Investments | 1,925 | 387 | 0 | 4 | 71 | 2,289 | 0 | 423 | 1 | 5,100 |
| Derivatives | 1,562 | -246 | 0 | 9 | -45 | -94 | 2 | 489 | 13 | 1,692 |
| Transaction risk, net position | -67 | -9 | 0 | -4 | -11 | -1 | 1 | -21 | -5 | -119 |
| Sensitivity: SEK -10% | -7 | -1 | 0 | 0 | -1 | 0 | 0 | -2 | 0 | -12 |

The transaction risk position in SEK represents exposure in foreign subsidiaries/branches within If with a base currency other than SEK.

In addition to transaction risk, If is also exposed to translation risk which at a Group level stems from foreign operations with other base currencies than SEK. Translation risk, and its management principles in Sampo Group, are described in the **Appendix 4 Profitability, risks and capital**.

Liquidity risk

If's liquidity risk is limited since premiums are collected in advance and large claim payments are usually known a long time before they fall due. Liquidity risks are managed by cash management functions which are responsible for liquidity planning. Liquidity risk is also reduced by investing in assets that are readily marketable in liquid markets. The available liquidity of financial assets, meaning the part of the assets that can be converted into cash at a specific point in time, is analysed, and reported continuously.

The maturities of technical provisions, financial assets and liabilities as well as lease liabilities are presented in the table Cash flows according to contractual maturity, If, 31 December 2022. The average maturity of fixed income investments was 2.9 years (2.3). The table shows the financing requirements resulting from expected cash inflows and outflows arising from financial assets and liabilities as well as technical provisions.

If has a relatively low amount of financial liabilities and thus the refinancing risk is small.

Cash flows according to contractual maturity

If, 31 December 2022

| EURm | Carrying amount total | Carrying amount without contractual maturity | Carrying amount with contractual maturity | Cash flows | | | | | | |
|---|--------------------------|--|---|---------------|---------------|--------------|--------------|--------------|---------------|---------------|
| | | | | 2023 | 2024 | 2025 | 2026 | 2027 | 2028- 2037 | 2038- |
| Financial assets | 12,569 | 1,464 | 11,105 | 3,257 | 2,178 | 1,811 | 2,023 | 2,266 | 862 | 0 |
| Financial assets (non-derivatives) | 12,515 | 1,464 | 11,050 | 3,206 | 2,177 | 1,811 | 2,023 | 2,266 | 862 | 0 |
| Interest rate swaps | 4 | 0 | 4 | 3 | 1 | 0 | 0 | 0 | 0 | 0 |
| FX derivatives | 50 | 0 | 50 | 48 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial liabilities | 1,065 | 48 | 1,017 | -874 | -8 | -35 | -138 | 0 | 0 | 0 |
| Financial liabilities (non-derivatives) | 1,058 | 48 | 1,010 | -868 | -8 | -35 | -138 | 0 | 0 | 0 |
| Interest rate swaps | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| FX derivatives | 7 | 0 | 7 | -6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 160 | 0 | 160 | -26 | -23 | -23 | -22 | -18 | -59 | 0 |
| Net technical provisions | 8,473 | 8,473 | 0 | -3,492 | -1,047 | -585 | -423 | -341 | -1,790 | -1,777 |

In the table, financial assets and liabilities are divided into contracts that have an exact contractual maturity profile, and other contracts. The carrying amount is shown for the other contracts. In addition, the table shows expected cash flows for net technical provisions, which by nature, are associated with some uncertainty.

Counterparty default risks

In If, the major sources of counterparty risk are reinsurance, bank balances, financial derivatives, and other receivables.

Counterparty default risk arising from receivables from policyholders and other receivables related to commercial transactions is limited, as non-payment of premiums generally results in cancellation of insurance policies.

Reinsurance counterparty risk

Reinsurance is used regularly to utilise If's own funds efficiently, reduce the cost of capital, limit large fluctuations of underwriting results and to have access to reinsurers' competence base. The Reinsurance Committee is a collaboration forum with the role to secure appropriate reinsurance cover for insurance risk in accordance with If's risk appetite and provides an opinion as well as proposes actions in respect of such issues.

The distribution of reinsurance receivables and reinsurers' portion of outstanding claims per rating on 31 December 2022 is presented in the table Reinsurance recoverables, If, 31 December 2022 and 31 December 2021. Reinsurance recoverables of EUR 185 million (180) are excluded in the table, which mainly relate to captives and statutory pooled solutions.

Reinsurance recoverables

If, 31 December 2022 and 31 December 2021

| Rating | 31 Dec 2022 | | 31 Dec 2021 | |
|--------------|-------------|-------------|-------------|-------------|
| | Total EURm | % of total | Total EURm | % of total |
| AAA | 0 | 0% | 0 | 0% |
| AA+ - A- | 163 | 100% | 169 | 100% |
| BBB+ - BBB- | 0 | 0% | 0 | 0% |
| BB+ - C | 0 | 0% | 0 | 0% |
| D | 0 | 0% | 0 | 0% |
| Non-rated | 0 | 0% | 1 | 0% |
| Total | 163 | 100% | 170 | 100% |

The amount of the recoverables reported above is exposed to counterparty risk as recoverables are typically not covered by collaterals.

If's Reinsurance Policy sets requirements for the reinsurers' minimum credit ratings and the maximum exposure to individual reinsurers. In addition, the own credit-analysis plays a central role when counterparties are selected.

The Reinsurance Security Committee in If shall give input and suggestions in respect to various issues regarding reinsurance default risk and risk exposure, as well as proposed deviations from the Reinsurance Policy.

Most of the reinsurers have ratings between AA+ and A-. The ten largest individual reinsurance recoverables

amounted to EUR 199 million, representing 57 per cent of the total reinsurance recoverables including captives and statutory pooled solutions.

The total ceded premium related to treaty and facultative reinsurance amounted to EUR 86 million.

Counterparty risk related to financial derivatives

In If, the default risk of derivative counterparties is a by-product of managing market risks. The role of long-term interest rate derivatives has been immaterial and counterparty risk mainly stems from short-term FX derivatives. The counterparty risk of bilaterally

settled derivatives is mitigated by a careful selection and diversification of counterparties to prevent risk concentrations and by using collateral techniques, e.g., ISDA Master Agreements backed by Credit Support Annexes. If settles interest rate swaps in central clearing houses, which mitigates bilateral counterparty risk but also results in a systemic risk exposure related to centralised clearing parties.

Operational risks

If's main operational risks are related to internal processes and customer and partner processes that are driven by the transition to a multi core system landscape, old legacy systems and complex processes. To manage these risks, If has a core system strategy to enable an efficient transition, a changed governance and management structure as well as standardised routines to meet new demands.

If has issued several steering documents which are relevant for the management of operational risks. These include but are not limited to the Operational Risk Policy, the Business Continuity and Security Policy as well as Information Security Policy. If also has processes and instructions in place to manage the risk of external and internal fraud. Policies and other internal steering

documents are reviewed and updated at least annually. Internal training on ethical rules and other relevant guidelines are provided to employees on a regular basis through a company level training program.

Operational risks are identified and assessed through the Operational and Compliance Risk Assessment ("OCRA") process. Self-assessments to identify, assess, measure, mitigate and monitor operational risks are performed and reported by the line organisation regularly. Identified operational risks are assessed from a likelihood and impact perspective and evaluated using a traffic light system. An operational risk coordinator network in the line organisation supports the risk owners in the OCRA process while the results are challenged and aggregated by the Risk Management function. The most significant risks are reported to the ORSA Committee and to the Boards of Directors.

A system is implemented for incident reporting and follow-up. Incident data is used to analyse operational risks and severe incidents are tracked to ensure that proper measures are taken.

If has comprehensive information security and cybersecurity governance, including information security policies, standards, roles and responsibilities, defined controls, risk management, and reporting structures. The

company's Information Security Policy and Information Security Standards are aligned with the ISO 27001 standard and express the minimum requirements for information security and cybersecurity that are expected to be met by each If Group company and relevant partners and suppliers, which are regularly assessed for risks and compliance. Non-conformance may lead to disciplinary actions.

Further information on information security and cybersecurity in If is available in the **Sustainability Report 2022** published in May 2023 www.sampo.com/year2022.

Emerging risks

Emerging risk refers to newly developing or changing risks which may have a major impact on If's business. These risks are by nature difficult to quantify and therefore horizon scanning, knowledge sharing, and discussions of potential impacts are the primary means of monitoring and assessing the development of emerging risk.

There is a process in If whereby information on emerging risk is gathered by the business areas and the Risk Management function and discussed in regular meetings of the Emerging Risks Core Team, which consists of

representatives from both the business areas and the Risk Management function. The team identifies and assesses the core emerging risks that may threaten If's objectives. The findings are illustrated in an Emerging Risk Radar which is discussed regularly by the ORSA Committee. In addition, the outcomes of the discussions in the Emerging Risks Core Team and the ORSA Committee are reported back to the business areas and may, when warranted, lead to further actions such as reviews of terms and conditions or enhanced risk monitoring.

If has for example assessed a critical infrastructure blackout as a risk event with a likelihood of occurring within 1–5 years and a medium impact on If's objectives. More remote risks identified by If, with impacts expected in 5–10 years, are mainly related to autonomous vehicles and nanotechnology.

The risk owners, for instance the business areas and the investment managers, are responsible for mitigating the identified emerging risks in a suitable way. The Risk Management function follows up and makes sure that this is done.

Emerging risks

If

Likelihood assessment

- Unlikely
- Likely
- Certain

Impact assessment

- Small
- Medium
- High



Capitalisation

If's subsidiaries calculate their solo regulatory Solvency Capital Requirements ("SCR") as follows:

- If P&C Insurance Ltd (publ) is applying a partial internal model approved by the Swedish Financial Supervisory Authority for the calculation of the SCR. The main non-life underwriting risks are calculated according to an internal model while the Standard Formula ("SF") is applied for other risk modules.
- For the other companies the SF is used when calculating SCRs.

For If, there is no regulatory requirement to calculate SCR or own funds. However, for management purposes Economic Capital ("EC") is calculated by applying internal methods for the main non-life underwriting risks in all geographical areas and for market risks. The SF is applied for other risks. The EC is used for the quantification of own solvency needs, internal risk reporting and decision-making and as a basis for capital allocation. Further, If aims to maintain at least an A-rating by S&P and Moody's.

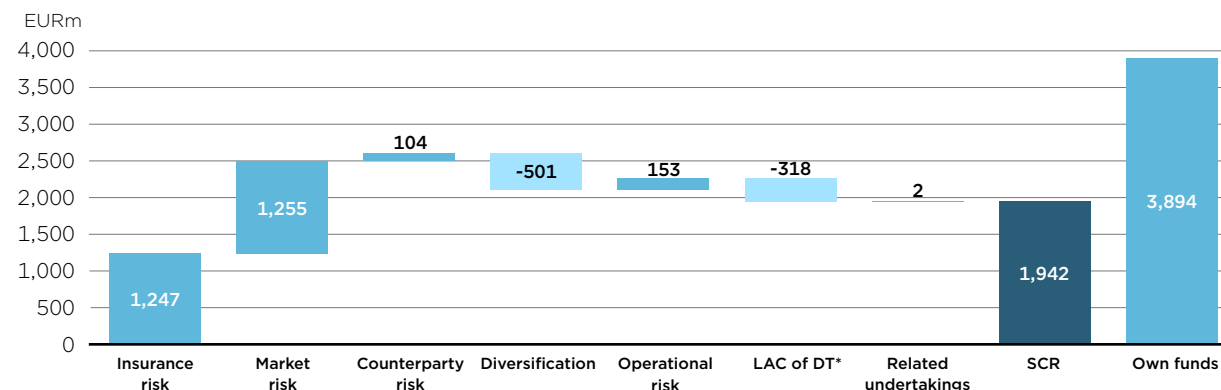
As an input to the Sampo Group level capital requirement, If applies the SF. Since the SF SCR does not consider any geographical diversification between countries, If's contribution to underwriting risk is conservative at Sampo Group level.

If's own funds were EUR 3,894 million (4,172) while the SF SCR was EUR 1,942 million (2,130) at the end of 2022.

Hence, the solvency ratio was 200 per cent (196) and the buffer was EUR 1,952 million (2,042). In the graph Solvency, If, 31 December 2022, SCR is divided into risk contributions. The diversification benefit between risks as well as the consolidated tax adjustment, Loss Absorbing Capacity of Deferred Tax ("LAC DT") are presented in the graph.

Solvency

If, 31 December 2022



* Loss absorbing capacity of deferred taxes

The structure of If's own funds is presented in the table Eligible own funds, If, 31 December 2022 and 31 December 2021. At the end of 2022 Tier 1 items cover 88 per cent of own funds and the amount of Tier 3 items is immaterial. The Norwegian Natural Perils Fund forms 71 per cent of Tier 2.

If pays dividends to Sampo plc close to its net profit. The remaining net profits accumulate in the retained earnings in the reconciliation reserve that is included in Tier 1.

At the end of 2022 subordinated debt amounting to EUR 135 million (242) corresponding to 3.5 per cent (5.8) was included in eligible own funds. The Tier 1 subordinated liability of If P&C Insurance Holding Ltd, with a nominal amount of SEK 1,000 million and a first call date on 22 March 2023, is not included in own funds at the end of 2022.

In summary, If's solvency is adequate, and the capital structure is strong. High and stable profitability and capacity to issue subordinated debt if needed puts If in a strong position to generate capital and to maintain a capital level needed for operations in the future.

Eligible own funds

If, 31 December 2022 and 31 December 2021

| EURm | | 31 Dec 2022 | 31 Dec 2021 |
|---------------------------|-----------------------------------|--------------|--------------|
| Tier 1 | Total | 3,421 | 3,682 |
| | Ordinary share capital | 245 | 266 |
| | Reconciliation reserve | 3,176 | 3,319 |
| | Subordinated liabilities | 0 | 97 |
| Tier 2 | Total | 470 | 488 |
| | Subordinated liabilities | 135 | 145 |
| | Norwegian Natural Peril's Capital | 335 | 343 |
| Tier 3 | Total | 3 | 2 |
| | Deferred tax assets | 3 | 2 |
| Eligible own funds | | 3,894 | 4,172 |

Solvency II compliant subordinated liabilities

If, 31 December 2022

| Issuer | Instrument | Nominal amount | Carrying amount in EUR (IFRS) | First Call | Tiering | Nominal amount in Sampo plc's portfolio |
|---------------------------------------|------------|-------------------|-------------------------------|-------------|---------|---|
| If P&C Insurance Holding Ltd (Sweden) | 30NC5 | SEK 1,500,000,000 | 134,351,036 | 17 Mar 2026 | Tier 2 | 0 |
| | | | 134,351,036 | | | |

Deferred taxes and loss-absorbing capacity of deferred taxes

Deferred tax assets amounting to EUR 2.6 million are recognised as Tier 3 items at the end of 2022. A part of the deferred tax assets that is due to Solvency II adjustments cannot be offset with deferred tax liabilities since they do not pertain to the same tax authority. The deferred tax

assets can likely be used to offset taxable profits in the future.

To arrive at If's SCR a tax adjustment is subtracted from the pre-tax solvency capital requirement figure, representing the LAC DT. The consolidated tax adjustment is based on the overall SF SCR for all legal entities. The implied SCR loss is then allocated to the

legal entities according to their SF based SCR compared to the other entities. Tax adjustments¹ are made for If P&C Insurance Ltd (publ) and If Livförsäkring AB.

When demonstrating the utilisation of the LAC DT in each of these companies it is assumed that the eligible own funds pre-tax decrease by an amount corresponding to the SCR (SCR shock). To the extent possible, current net deferred tax liabilities are used to offset the loss and the remaining part is justified with increases in deferred tax assets following available future taxable profit.

To demonstrate the probability of future available taxable profit the following assumptions are made:

- The financial plan is adjusted for the increased lapse rates following the SCR shock with the effect being kept constant throughout the financial planning horizon;
- The effects of the SCR shock on the balance sheet and future available taxable profits are explicitly considered;

¹ Since income tax is not levied on the yearly result in If P&C Insurance AS, there is no adjustment for the loss absorbing capacity of deferred taxes.

- New business sales beyond the financial planning horizon are not assumed and appropriate haircuts are applied to profits that materialise after the financial planning horizon;
- The investment forecast is adjusted to be in line with the risk-free rate of return following the SCR shock. It is assumed that risk premiums are continued to be earned on the equity and corporate bond portfolios post shock; and

- Capital injections are assumed post SCR shock, if needed to restore the solvency ratio to 100 per cent.

Loss-absorbing capacity of deferred taxes for If P&C Insurance Ltd (publ)

31 December 2022

| LAC DT (EURm) | 315 |
|--|-----|
| where of justified by reversion of deferred tax liability | 190 |
| where of justified by reference to probable future taxable economic profit | 125 |
| where of justified by carry back | 0 |

Loss-absorbing capacity of deferred taxes for If Livförsäkring AB

31 December 2022

| LAC DT (EURm) | 2.7 |
|--|-----|
| where of justified by reversion of deferred tax liability | 2.3 |
| where of justified by reference to probable future taxable economic profit | 0.4 |
| where of justified by carry back | 0.0 |

Topdanmark Group

- Underwriting risks and performance.....54
- Market risks and investment performance.....58
- Counterparty default risks.....65
- Operational risks65
- Emerging risks.....66
- Capitalisation67

Topdanmark Group

Topdanmark provides insurance services in Denmark through the non-life insurance company Topdanmark Forsikring A/S.

Topdanmark Forsikring is the third largest non-life insurer in Denmark. Topdanmark Forsikring mainly provides insurance cover for personal, SME (small and medium size enterprises) and agricultural customers. This fits well with the strategy of providing services in Denmark.

The insurance risk of Topdanmark Forsikring is mitigated by a comprehensive reinsurance program. The reinsurance program focuses on catastrophe risks such as storm, cloudburst, fire and other cumulative risks, where several policyholders are affected by the same event. The biggest retentions are on storm with DKK 100 million plus reinstatement for each event, while the biggest retention on fire is DKK 30 million. The insurance risk is dominated by workers' compensation reserve risk. The

level of risk is based on lag between event and settlement of the claim and the risk of supreme court judgements on administrative practice, which can have an effect on settlements of claims paid on former years.

Nearly all insurance risks in Topdanmark Forsikring are measured by a partial internal model. The partial internal model has been approved by the Danish Supervisory Authorities for solvency calculations. The efficiency of the reinsurance programme is assessed by the partial internal model.

In March 2022, Topdanmark announced the sale of the life insurance company to Nordea, and on 1 December 2022 the sale was formally completed. In addition to being a good opportunity for the life insurance company to grow further, Topdanmark firmly believes that this is a positive development for Topdanmark and the shareholders, as the company is now focusing the operations entirely on non-life insurance and on creating

efficient and highly profitable operations with very low volatility and low capital requirement. As such, this only further strengthens the capital repatriation case that Topdanmark has embodied for decades.

For many years Topdanmark has aimed at achieving a low risk profile. The risk strategy is to lower the risk by diversifying both market risk and insurance risk and by avoiding big individual risks or risk concentrations.

To increase the business and to mitigate the commercial risk elements Topdanmark applies a multibrand strategy and a multi distribution channel strategy. Topdanmark's strategy is to offer customers a choice of how to communicate with Topdanmark regarding sales, services and claims handling. Topdanmark intends to grow through organic growth, distribution partners and digital sales. When it comes to growth through distribution partners, Topdanmark will further strengthen its cooperation with existing distribution partners and, in

addition to this, continuously look for new distribution partners.

Topdanmark seeks to improve customer experience and cost efficiency by digitalisation, innovation and new technology. Topdanmark is in continuous process upscaling the level of investments in order to further improve the efficiency of the company. The main focus areas in the efficiency programme are:

- Automation, digitalisation and fraud prevention
- Risk and pricing
- Procurement and cost efficiency

In 2022, Topdanmark has delivered gross savings of DKK 325 million, which is somewhat more than the original expectations of DKK 260 million. Due to the strong delivery on the programme so far, and the inclusion of further cost efficiency measures, Topdanmark increase the ambitions and now expect the programme to deliver

DKK 650 million of gross savings by 2025. Please refer to the Annual Report 2022 for the full details of the programme.

Topdanmark has furthermore set a strategic digital agenda “Digital first” and have restructured the organisation so the company can better realise the ambitions of accelerating the digitalisation by creating a clear framework for the professional communities and a stronger collaboration across Topdanmark to accelerate digitalisation.

Topdanmark has no major strategic financial investments. The portfolio is diversified on asset classes and within each asset class. The risk appetite is stipulated by the Board by an overall risk framework for market risk. There is a high level of matching between assets and liabilities with the aim of keeping the interest rate risk low. The biggest part of the financial investments is in Danish mortgage bonds with AAA ratings.

In the previous year 2021 the Group Executive Board was supplemented with an additional five people and together they formed a broader group management of a total of nine people.

This change in the management structure is an important contribution to fulfil Topdanmark's strategy. Cross-cutting cooperation, common priorities and a strong customer focus in all decisions are important for Topdanmark to achieve the company's business goals.

As the first Danish-registered financial company, Topdanmark has joined the Science Based Targets initiative, committing to a net-zero ambition by 2050.

Underwriting risks and performance

Non-life underwriting performance and risks

The premiums and underwriting performance by Solvency II lines of business are presented in the table Non-life underwriting performance, Topdanmark, 31 December 2022 and 31 December 2021.

There was a growth in premiums of 3.8 per cent in 2022. This is, like the years before, a result of the company's actions to maintain a balance between growth and profitability in a competitive market. The growth indicates a low-risk development in the portfolio. In the Private segment the growth in premiums was 1.9 per cent and in the SME segment 5.6 per cent.

Topdanmark and Nordea have an agreement for the distribution of non-life products on the Danish market that has been effective since 1 January 2020. It is a

referral concept in which Nordea will refer customers to Topdanmark, which will provide the final guidance, where the goal is for the Nordea customer to accept the purchase of a Topdanmark insurance package. The distribution agreement continues to have good traction including delivering referrals and book meetings at a high level and more than compensated for the outflow from the old agreement with Danske Bank in 2022. We expect the trend to continue into 2023.

Non-life underwriting performance

Topdanmark, 31 December 2022 and 31 December 2021

| Underwriting performance by SII LoB, EURm | Premiums written | | Premiums earned | | Claims incurred | | Operating expense | | Reinsurers share per LoB | | Total underwriting performance direct insurance | |
|--|------------------|--------------|-----------------|--------------|-----------------|------------|-------------------|------------|--------------------------|-----------|---|------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Medical expense insurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Income protection insurance | 246 | 248 | 247 | 238 | 201 | 207 | 40 | 29 | -1 | -1 | 7 | 3 |
| Workers' compensation insurance | 118 | 111 | 121 | 111 | 66 | 75 | 15 | 13 | 0 | -1 | 39 | 24 |
| Motor vehicle liability insurance | 61 | 65 | 60 | 68 | 77 | 65 | 13 | 14 | 0 | 0 | -30 | -11 |
| Other motor insurance | 258 | 255 | 267 | 248 | 141 | 124 | 36 | 38 | 0 | 1 | 90 | 86 |
| Marine, aviation and transport insurance | 9 | 8 | 9 | 8 | 5 | 4 | 2 | 1 | 0 | 0 | 3 | 3 |
| Fire and other damage to property insurance | 585 | 583 | 595 | 581 | 361 | 375 | 103 | 101 | 32 | 13 | 99 | 93 |
| General liability insurance | 83 | 83 | 86 | 82 | 57 | 59 | 15 | 12 | 4 | 0 | 10 | 11 |
| Assistance | 31 | 29 | 32 | 29 | 22 | 7 | 4 | 5 | 0 | 0 | 6 | 17 |
| Other Life insurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annuities stemming from non-life insurance contracts and relating to health insurance obligations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1,391 | 1,383 | 1,416 | 1,365 | 928 | 915 | 227 | 212 | 35 | 12 | 224 | 227 |

The combined ratio was 83.3 per cent in 2022 before run-off gains and 81.8 per cent respectively after run-off gains. In the Private segment the combined ratio was 82.1 per cent before run-off gains and 80.9 per cent respectively after run-off gains. In the SME segment the

combined ratio was 84.5 per cent before run-off gains and 82.7 per cent respectively after run-off gains.

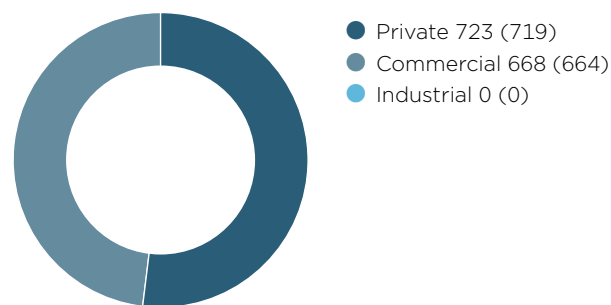
As shown in the graph Breakdown of gross written premiums by business area, country and line of business,

Topdanmark Non-Life, 2022, Topdanmark's insurance portfolio is diversified across Business areas and lines of business.

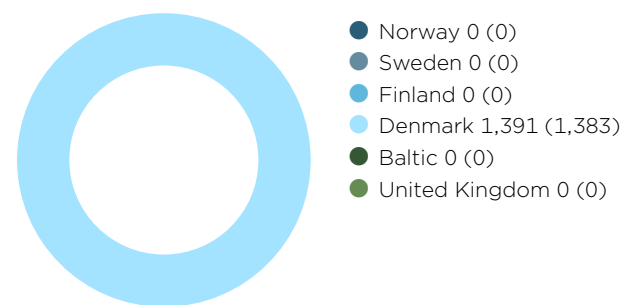
Breakdown of gross written premiums

Topdanmark Non-Life, 2022, total EUR 1,391 (1,383) million

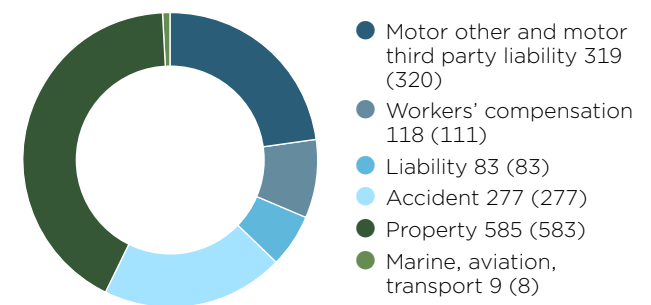
By business area



By country



By line of business



Premium and catastrophe risk and their management and control

The main underwriting risk that influences the performance is the risk of catastrophe events. However, Topdanmark Forsikring has a very comprehensive reinsurance programme in place contributing to the low level of underwriting risk. The largest retention level of

DKK 100 million plus reinstatement for each event is on storm events. The maximum retention on fire events is DKK 30 million and in workers' compensation risks are covered up to DKK 1 billion with a retention of DKK 50 million.

With certain restrictions, acts of terrorism are covered by the reinsurance contracts. The NBCR (nuclear, biological,

chemical, radiological) acts of terrorism are covered by a public organisation. This is based on an Act on NBCR acts of terrorism. Under this scheme the costs from a NBCR attack in Denmark will initially be borne by the State, but those costs will subsequently be recovered from policyholders.

Premium risk reduction measures taken at different levels of operations are as follows:

- Collection of data on risk and claims history
- Use of collected and processed data in profitability reporting, risk analyses and in the internal model
- Ongoing follow-up on risk developments as well as quarterly forecasts for future risk development
- Pricing using a statistical model tool including customer scoring tools
- Reinsurance cover that reduces the risk especially for catastrophe events
- Ongoing follow-up on the risk picture and reinsurance coverage in Topdanmark's Risk Committee.

To maintain product and customer profitability, Topdanmark monitors changes in its customer portfolios. Provisions are recalculated, and the profitability reports are updated in the same context on a monthly basis. Based on this reporting, trends in claim levels are carefully assessed and price levels may be adjusted if considered necessary.

In the private market segment, customer scoring is used, and customers are divided into groups according to their expected profitability levels. The customer scoring has two roles. First it helps to maintain the balance between the individual customer's price and risk. Secondly it facilitates the fairness between individual customers

by ensuring that no customers are paying too large premiums to cover losses from customers who pay too small premiums.

The historical profitability of major SME customers with individual insurance schemes is monitored using customer assessment systems. These assessment systems enable Topdanmark to achieve accurate information about income, claims expenses, combined ratio etc. for each customer.

In addition to the analysis described above, Topdanmark continuously improves its administration systems to achieve more detailed data, which in turn enables the company to continuously improve the pricing and gain even better insight into how the different types of claims are composed.

Non-life insurance risk scenarios

Topdanmark, 31 December 2022 and 31 December 2021

| Key figures | Current level (2022) | Change in current level | EURm after tax 2022 | 2021 |
|--|-------------------------|----------------------------|------------------------|----------|
| Combined ratio, business area Private | 80.9% | +/- 1 percentage point | +/- 4.8 | +/- 5.5 |
| Combined ratio, business area Commercial | 82.7% | +/- 1 percentage point | +/- 5.2 | +/- 5.1 |
| Net premiums earned (EURm) | 1,242 | +/- 1 per cent | +/- 9.3 | +/- 10.1 |
| Net claims incurred (EURm) | 791 | +/- 1 per cent | +/- 5.9 | +/- 6.7 |
| Ceded written premiums (EURm) | 89 | +/- 10 per cent | +/- 6.7 | +/- 6.3 |

The non-life risk scenarios are presented in the table Non-life insurance risk scenarios, Topdanmark, 31 December 2022 and 31 December 2021.

Reserve risk and its management and control

The insurance lines of business are divided into short-tail i.e., those lines where the period from notification until settlement is short and long-tail i.e., those lines where the period from notification until settlement is long. The main short-tail lines in Topdanmark are buildings and other property and comprehensive motor insurance. For the short-tail lines the claims are mainly settled within the first year. Long-tail lines relate to personal injury and liability and consist of the lines Workers' compensation,

Accident, Motor third party insurance and Commercial liability. Composition of non-life provisions for outstanding claims is presented in the following table.

Due to the longer period of claims settlement, the risk profile of the long-tail lines of business are generally more uncertain than the short-tail lines. It is not unusual that claims in long-tail lines are settled three to five years after notification and in rare cases up to ten to fifteen years.

The reserve risk is calculated using Topdanmark's partial internal model for insurance risk. Workers' compensation claims provision has by far the biggest risk, followed by the other long-tail lines' claims provisions.

During such a long period of settlement, the levels of compensation could be significantly affected by changes in legislation, case-law or practice in the compensation of claim incidents adopted by the Danish Labour Market Insurance which decides on compensation for injury and loss of earnings potential in all cases of serious industrial injuries. The practice adopted by the Danish Labour Market Insurance also has some impact on the levels of compensation for accident and personal injury within motor liability and commercial liability insurance. Supreme court decisions can also influence the provisions for former years especially for Workers' compensation.

The reserve risk represents mostly the ordinary uncertainty of calculation and claims inflation, i.e., an increase in the level of compensation due to the annual increase in compensation per policy being higher than the general development in prices or due to a change in judicial practice or legislation. The sufficiency of the provisions is tested in key lines by calculating the provisions using alternative models as well, and then comparing the compensation with information from external sources, primarily statistical material from the Danish Labour Market Insurance and the Danish Road Sector/Road Directorate.

The actuarial team has a continuous dialogue with the claims departments on any changes in the practices regarding new legislation, case-law or compensation practices as well as on the impact of such changes on the routines used to calculate individual provisions.

In the previous year 2021, a forum called the Reserve Forum was created. Permanent members are the CEO, CFO, claims director, the head and deputy head of the statistics department as well as the head of Investor Relations and a senior economist from the department Financial Planning & Management. Those responsible for reserve allocation for the individual insurance products on non-life insurance participate in shifts to review the status of the product in question. The purpose is to have an even greater focus on the area of reserve risk.

Composition of non-life provisions for outstanding claims

Topdanmark, 31 December 2022 and 31 December 2021

| Provisions for outstanding claims | 2022 | | 2021 | |
|--|------|----------|------|----------|
| | % | Duration | % | Duration |
| Short-tail | 17.3 | 1.1 | 13.7 | 1.1 |
| Annuity provisions in workers' compensation | 25.4 | 10.5 | 24.2 | 10.6 |
| Other claims provisions in workers' compensation | 29.9 | 2.0 | 21.6 | 1.7 |
| Accident | 12.3 | 3.1 | 30.0 | 9.3 |
| Motor personal liability | 8.3 | 2.1 | 6.0 | 2.1 |
| Commercial liability | 6.8 | 1.8 | 4.5 | 1.9 |

Life underwriting performance and risks

This section presents the performance and premium development for Topdanmark Life until the divestment was completed on 1 December 2022. The split of premiums between products during the last two years is presented in the table Sources of gross premiums, Topdanmark Life Insurance, 2022 and 2021.

Risk return on shareholders' equity together with other main components of the life business result are shown in the table Result of life insurance, Topdanmark 2022 and 2021.

Market risks and investment performance

In general, the long-term value creation shall be based mainly on the acceptance of insurance risks. To supplement the Group's profit from its insurance activities, Topdanmark accepts a certain level of financial market risks as well, given its strong liquidity position and stable, high earnings from insurance operations. Hence, in addition to fixed income instruments, Topdanmark has invested, among other things, in equities and properties to improve the average investment return.

Sources of gross premiums

Topdanmark Life Insurance, 31 December 2022 and 31 December 2021

| EURm | 2022 | 2021 |
|-------------------------|--------------|--------------|
| With profit schemes | 35 | 48 |
| Unit-linked schemes | 366 | 381 |
| Group life | 33 | 35 |
| Regular premiums | 434 | 464 |
| With profit schemes | 1 | 7 |
| Unit-linked schemes | 775 | 922 |
| Single premiums | 776 | 929 |
| Gross premiums | 1,210 | 1,393 |

Until the divestment of Topdanmark Life was completed on 1 December 2022.

Result of life insurance

Topdanmark, 31 December 2022 and 31 December 2021

| EURm | 2022 | 2021 |
|---|-------------|-------------|
| Investment return on shareholders' equity | 17.5 | 42.7 |
| Sales and administration | 8.5 | 3.5 |
| Insurance risk | 0.9 | 0.5 |
| Risk return on shareholders' equity | 10.2 | 20.8 |
| Profit on life insurance | 37.1 | 67.6 |

Until the divestment of Topdanmark Life was completed on 1 December 2022

Market risks are limited to the extent that is considered appropriate, so that the negative P/L effect is limited in very unfavourable financial market scenarios. Large risk exposures or highly correlated risks are covered to prevent unnecessary losses and market risks originating from insurance operations. The investment portfolio shall be managed in a way that market risk taking shall not endanger the normal operations or implementation of planned actions in unfavourable market conditions.

To reach the general goals, the investment policy sets the company's objectives, strategies, organisation, and reporting practices on investments. The investment strategy is more precisely determined in terms of market risk limits and specific requirements for certain types of positions and sub-portfolios (risk appetite). The investment strategy is determined by the Board and revised at least once a year. Appropriate financial risk mitigation techniques are used.

When selecting the investment assets, a portfolio composition that matches the risk features of the corresponding liabilities is sought. The purpose of the investment policy is also to ensure that the company has effectively implemented the organisation, systems, and processes necessary to identify, measure, monitor, manage and report on investment risks to which it is exposed.

When market risks are measured and managed, all exposures are included, regardless of whether they arise from active portfolio management of investments or from annuities, which are considered market risk.

As of 1 December 2022, when the closing deal between Topdanmark Forsikring and Nordea was finalised, the new investment department took over all front office capabilities of Topdanmark Forsikring. The investment

policy and thereby the overall risk profile and strategic asset allocation is mainly unchanged. However, the investment strategy has been altered. As part of the closing deal, the co-investing ("saminvestering") between Topdanmark Forsikring and Topdanmark Livsforsikring has been terminated. The exposures have been shifted to ETFs (Exchange Traded Funds). The original asset classes and geographical exposures are unchanged. The one exception is CLOs which have in part been replaced with a High Yield ETF (EUR).

The main idea of these changes is to keep the risk profile unchanged and use index trackers to get the right exposures that comply with risk limits, ESG policy etc.

Asset allocations and investment performance: Topdanmark Forsikring

The equity portfolios are well diversified and without major single positions, when associated companies are disregarded.

The main investment assets are government and mortgage bonds, which comprise primarily Danish mortgage bonds. The assets in this asset class are interest rate sensitive and to a significant extent equivalent to the total interest rate sensitivity of the non-life insurance provisions. Consequently, the return on government and

mortgage bonds should be assessed in connection with return and revaluation of non-life insurance provisions.

Credit bonds are composed of a minor share of a well-diversified portfolio, primarily exposed to businesses in Europe.

Investment allocations

Topdanmark, 31 December 2022 and 31 December 2021

| Asset class | Topdanmark Non-life | | | | Topdanmark Life | | | |
|--------------------------------------|-----------------------|-------------|-----------------------|-------------|-----------------------|-----------|-----------------------|-------------|
| | 31 Dec 2022 | | 31 Dec 2021 | | 31 Dec 2022 | | 31 Dec 2021 | |
| | Market value, EURm | Weight, % | Market value, EURm | Weight, % | Market value, EURm | Weight, % | Market value, EURm | Weight, % |
| Fixed income total | 2,422 | 94% | 1,863 | 89% | | | 2,916 | 71% |
| Money market securities and cash | 544 | 21% | 83 | 4% | | | 220 | 5% |
| Government and mortgage bonds | 1,722 | 67% | 1,582 | 76% | | | 2,376 | 58% |
| Credit bonds | 39 | 2% | 5 | —% | | | 110 | 3% |
| Index-linked bonds | 91 | 4% | 100 | 5% | | | 125 | 3% |
| CLOs | 26 | 1% | 93 | 4% | | | 84 | 2% |
| Listed equity total | 111 | 4% | 120 | 6% | | | 358 | 9% |
| Denmark | 25 | 1% | 28 | 1% | | | 85 | 2% |
| Scandinavia | 2 | —% | | —% | | | 5 | —% |
| Global | 85 | 3% | 91 | 4% | | | 268 | 7% |
| Alternative investments total | 35 | 1% | 110 | 5% | | | 816 | 20% |
| Real estate | 0 | —% | 59 | 3% | | | 334 | 8% |
| Unlisted equities and hedge funds | 35 | 1% | 50 | 2% | | | 482 | 12% |
| Trading derivatives | 1 | —% | 3 | —% | | | 14 | —% |
| Asset classes total | 2,569 | 100% | 2,095 | 100% | | | 4,104 | 100% |

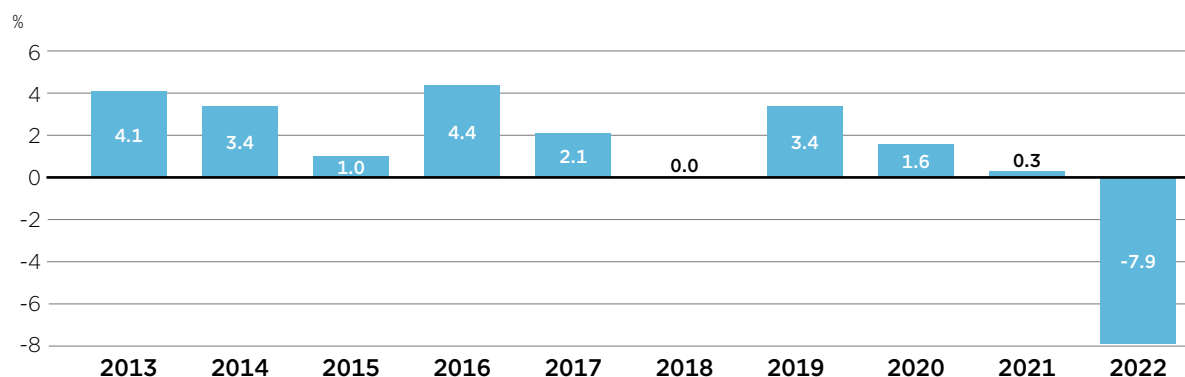
The exposure in equities outside Denmark and credit bonds has been adjusted by the use of derivatives. Unlisted equities and hedge funds include also private equity and direct holdings in non-listed equities.

Index-linked bonds comprise bonds – primarily Danish mortgage bonds – for which the coupon and principal are index-linked.

The annual investment return for 2022 compared to earlier years is presented in the graph Annual investment returns at market values, Topdanmark, 2013–2022.

The return on investments during 2022 was -7.9 per cent. Falling equity markets, spread widening on credit products and increasing interest rates affected the investment return negatively in 2022. The negative effect of increasing interest rates was mitigated by increasing value of the insurance provisions.

Annual investment returns at market values Topdanmark, 2013–2022



Market risks of balance sheet

Interest rate risk

Interest rate risk is calculated for assets, liabilities, and derivative instruments, for which the carrying amount is dependent on the interest rate level. Regarding insurance liabilities Topdanmark is exposed to interest rate risk due to provisions for outstanding claims.

Shifting the market yield curve upwards and downwards or changing its shape leads to changed market values of assets and derivatives and thus to unrealised gains or losses.

When assessing the value and sensitivity of insurance provisions Topdanmark has used the Solvency II discount curve that has its basis on market yield curve with volatility adjustment (“VA”). The VA component of DKK yield curve comprises a corrective element based on the spreads of Danish mortgage bonds and European credit bonds. The VA component was 47 bps at the end of 2021 and 16 bps at the end of 2022. The VA component is removed from the discounting curve used by Topdanmark Forsikring from 1 January 2023.

Generally, the interest rate risk is limited and controlled by investing in interest-bearing assets in order to reduce the overall interest rate exposure of the assets and liabilities to the desired level. Therefore, the Danish mortgage bonds and government bonds have a central role in the asset portfolios. To further reduce the interest rate sensitivity of the balance sheet, interest rate swaps have been used for hedging purposes.

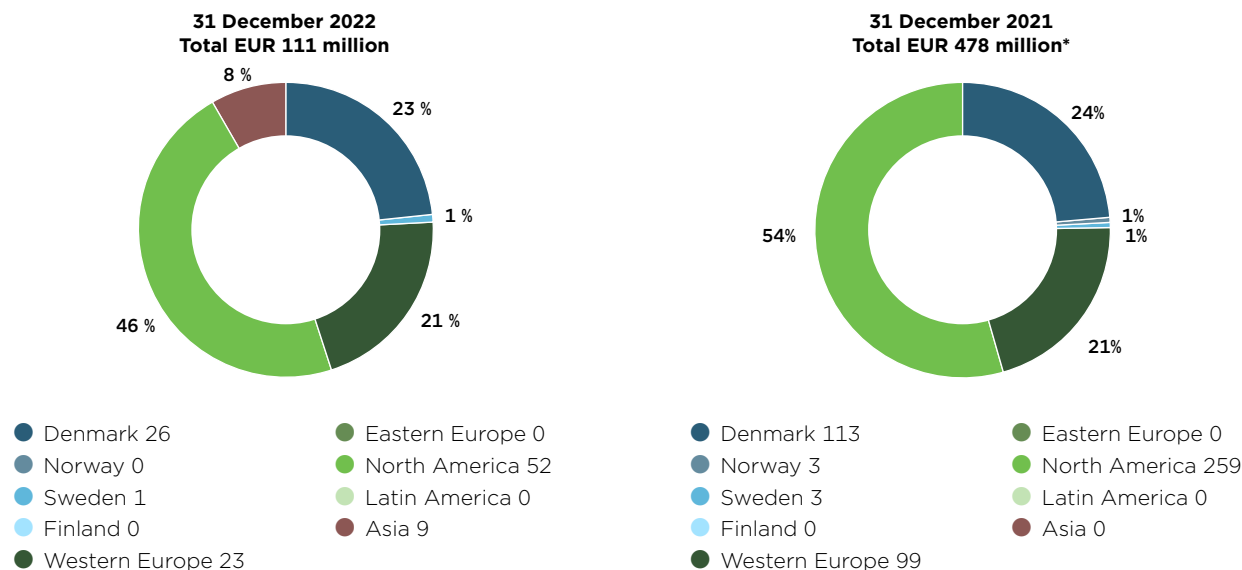
Equity risk

The Danish part of the equity portfolio is composed based on the OMXCCAP index and is approximated by the ETF Xact OMXC25. The rest of the equity holdings are in the foreign equity portfolio that seeks to track the

MSCI World DC index by the relevant geographical ETF in USA, Europe and Japan. As a result, Topdanmark's equity holdings are well-diversified. A breakdown of Topdanmark's listed equity investments by geographical regions is presented in the following graph.

Breakdown of listed equity investments by geographical regions

Topdanmark



* Equities held by unit-linked customers in Topdanmark Livsforsikring are excluded.

Geographical look-through of ETF investments

Real estate risk

Real estate risk is limited to properties in own use and located in Ballerup and Viby. The properties are valued in accordance with the rules of the Danish FSA i.e., at market value taking the level of rent and the terms of the tenancy agreements into consideration.

Spread risk

Most of Topdanmark's interest-bearing assets comprise of AAA rated Danish mortgage bonds. The risk of losses is minor due to the high credit quality of the issuers and because investments have been made at spreads that are in balance with Topdanmark's desired risk ratio levels. The portfolio is well diversified both geographically and by issuer type and, therefore, the exposure to concentration risk is insignificant.

The investment policy stipulates that the portfolio must be well-diversified by the number of counterparties and by the amount of exposure to individual counterparties. The main source of spread risk is the mortgage bonds. Due to high allocation of these investments in the portfolios, spread risk is the most material source of market risk SCR and it was DKK 598 (net) million (in EUR 80 million) on 31 December 2022.

Concentration risk

Topdanmark's fixed income investments by rating classes are presented in the table Interest-bearing assets by rating, Topdanmark, 31 December 2022 and 31 December 2021.

Interest-bearing assets by rating

Topdanmark, 31 December 2022 and 31 December 2021

| Rating class, % | 2022 | 2021 |
|-----------------------|------|------|
| >A+ | 66.2 | 79.5 |
| A+, A, A- | 5.2 | 4.4 |
| BBB+, BBB, BBB- | 0.0 | 0.3 |
| <BBB- | 7.7 | 12.7 |
| Money market deposits | 21.0 | 3.1 |

Topdanmark has no significant concentrations on the investment side, except for the category treasury and mortgage bonds which consists primarily of AAA rated Danish mortgage bonds.

As earlier described, these assets have an interest rate sensitivity that significantly corresponds to the interest rate sensitivity of the technical provisions.

Currency risk

In practice, the investment assets are the only source of currency risk while the insurance liabilities are in Danish kroner. The currency risk is mitigated by derivatives and

net exposures in different currencies are minor except in the euro.

The currency risk is assessed based on SCR. The value of the base currency is shocked by 25 per cent against most of the currencies except against the euro where the largest exposure exists, and the shock is 0.39 per cent, because the Danish krone is pegged to the euro.

Inflation risk

Future inflation is implicitly included in the models Topdanmark uses to calculate its provisions. The provisions are calculated based on the expected future indexation of wages and salaries.

An expected higher future inflation rate would generally be included in the provisions with a certain time delay, while at the same time the result would be impacted by higher future indexation of premiums. To reduce the risk of inflation within Workers' compensation, Topdanmark uses index-linked bonds and derivatives to hedge a significant proportion of the expected cash flows sensitive to future inflation.

Market risk sensitivities

The following table is a summary of selected market risk sensitivities. For example, it can be seen from the table that the net effect of 1 percentage point parallel change in interest rates would be a less than 10 per cent drop in equity or property prices.

Market risk sensitivities

Topdanmark, 31 December 2022 and 31 December 2021

| EURm after tax | Risk scenario | 2022 | 2021 |
|--|---|-------|-------|
| Effective interest rate | 1 percentage point increase | -1.1 | 2.4 |
| <i>Interest-bearing assets</i> | | -35.7 | -67.7 |
| <i>Provisions for claims and benefits etc.</i> | | 34.6 | 70.2 |
| Index-linked bonds | 5% decrease in value | -3.5 | -2.5 |
| Equities | 10% decrease in value | -9.7 | -8.8 |
| High yield + CLOs < AA | 10% decrease in value | -4.6 | -7.6 |
| Properties | 10% decrease in value | -7.7 | -15.6 |
| Currency | Annual loss with up to a 2.5% probability | -0.3 | -0.3 |

Liquidity risk

Topdanmark Group has a strong liquidity position. Firstly, as premiums are paid in the beginning of the coverage period the liquidity risk related to customers' payments is very limited. Secondly, the combination of insurance businesses is of a character in which it is highly unlikely that a liquidity shock could occur, because insurance liabilities are by their nature stable liabilities and in asset portfolios money market investments are complemented by a large portfolio of liquid listed Danish government and mortgage bonds.

Experience from quite significant and sudden movements in long-term interest rates have confirmed that the liquidity of these assets is not significantly affected by market shocks.

The maturity structure of technical provisions and the bond portfolio is presented in the following table.

Expected cash flows for provisions and the bond portfolio

Topdanmark, 31 December 2022 and 31 December 2021

| | | Cash flow years | | | | | |
|---|-----------------|-----------------|-------|--------|-------|-------|-----|
| EURm | Carrying amount | 1 | 2-6 | 7-16 | 17-26 | 27-36 | >36 |
| Provisions for claims | | | | | | | |
| 2021 | 1,882 | -601 | -735 | -400 | -155 | -60 | -14 |
| 2022 | 1,426 | -563 | -648 | -250 | -102 | -53 | -12 |
| | | | | | | | |
| Life insurance provisions guarantees and profit sharing | | | | | | | |
| 2021 | 3,001 | -285 | -988 | -1,268 | -500 | -140 | -38 |
| 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | |
| Bond portfolio including interest rate derivatives | | | | | | | |
| 2021 | 4,176 | 1,550 | 1,483 | 1,894 | 501 | 0 | 0 |
| 2022* | 1,818 | 1,092 | 1,046 | 342 | 76 | 5 | 0 |

* Excludes Topdanmark Life's bond portfolio.

The expected cash flows of the bond portfolio are calculated based on option adjusted durations that are used to measure the duration of the bond portfolio. The option adjustment relates primarily to Danish mortgage bonds and reflects the expected duration capturing the shortening effect of the borrower's option to have the bond to be redeemed through the mortgage institution at any point in time.

Because of the aforementioned reasons Topdanmark's liquidity risk is primarily related to the parent company Topdanmark A/S. Topdanmark A/S finances its activities and dividend programme by receiving dividends from its

subsidiaries. Further financing requirements are covered by short-term money market loans, typically with a maturity of one month or less.

Counterparty default risks

Topdanmark is exposed to counterparty risk in both its insurance and investment activities. The default risk related to fixed income and equity investments is covered by spread-risk and equity-risk models in SCR calculations and hence they are not discussed in this context.

The main sources of counterparty risk are deposits made to individual banks, derivative contracts with banks and current receivables from reinsurance companies with the addition of potential receivables that will arise in case of a 1-in-200-year catastrophe event. Topdanmark's counterparty risk is assessed by the SCR standard formula.

Reinsurance

Within insurance activities the reinsurance companies' ability to pay is the most important counterparty risk factor. Topdanmark minimises this risk by primarily buying reinsurance cover from reinsurance companies with a minimum rating of A- and by spreading reinsurance cover over many reinsurers.

For reinsurance counterparties, the Board approves security guidelines which determine the maximum size of reinsurance contract cover per a separate reinsurer. This portion is dependent on the reinsurer's rating as well as on Topdanmark's own assessment of the reinsurer. The largest risk concentrations may occur in case of major catastrophe events, including storms and cloudbursts.

Investments

Topdanmark may suffer losses due to their counterparties' inability to meet their obligations on bonds, loans and other contracts including derivatives. The majority of Topdanmark's interest bearing assets comprise of Danish mortgage bonds. In order to minimise the risk to a single debtor, Topdanmark strives to always have a well-diversified portfolio of bonds not only regarding a debtor but also geographically.

To limit the counterparty risk of financial contracts, including derivative contracts, the choice of counterparties is restrictive, and collateral is required when the value of the financial contracts exceeds the predetermined limits. The size of the limits depends on the counterparty's credit rating and the terms of the contract.

Operational risks

The Board of Directors has set the overall principles and framework for how to organise internal control activities and how to ensure independency between the various organisational functions.

With well-documented business practices and procedures as well as an effective control environment, Topdanmark minimises the risk of errors in internal processes and insurance fraud. There are contingency plans for the most important areas. In addition, business practices and procedures in all critical areas are continuously reviewed by the Compliance unit and Internal Audit. Internal Audit assesses risks and may make recommendations for limiting individual risks.

Topdanmark continuously develops its IT systems. Responsibility for risk management in this connection lies with the responsible business entities. Projects must always prepare a risk assessment containing a description of risks, possible consequences, and measures to limit these risks.

In order to limit operational risks Topdanmark has numerous documents in which instructions regarding operational risks are given e.g., Policy and Guidelines for Operational Risks, Compliance and Internal Control, Information Security Policy, IT-Preparedness Strategy and IT-Preparedness Plan.

Topdanmark monitors and reports operational risks regularly. For this purpose, the company has a process of recording operational risk incidents. The incidents are collected centrally into a register and communicated further in the management system. This way the organisation can learn from its errors.

Operational risks are included as part of Topdanmark's ORSA and reported by the Risk Management function (RMF) to the Risk Committee in Topdanmark's Risk Registry. Furthermore, the most significant operational risks are reported in the risk report that RMF and the Risk key function holder submit to the CFO and the Board of Directors every quarter.

To ensure information security and cybersecurity preparedness, Topdanmark has an Information Security Policy and an Information Security Management System (ISMS), which are both based on the ISO 27001 standard. Topdanmark's Information Security Policy is part of the overall risk management system, and it applies to both company employees and external business partners.

Further information on information security and cybersecurity in Topdanmark is available in the **Sustainability Report 2022** published in May 2023 www.sampo.com/year2022.

Emerging risks

Emerging Risks are risks which may newly develop or which already exist and are continuously evolving. They are characterised by a high degree of uncertainty in terms of impacts and likelihood and have a substantial potential impact on Insurance business lines, investment classes and/or operations.

The following emerging risks have been identified as the most important ones for Topdanmark:

- Cyber risks – For example, the administrative systems may become non-functioning for a period and/or Topdanmark's customer data may be exploited by criminals.
- Climate change – Changes in the frequency and severity of extreme weather events such as storms and cloudbursts.
- Financial instability / Recession – Rising inflation rates and interest rates can generally lead to negative market conditions such as an increased level of claims expenses and investment performance can be negatively affected too.

- Pandemics – Future pandemics should be considered a significant emerging risk.
- Sensitive labour market – There may be a risk that current labour shortage will be prolonged, even though the global crisis may mitigate this. If this becomes a reality, the negative effect could be, that various business activities are delayed.

For mitigating cyber risks Topdanmark has initiated the security project "Threat and Vulnerability Management". It will introduce a proactive approach to aggressively reduce security vulnerabilities, thereby reducing the likelihood and impact of an attack.

For mitigating climate change risks Topdanmark hedges the insurance risk for significant storm- and cloudburst events with a comprehensive reinsurance programme.

Concerning Financial instability / Recession market risks are limited to the extent that is considered appropriate, so that the negative P/L effect is limited in very unfavourable financial market scenarios. The investment portfolio shall be managed in a way that market risk taking shall not endanger the normal operations or implementation of planned actions in unfavourable market conditions.

Capitalisation

Solvency Capital Requirement

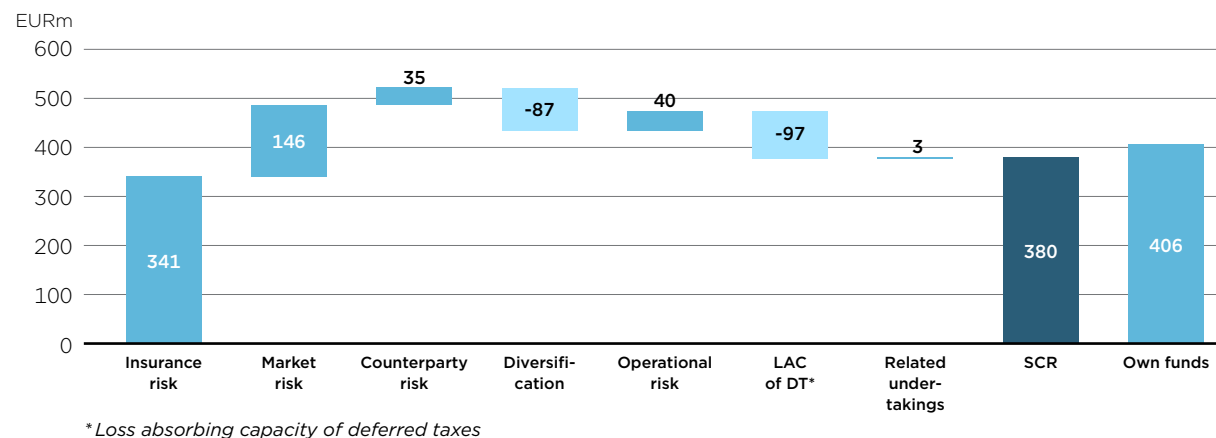
Topdanmark's statutory Solvency Capital Requirement is calculated as follows:

- Topdanmark Forsikring calculates most of its non-life and health risks and the respective Solvency Capital Requirements by a partial internal model approved by the Danish FSA. Other risks are calculated by Solvency II SCR standard formula ("SF"). The SCR partial internal model elements are integrated into the SCR standard formula.
- The Danish FSA has permitted Topdanmark to use the volatility adjusted Solvency II interest rate curve, however Topdanmark will not apply the volatility adjustment from 1 January 2023.
- Topdanmark's SCR is calculated using the SCR standard formula and the partial internal model mentioned earlier for Topdanmark Forsikring.

In case Topdanmark's SCR was calculated by only applying the SCR standard formula, the SCR would be DKK 1,310 million (in EUR 176 million) higher than the now applied SCR.

Standard formula solvency

Topdanmark, 31 December 2022



Topdanmark's standard formula SCR and eligible own funds are shown in the graph Standard Formula Solvency, Topdanmark, 31 December 2022. The figures are presented in a different way compared to Topdanmark's Annual Report. Topdanmark presents SCR including elements from a partial internal model while Sampo presents SCR applying the standard formula. The reason is that Topdanmark's partial internal model has been approved by the Danish FSA, but Sampo Group does not have a corresponding approval from the Finnish FSA.

Own funds

The purpose of the capital plan is, based on Topdanmark's strategy and risk appetite, to estimate future eligible own funds and Solvency Capital Requirements, assuming Topdanmark continues the operations in line with own expectations. The future eligible own funds are affected by earnings, dividends, and issue of capital. The eligible own funds estimate covers a 5-year period.

At the company and group level, the starting point of eligible own funds is equity that is adjusted by some corrective items of which the most significant are:

Own funds:

Shareholders' equity

- Proposed dividend
- + Deferred tax on security funds
- + Profit margin
- Intangible assets
- + Tax effect
- + Usable share, subordinated loan Tier 1 (max. 20% of Tier 1 capital)
- + Usable share, subordinated loans Tier 2, usable share loans Tier 2, usable share (max. 50% of SCR)

Own funds

The proposed dividends are deducted from own funds on the balance sheet date. Extraordinary dividends are deducted when decided by the Board of Directors based on authorisation from the General Meeting. Topdanmark's eligible own funds structure is presented in the table Eligible own funds, Topdanmark, 31 December 2022 and 31 December 2021.

Eligible own funds include the following Solvency II compliant subordinated liabilities of Topdanmark as at 31 December 2022. Sampo Group's holdings in these assets are also presented in the following table.

Eligible own funds

Topdanmark, 31 December 2022 and 31 December 2021

| EURm | | 2022 | 2021 |
|--------------------|--------------------------|------|------|
| Tier 1 | Total | 311 | 757 |
| | Ordinary share capital | 12 | 12 |
| | Reconciliation reserve | 246 | 691 |
| | Subordinated liabilities | 54 | 54 |
| Tier 2 | Total | 94 | 202 |
| | Subordinated liabilities | 94 | 202 |
| | Untaxed reserves | 0 | 0 |
| Tier 3 | Total | 0 | 0 |
| | Deferred tax assets | 0 | 0 |
| Eligible own funds | | 406 | 959 |

Solvency II compliant subordinated liabilities

Topdanmark, 31 December 2022

| Issuer | Instrument | Nominal amount | Carrying amount in EUR (IFRS) | First Call | Tiering | Nominal amount in Sampo Group portfolios |
|-------------------------------------|------------|--------------------|-------------------------------|-------------|---------|--|
| Topdanmark Forsikring A/S (Denmark) | PerpNC5 | 400,000,000 | 53,788,745 | 22 Dec 2027 | Tier 1 | 250,000,000 |
| Topdanmark Forsikring A/S (Denmark) | 10NC5 | 700,000,000 | 94,130,303 | 16 Dec 2026 | Tier 2 | 700,000,000 |
| | | 147,919,048 | | | | |

Deferred taxes and loss-absorbing capacity of deferred taxes

Topdanmark has no deferred tax assets in the SII balance sheet.

The Solvency Capital Requirement has been adjusted for the loss-absorbing capacity of deferred taxes with the amount of DKK 724 million (in EUR 97 million).

Deferred tax liabilities and carry-back

Two calculation methods are used as a starting point.

The first method is based on rules in the Danish legislation (Corporation Tax Act § 12, subsection 2). The maximum usable profits are calculated by discounting Topdanmark's forecasted next 5 years result with a conservative discount rate of 6 per cent after tax.

The second method calculates the maximum of deferred tax as the discounted tax amount on the sum of the Basic Solvency Capital Requirement BSCR and Operational risk.

The maximum amount used for the loss-absorbing capacity of deferred taxes will be the smallest amount calculated based on the two calculation methods, respectively.

Probable future taxable profit

For several years, Topdanmark has made a forecast of the results with reasonable certainty 5 quarters ahead and, based on this, built a 5-year capital plan. Therefore, a 5-year time horizon is used in the calculation of future profits. The expected future results for the next 5 years are always stated in the capital plan.

Underlying assumptions applied to the projection of probable future taxable profits

The forecast is based on a realistic assessment using the available historical claims data Topdanmark has. The accuracy of the forecast is tested by comparing it with the actual accounts back to 2005. Based on this information, it is assessed that the results of the forecast

and the capital plan's estimates for the next 5 years are also correct. Deferred tax assets are calculated based on this and on certain assumptions, e.g., that the current Combined Ratio will not change for the next 5 years. Run-off results are not included in the forecast.

The existing corporation tax rate in Denmark is 25.2 per cent and starting from 2024 it will be 26 per cent. The discount rate is 6 per cent after tax, corresponding to the estimated shareholder requirement. A maximum of 60 per cent of the future profit will be used to calculate the loss absorbing capacity of deferred tax if Danish legislation allows this.

Hastings Group

- Underwriting risks and performance.....72
- Market risks and investment performance.....75
- Liquidity risks78
- Counterparty default risks.....79
- Operational risks79
- Emerging risks.....80
- Capitalisation82

Hastings Group

Hastings Group (“Hastings”, “Hastings Group”) is a digital and technology enabled insurance provider in the UK with over 3.2 million car, van, bike, and home insurance customers: approximately 90 per cent of whom join Hastings through a Price Comparison Websites. It aims to be as simple and straightforward as possible for its customers, offering better prices than its competitors and delivering great service.

Hastings’ main focus is operating as an insurance provider with two separate businesses. The Retail business, Hastings Insurance Services Limited (trading as “Hastings Direct”, “HISL”), a UK regulated intermediary, is responsible for end customer pricing, fraud management, product design, distribution, and management of the underlying customer relationships. The Underwriting business, Advantage Insurance Company Limited (“AICL”), based in Gibraltar and regulated by the Gibraltar

Financial Services Commission (“GFSC”), engages in risk selection, technical risk pricing, reserving and claims handling. Almost all policies are directly underwritten by Advantage, with the remaining underwritten by a panel of insurance partners who provide additional underwriting capacity.

Hastings’ mission statement is to be the best and biggest digital insurance provider in the UK, delivering profitable growth through pricing, digital and claims expertise, agility and trading, and an efficient and low-cost operation. This is underpinned by its 4Cs cultural framework. The 4Cs focusses on creating the right culture for Colleagues and giving them the right tools to do their job, so they ensure its Customers’ experience is simple and straightforward, enabling the Company to grow profitably and sustainably, and allowing investment in the Communities served.

Ethical conduct and strong governance are integral to meeting the needs of Colleagues and Customers and running a successful business, and a broader focus on the environmental and social impacts of Hastings’ activities underpins that philosophy. Hastings’ ESG strategy is acting in four areas: operating responsibly, valuing colleagues, supporting local communities, and reducing environmental impact. The strategy has full consideration of the impacts of climate change, inclusions and diversity, and emerging health issues on and from its operations.

Effective 1 January 2023, the Gibraltar Financial Services Commission began its Solvency II UK Group Supervision, following completion of a 2022 transition plan. This is an extension of the supervision of AICL as the solo regulated entity to include the supervision of Hastings Group Holdings Ltd, in respect of those areas of activity deemed to have a material indirect impact in relation to AICL.

Underwriting risks and performance

Hastings provides motor and home insurance products to the United Kingdom (UK) market via its Gibraltar-based general insurance underwriting company Advantage.

For Solvency II reporting purposes the lines of business are:

- Motor vehicle liability insurance (Motor liability)
- Other motor insurance (Motor other)
- Fire and other damage to property insurance

Pricing risk

Advantage's risk appetite require management to maintain rates that are projected to achieve loss ratios within the target loss ratio range. As a response to market conditions rates were regularly adjusted, after review by management, to remain competitive and provide customer-focused benefits to policyholders. The rate changes were regularly reviewed and amended in keeping with an agile approach to pricing and appropriately factoring in ongoing claims inflation risk. The Department for Travel data shows that traffic levels have returned back to pre-pandemic levels but with different peak trends. The FCA's General Insurance Pricing Practices ("GIPP") changes went live at the start of 2022;

Gross technical provisions by line of business

Hastings, 31 December 2022 and 31 December 2021

| | 31 Dec 2022 | | 31 Dec 2021 | |
|---|--------------|------------|--------------|------------|
| | EURm | Duration | EURm | Duration |
| Motor vehicle liability insurance | 2,145 | 2.2 | 2,075 | 4.6 |
| Other motor insurance | 834 | -0.2 | 692 | 0 |
| Fire and other damage to property insurance | 35 | 1.2 | 20 | 1 |
| Total | 3,014 | 1.5 | 2,787 | 3.4 |

Sensitivity test of underwriting result

Hastings, 31 December 2022

| Key figure | Current level | Change in current level | Effect on pretax profit, EURm | |
|---------------------------------------|---------------|-------------------------|-------------------------------|----------|
| | | | 2022 | 2021 |
| Combined ratio, business area Private | 90% | +/- 1 percentage point | +/- 10.1 | +/- 8.3 |
| Net premiums earned | 594 | +/- 1 per cent | +/- 5.9 | +/- 5.0 |
| Net claims incurred | -497 | +/- 1 per cent | +/- 5.0 | +/- 3.1 |
| Ceded written premiums | 586 | +/- 10 per cent | +/- 58.6 | +/- 63.3 |

All motor and household insurance products were GIPP compliant ahead of implementation with continuous assurance processes in place. Despite market-wide new business demand decreasing as a result of GIPP, net written premiums saw an increase in H1 of 2022 because of timely pricing rate actions.

Weekly governance arrangements approve changes to rate plan and review account performance. The Rating Analysis Committee ("RAC") approves decisions for

segment level rate changes and book level rate changes. The goal is to ensure that the business being written will be profitable.

Audits are conducted on a regular basis to ensure that all underwriting and rating rules are being applied correctly. Advantage maintains a control log to identify, report, and act on errors made by the outsourced service provider.

Reserve risk

Advantage does not take significant reserve risk and holds an internal risk margin to a 75 per cent confidence level versus internal best estimate. Since reserving is

subject to expert judgment the Chief Actuary calculates the best estimate, the Hastings Group Senior Actuary verifies the data, appropriateness of techniques utilised, and assumptions used to create the best estimate and an additional best estimate is created by a fully independent

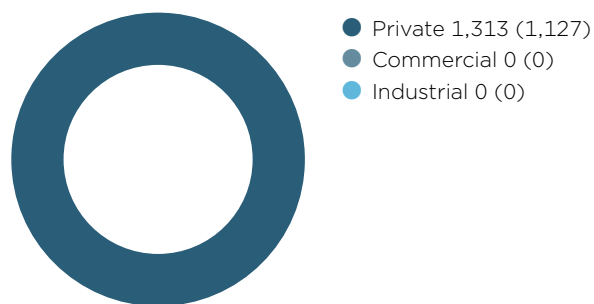
third party. Advantage has a series of monthly, quarterly, and semi-annual controls to ensure reserve adequacy.

Hastings' Gross Written Premiums (GWP) for 2022 amounted to EUR 1,313 million.

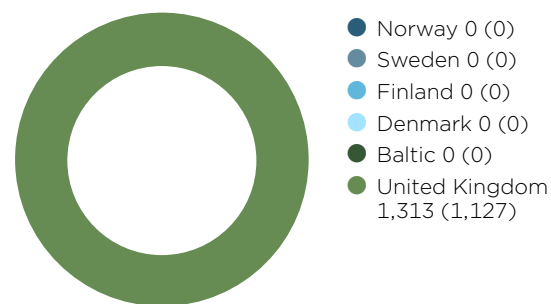
Breakdown of gross written premiums

Hastings, 31 December 2022, total EUR 1,313 (1,127) million

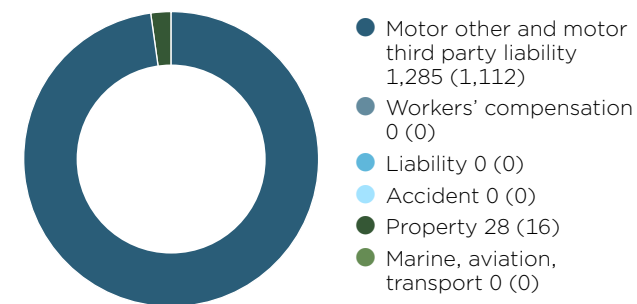
By business area



By country



By line of business



Underwriting performance

Hastings, 31 December 2022 and 31 December 2021

| Underwriting performance by SII LoB, EURm | Premiums written | | Premiums earned | | Claims incurred | | Operating expense | | Reinsurers share per LoB | | Total UW performance direct insurance | |
|---|------------------|--------------|-----------------|--------------|-----------------|------------|-------------------|------------|--------------------------|------------|---------------------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Motor vehicle liability insurance | 925 | 799 | 846 | 793 | 726 | 691 | 69 | 99 | 26 | -31 | 26 | 33 |
| Other motor insurance | 360 | 313 | 329 | 311 | 290 | 269 | 27 | 39 | 10 | -12 | 2 | 15 |
| Fire and other damage to property insurance | 28 | 16 | 22 | 13 | 24 | 9 | 4 | 3 | 4 | 2 | -11 | 0 |
| Total (excluding other expenses) | 1,313 | 1,127 | 1,196 | 1,117 | 1,040 | 969 | 100 | 141 | 40 | -40 | 17 | 48 |
| Other expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1,313 | 1,127 | 1,196 | 1,117 | 1,040 | 969 | 100 | 141 | 40 | -40 | 17 | 48 |

All figures from Hastings Group perspective.

Advantage maintained a disciplined approach to pricing despite continued market competition. Live customer policies grew year on year. This disciplined but agile underwriting and pricing approach led to many selective rate adjustments during 2022.

Claims cost inflation had a large influence on the risk profile for 2022. A combination of repairer delays, parts shortages, residual COVID-19 impacts to the economy, alongside the Russia/Ukraine conflict and the cost of living crisis all needed to be considered during the year. Effective pricing claims management and frequency experience has resulted in profits and capital solvency with the solvency ratio within or above of Advantage's target range of 140 to 160 per cent, and the Hastings Group target range of 120 to 140 per cent during the year.

Sensitivities of technical provisions

Hastings, 31 December 2022

| Technical provision item | Risk factor | Change in risk parameter | Effect EURm 2022 | Effect EURm 2021 |
|--------------------------------|---------------------------|------------------------------------|------------------|------------------|
| Nominal provisions (IFRS 4) | Inflation increase | Increase by 1 percentage point | 16.9 | 22.8 |
| Periodic Payment Orders (PPOs) | Decrease in mortality | Life expectancy increase by 1 year | 0.2 | 0.1 |
| Discounted provisions (IFRS 4) | Decrease in discount rate | Decrease by 1 percentage point | 3.2 | 3.9 |

Market risks and investment performance

Rising yields have reduced market value in line with expectation – losses recognised through reserves in the balance sheet and Solvency II impact offset by reduction in claims. The fixed income portfolio is held to maturity and had no realised losses incurred. The book yield has increased significantly during the year, supporting profitability.

2022 also saw an increased focus on ESG initiatives within Hastings Group; Advantage became a signatory to the UN Principles of Investment, and in Q3 2022 Hastings Group committed to the Science based Target initiative (SBTi). The Advantage investment portfolio maintains an ESG rating of AA, exceeding the ESG rating requirement of A defined in the Responsible Investment Framework. The ESG overall score for the investment portfolio increased to 7.6, above the benchmark by 0.6. The Hastings Board are committed to decarbonisation of the core investment portfolio, reducing carbon intensity by 50 per cent by 2030 with aim to be net zero by 2050.

Hastings' investment portfolio has been designed to generate a targeted return whilst operating within the conservative risk appetite parameters set by the Board. Management aims to prudently operate within its risk appetite. The risk appetite includes a low appetite for

losses arising from volatility of market prices affecting values of assets and liabilities and for assets not matching the profile of liabilities. As a result, the investment strategy includes a limited amount of equity exposure.

Investment allocation

Hastings, 31 December 2022 and 31 December 2021

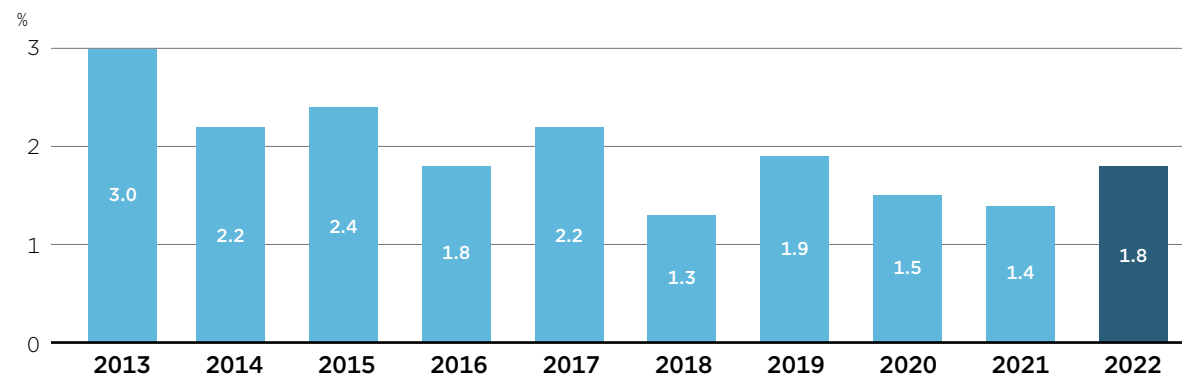
| Asset class | 2022 | | | 2021 | | |
|---|--------------------|-------------|-------------------------|--------------------|-------------|-------------------------|
| | Market value, EURm | Weight, % | Average maturity, years | Market value, EURm | Weight, % | Average maturity, years |
| Fixed income total | 1,287 | 98% | 3.3 | 1,095 | 97% | 3.6 |
| Money market securities and cash | 246 | 19% | 0.0 | 159 | 14% | 0.0 |
| Government bonds | 71 | 5% | 0.1 | 0 | 0% | 0.0 |
| Credit bonds, funds and loans | 970 | 74% | 4.3 | 936 | 83% | 4.2 |
| <i>Covered bonds</i> | 0 | 0% | 0.0 | 0 | 0% | 0.0 |
| <i>Investment grade bonds and loans</i> | 954 | 72% | 4.4 | 921 | 82% | 4.1 |
| <i>High-yield bonds and loans</i> | 16 | 1% | 4.0 | 15 | 1% | 4.5 |
| <i>Subordinated / Tier 2</i> | 0 | 0% | — | 0 | 0% | — |
| <i>Subordinated / Tier 1</i> | 0 | 0% | — | 0 | 0% | — |
| <i>Hedging swaps</i> | 0 | 0% | — | 0 | 0% | — |
| Listed equity total | 0 | 0% | — | 0 | 0% | — |
| UK | 0 | 0% | — | 0 | 0% | — |
| Global | 0 | 0% | — | 0 | 0% | — |
| Alternative investments total | 32 | 2% | — | 30 | 3% | — |
| Real estate | 0 | 0% | — | 0 | 0% | — |
| Private equity | 0 | 0% | — | 0 | 0% | — |
| Biometric | 0 | 0% | — | 0 | 0% | — |
| Commodities | 0 | 0% | — | 0 | 0% | — |
| Other alternative | 32 | 2% | — | 30 | 3% | — |
| Trading derivatives | 0 | 0% | — | 0 | 0% | — |
| Asset classes total | 1,320 | 100% | — | 1,125 | 100% | — |
| FX Exposure, gross position | 0 | —% | — | 0 | —% | — |

The core investment portfolio of debt securities, supplemented by a diversified portfolio of holdings in collective investment schemes, is held by Advantage. The Advantage Board works with the investment managers and investment consultants to maximise return whilst minimising risk and preserving capital. The criteria for the portfolio structure, classes of holdings and individual limits are consistent with a very low risk appetite. These investment rules are monitored on a quarterly basis internally and using an external consultancy. The monitoring outputs are provided to the Investment Committee and Risk & Compliance Committee quarterly.

Advantage made no direct use of derivatives during the period. Derivatives are, however, utilised within Investment Funds in which Advantage has a share, both for hedging purposes and to generate additional return.

Annual investment returns at market values

Hastings, 2013-2022



Exposures by sector, asset class and rating

Hastings, 31 December 2022

| | | AA+ | A+ | BBB+ | BB+ | | | Fixed | Listed | | Counter- | | Change |
|--------------------------------|------------|------------|------------|------------|------------|----------|-----------|--------------|----------|------------|------------|--------------|------------|
| EURm | AAA | AA- | A- | BBB- | C | D | Non-rated | income | equities | Other | party risk | Total | from |
| | | | | | | | | total | | | | | 31 Dec |
| | | | | | | | | | | | | | 2021 |
| Basic industry | 0 | 0 | 6 | 2 | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 9 | -10 |
| Capital goods | 0 | 0 | 22 | 0 | 0 | 0 | 0 | 22 | 0 | 0 | 0 | 22 | -7 |
| Consumer products | 1 | 25 | 77 | 60 | 0 | 0 | 0 | 162 | 0 | 0 | 0 | 162 | 17 |
| Energy | 0 | 12 | 13 | 0 | 0 | 0 | 0 | 25 | 0 | 0 | 0 | 25 | 3 |
| Financial institutions | 0 | 50 | 256 | 28 | 0 | 0 | 0 | 334 | 0 | 0 | 0 | 334 | -59 |
| Governments | 0 | 71 | 0 | 0 | 0 | 0 | 0 | 71 | 0 | 0 | 0 | 71 | 71 |
| Government guaranteed | 52 | 10 | 0 | 0 | 0 | 0 | 0 | 63 | 0 | 0 | 0 | 63 | 6 |
| Health care | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Insurance | 14 | 9 | 9 | 9 | 0 | 0 | 0 | 41 | 0 | 0 | 0 | 41 | 7 |
| Media | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Packaging | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public sector, other | 135 | 0 | 0 | 0 | 0 | 0 | 0 | 135 | 0 | 0 | 0 | 135 | 34 |
| Real estate | 0 | 0 | 13 | 24 | 0 | 0 | 0 | 37 | 0 | 0 | 0 | 37 | 4 |
| Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Technology and electronics | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 3 | -14 |
| Telecommunications | 0 | 0 | 9 | 13 | 0 | 0 | 0 | 22 | 0 | 0 | 0 | 22 | 6 |
| Transportation | 0 | 13 | 12 | 12 | 0 | 0 | 0 | 37 | 0 | 0 | 0 | 37 | 3 |
| Utilities | 0 | 0 | 29 | 24 | 0 | 0 | 0 | 53 | 0 | 0 | 0 | 53 | -32 |
| Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Asset-backed securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Covered bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 306 | 0 | 306 | 165 |
| Clearing house | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 201 | 189 | 448 | 176 | 0 | 0 | 0 | 1,014 | 0 | 306 | 0 | 1,320 | 194 |
| Change from 31 Dec 2021 | -36 | 52 | -54 | -27 | -14 | 0 | -2 | -81 | 0 | 276 | 0 | 194 | |

Foreign currency risk is insignificant in Hastings.

Interest rate risk

Advantage manages balance sheet interest rate risk principally through matched duration of assets and liabilities meaning that interest rates are aligned as far as possible, and interest rate risk is reduced. This is monitored in the quarterly Investment Committee meeting and includes adherence to tight duration mismatch tolerances which form part of the relevant risk appetite statement.

Liquidity risks

Advantage maintains a short duration and highly liquid portfolio. Cash and cash equivalent balances are held in current accounts or short-term money market instruments. These are generally less than 60 days in duration, with low sensitivity to movements in interest rates compared to longer duration assets.

The liquidity profile and cashflow of investments is monitored at the quarterly Investment Committee to ensure Advantage can meet its liabilities into the future.

Advantage's investment managers actively manage liquidity risk in the portfolio to ensure that bonds can be sold efficiently to meet cash needs. Informed by market data, they look to purchase bonds with less than 5 years since issue date, larger issue sizes and which trade regularly. Liquidity scoring is conducted by Advantage's investment managers, based on time since issue, issue size, traded volumes and observed bid-ask spreads.

Cash flows according to contractual maturity

Hastings, 31 December 2022

| EURm | Carrying amount total | Carrying amount without contractual maturity | Carrying amount with contractual maturity | Cash flows | | | | | | |
|---|--------------------------|--|---|-------------|-------------|-------------|------------|------------|---------------|------------|
| | | | | 2023 | 2024 | 2025 | 2026 | 2027 | 2028– 2037 | 2038– |
| Financial assets | 1,320 | 306 | 1,014 | 249 | 138 | 301 | 247 | 79 | 0 | 0 |
| Financial assets (non-derivatives) | 1,320 | 306 | 1,014 | 249 | 138 | 301 | 247 | 79 | 0 | 0 |
| Interest rate swaps | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| FX forwards | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial liabilities | 73 | 0 | 73 | -29 | -46 | 0 | 0 | 0 | 0 | 0 |
| Financial liabilities (non-derivatives) | 73 | 0 | 73 | -29 | -46 | 0 | 0 | 0 | 0 | 0 |
| Interest rate swaps | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| FX derivatives | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 14 | 0 | 14 | -5 | -5 | -2 | -1 | 0 | 0 | 0 |
| Net technical provisions | 1,060 | 1,060 | 0 | -451 | -225 | -149 | -81 | -53 | -58 | -44 |

Counterparty default risks

Counterparty risk is the risk that a counterparty will be unable to pay amounts in full as they fall due. Hastings is exposed to counterparty risk through reinsurance assets, financial assets and cash and cash equivalents. A number of controls exist within the Hastings Group to mitigate against counterparty default, such as annual reviews of reinsurance panels, credit rating tolerances in line with a low-risk appetite, and a low-risk, diversified investment portfolio.

Reinsurance counterparty risk

A key component of risk mitigation is reinsurance. Advantage's reinsurance programme includes both Excess of Loss ("XoL") and Quota Share ("QS") protection. Under the 2022 arrangements, the Motor exposure risk to Advantage is capped at GBP 1 million per loss, net of XoL reinsurance, and Household exposure is capped at GBP 5.0 million (approximately EUR 5.6 million) per event loss. In 2022 the AICL Board reduced the motor QS participation from 50 per cent to 35 per cent, driven principally by a change in risk appetite. AICL's reinsurance strategy will continue to be reviewed in line with risk appetite.

Reinsurance recoverables

Hastings, 31 December 2022 and 31 December 2021

| Rating | 2022 | | 2021 | |
|--------------|--------------|-------------|--------------|-------------|
| | Total, EURm | % of total | Total, EURm | % of total |
| AAA | 0 | 0% | 0 | 0% |
| AA | 1,221 | 65% | 1,224 | 65% |
| A | 649 | 35% | 653 | 35% |
| BBB | 3 | 0% | 3 | 0% |
| < BBB | 0 | 0% | 0 | 0% |
| Non-rated | 0 | 0% | 0 | 0% |
| Total | 1,874 | 100% | 1,880 | 100% |

To mitigate the inherent counterparty and credit risk posed by the reinsurance programme to Advantage's balance sheet, Advantage has set criteria for the minimum credit quality of the reinsurance counterparties and for concentration limits.

To better protect itself, and where possible, Advantage aims to:

- place with parent entities within reinsurance groups to mitigate counterparty risk in accepting reinsurance from small regional branches;
- introduce collateralisation or cut through terms and/or parental guarantees to mitigate counterparty risk;
- ensure special termination clauses are in place in the event of rating downgrade or reorganisation of reinsurance groups to which Advantage is exposed.

Operational risks

Hastings is committed to continually developing and embedding a culture of risk management through the identification, measurement, mitigation, monitoring and reporting of risks. Policy Statements form part of Hastings overall control and governance structure and cover legal and regulatory requirements, culture, and values.

Management committees at an operational level oversee business risks, supported by departmental risk profiles (risks, controls, key risk indicators and internal or external events) held centrally and reviewed and challenged regularly by the AICL and HISL risk management functions which are reported up to the Hastings Group Risk Committee on a quarterly basis.

Throughout 2022, HISL and Advantage both continued the maturity of their operational risk management platform, to further enhance enterprise risk management. Monitoring and quality control procedures within front line operations, together with clearly prescribed breach reporting and escalation processes, support the control framework.

Ongoing investment in fraud detection and prevention initiatives ensures Hastings anti-fraud capability remains strong and continues to protect Hastings and its customers against the threat of fraud. The Company's anti-fraud team provides comprehensive profiling guidance to allow Advantage to select risk and identify claims fraud more effectively. Dedicated anti-fraud experts, combined with market leading fraud detection technology, provide a defence against application fraud.

Hastings invests in compliance expertise and designs its controls and processes in line with regulatory requirements to mitigate regulatory risk. This is supplemented by a horizon scanning process designed to support Hastings' ability to meet regulatory standards as they evolve. Regulatory risk profiles are reported through to the relevant respective Board Committees.

Hastings has continued to operate an office / homeworking operating model across the UK and Gibraltar, including maintaining a virtual call centre. The risk and control framework is designed to align to the operating model to ensure no meaningful reduction in control framework effectiveness.

2022 saw increased investment into modern ways of working across the Group, with Advantage building up for a transition to cloud computing planned for 2023. Hastings Group has also undertaken a large Data Centre Migration during the year, enhancing the colleague and customer journeys.

Hastings takes a continuous improvement-based approach towards its information security framework, seeks to address process and human vulnerabilities, reduce the complexity of Hastings' technology and data estate, and embed security considerations by design in all its business decision making. The framework is aligned to the ISO 27001 standard, with appropriate supporting policies and processes.

Further information on information security and cybersecurity in Hastings is available in the **Sustainability Report 2022** published in May 2023 www.sampo.com/year2022.

Emerging risks

Hastings Group aims to identify its emerging risks through its annual horizon scanning activities. The horizon scanning process was reviewed in 2022 to better allow risk and control owners to articulate their perspective on emerging risks across the Hastings Group.

The horizon scanning review methodology consists of biannual deep dives of current emerging risks across all functions within the Hastings Group, with the ultimate aim of:

- Identifying if current emerging risks are retired or crystallised
- Reassessment of the estimated timeline of emerging risks
- An impact assessment of emerging risks
- Updating of risk descriptions, actions in relation to these risks, and controls for these risks
- A full review of new emerging risks
- Establish a "Top 15 Emerging Risks" based on impact and likelihood

Additionally, on a quarterly basis, the Group aims to review:

- the current status of existing emerging risks
- the appropriateness of estimate timelines
- the risk impact assessment of existing emerging risks
- the month on month risk impact movement of existing emerging risks

The emerging risks established by this process are then discussed at least half yearly Group Risk & Compliance Committee meetings to allow oversight and scrutiny of their development.

Hastings Group's emerging risks are categorised by our PESTLE format:

- Political
- Economic
- Social
- Technological
- Legal & regulatory
- Environmental

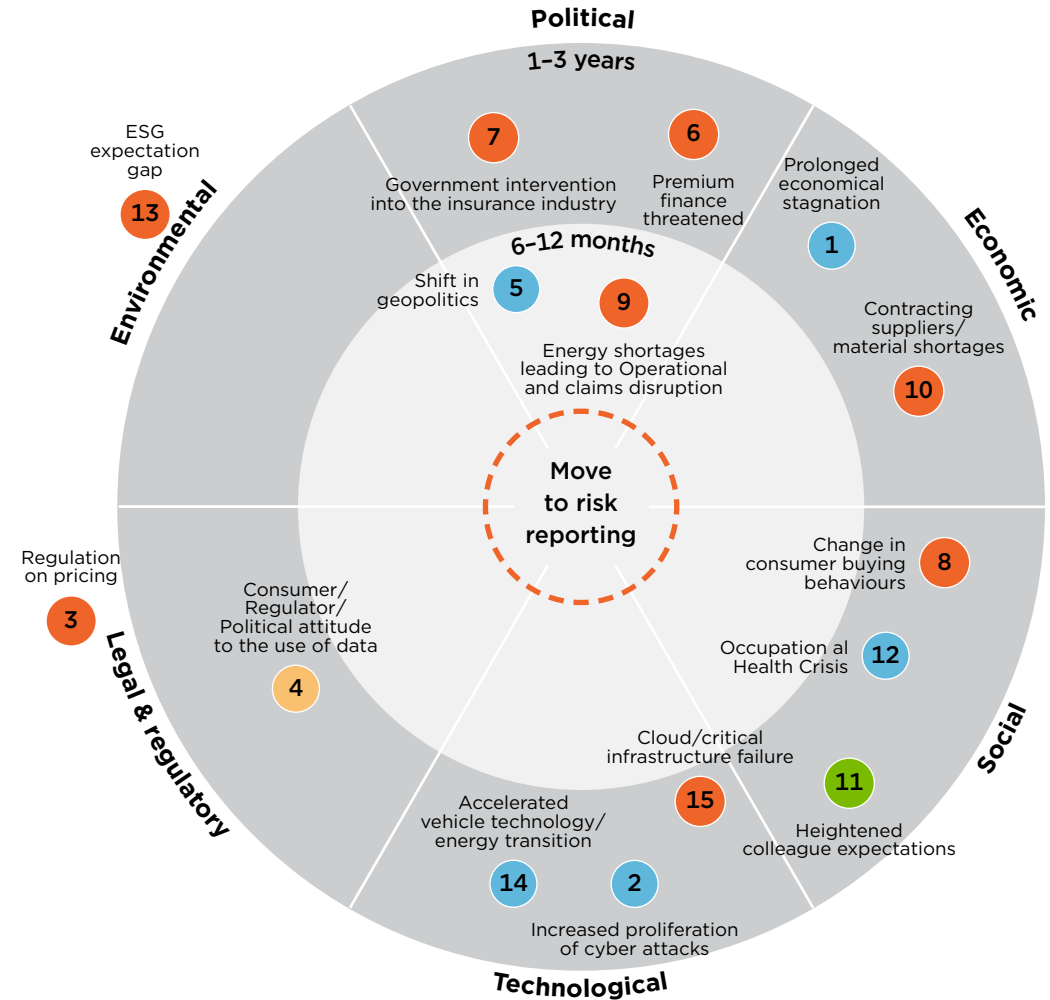
Emerging risks

Hastings

Impact

- Low
- Medium
- High
- TBC

Note: Risks could be positive or negative in nature



Capitalisation

Hastings Group's objective for managing capital is to achieve an adequate return by pricing insurance contracts commensurate with the level of risk it takes and to comply with Solvency II capital requirements to help safeguard its ability to continue as a going concern. Under their capital plans, Advantage aims to operate within an optimal solvency capital ratio range of 140 to 160 per cent of SCR,

and Hastings Group aims to operate at a solvency capital ratio range of 120 to 140 per cent of SCR; well above prescribed Solvency II capital requirements at all times.

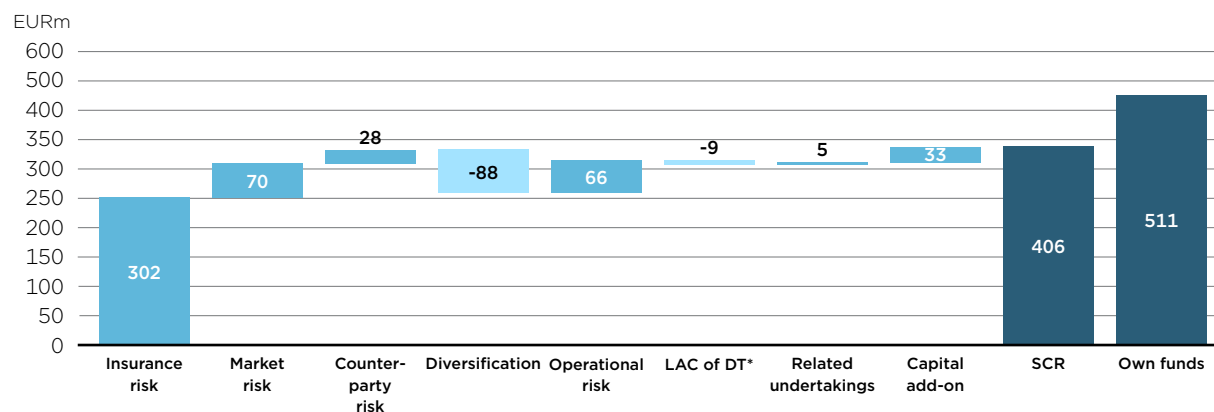
AICL, as a Gibraltar based insurance company passporting into the UK, is subject to the provisions of Solvency II regulations set by the European Parliament and European Union Commission and is authorised and regulated by the Gibraltar Financial Services Commission ("GFSC").

HISL, as an insurance intermediary in the UK, is subject to adequate resources requirements under Financial Conduct Authority rules ("FCA"). Throughout the year, it exceeded that minimum capital requirement. HISL regularly reviews and monitors its capital position and always seeks to maintain a prudent threshold above the capital resource requirements.

Hastings Group is, as of 1 January 2023, subject to UK Group Supervision; an extension of the supervision of AICL as the solo regulated entity to include supervision of Hastings Group Holdings Ltd, in respect of those areas of activity deemed to have a material indirect impact in relation to AICL, as the Hastings Group single insurance undertaking.

Solvency

Hastings, 31 December 2022



* Loss absorbing capacity of deferred taxes

Eligible own funds

Advantage, 31 December 2022 and 31 December 2021

| EURm | | 2022 | 2021 |
|---------------------------|--------------------------|------------|------------|
| Tier 1 | Total | 469 | 407 |
| | Ordinary share capital | 606 | 147 |
| | Reconciliation reserve | -136 | 260 |
| | Subordinated liabilities | 0 | 0 |
| Tier 2 | Total | 0 | 0 |
| | Subordinated liabilities | 0 | 0 |
| | Untaxed reserves | 0 | 0 |
| Tier 3 | Total | 41 | 0 |
| | Deferred tax assets | 41 | 0 |
| Eligible own funds | | 511 | 407 |

2022 figures are for Hastings Group and 2021 figures are for AICL.

Deferred taxes and loss-absorbing capacity of deferred taxes

To determine the Hastings Group (HGH) deferred tax and LAC DT position, the Group is broken down into AICL and the remainder, reflecting the Gibraltar and UK tax jurisdictions respectively.

For AICL there are no deferred tax assets or liabilities on an IFRS basis. To calculate the SII deferred tax position, the SII and IFRS balance sheets are compared on a line-by-line basis. Except for investment assets which are not taxed in Gibraltar, the differences attract either a tax charge or tax relief at the Gibraltar corporate tax rate.

On an SII basis, the process described results in a deferred tax liability of EUR 3.8 million at Q4 2022. This is equal to the notional tax due on the taxable excess of SII Own Funds over IFRS net assets.

The procedure to determine the LAC DT for AICL is as follows:

- The tax value of the loss that would arise on a reduction in Own Funds of magnitude equal to the SCR is calculated. Since investments are not taxable in Gibraltar, the market risk capital requirement and the share of the type 1 counterparty risk capital requirement that is attributable to bank exposures do not attract tax relief.

- The tax value of the SCR loss is set against the following sources of tax capacity:
 - the net deferred tax liability on the 'base' balance sheet
 - current year taxable profits, taken as the profit over the six months prior to the SII reporting date
 - future taxable profits, taken as the profit over the following three years under stress scenarios that have been agreed with the Gibraltar Financial Services Commission

At Q4 2022, the tax value of the pre-tax SCR loss is EUR 31.0 million and the sources of tax capacity sum to EUR 7.4 million (net deferred tax liability EUR 3.8 million as above, current year taxable profits EUR 3.7 million, future taxable profits nil). The LAC DT credit to the AICL SCR is therefore EUR 7.4 million, the sum of the tax capacity items.

The same rationale is determined to the deferred tax and LAC DT position of the UK part of HGH. On an SII basis, there is a EUR 36.2 million deferred tax asset on the Group balance sheet, reflecting tax relief on the 'write-down' of deferred acquisition costs and non-Goodwill intangible assets, that have no value under SII. The deferred tax asset have been carried forward as a negative contribution to the overall tax capacity at UK level. Current and future taxable profits are insufficient to offset the deferred tax asset, so that the total tax capacity at UK level, and hence the contribution to LAC DT, is nil.

The LAC DT at HGH level is therefore the same as at AICL level, namely EUR 7.4 million at Q4 2022.

Mandatum Group

- Underwriting risks and performance.....85
- Market risks and investment performance.....92
- Counterparty default risks..... 100
- Operational risks 100
- Risks related to asset management activities 101
- Emerging risks..... 101
- Capitalisation 102

Mandatum Group

Mandatum Group consists of two business areas: Mandatum Life Insurance Company Ltd (Mandatum Life) offers life insurance services and Mandatum Asset Management Ltd (MAM) asset management services. The parent company of the group is Mandatum Holding Ltd.

Mandatum Asset Management is an asset management company formed by combining Sampo plc's and Mandatum Life's investment operations in 2021. Mandatum Asset Management manages Sampo plc's, Mandatum Life's and If's assets. Mandatum Asset Management's direct clients, in addition to Sampo Group, are Nordic and European institutional and Ultra High Net Worth Individual (UHNWI) clients.

Mandatum Life is responsible for Sampo Group's life insurance operations in Finland. It also offers private and corporate customers services in wealth management, rewards, and personal insurance together with the other Group companies.

The business areas related to life insurance services form most of the risk exposures when measured by capital requirements set in EU regulations as can be seen from chapter **Capitalisation**.

Especially the existing with profit liabilities and assets backing these liabilities is the most capital consuming business area and the business in question forms a major part of Mandatum Life's Solvency Capital Requirement (around 60 per cent of total SCR). For this reason, the following risk descriptions are mainly focused on Mandatum Life's risks exposures, and Mandatum Asset Management's business and risks related to it are described in chapter **Risks related to asset management activities**.

During 2021 Mandatum Life agreed on the sale of its Baltic life insurance businesses to the Lithuanian Invalda INVL Group. In connection with the sale, Mandatum Life's entire Baltic life insurance business, including its employees, transferred to Invalda INVL in end of June 2022.

Underwriting risks and performance

In this section, the underwriting risks and performance as well as the development of technical provisions are presented. Further details of technical provisions can be found in **Appendix 5 Valuation for solvency purposes**.

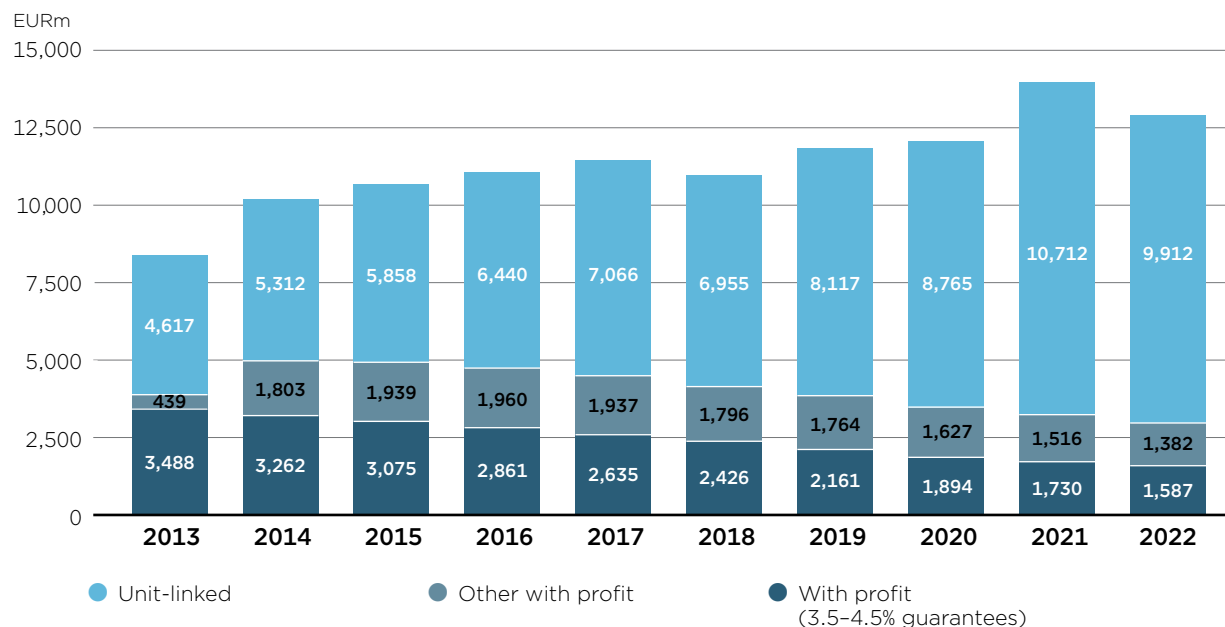
The unit-linked business has been Mandatum Life's focus area since 2001. Since then, the trend of unit-linked technical provisions has been increasing and the average annual growth in unit-linked technical provisions has reached a double-digit growth rate. Due to the nature of the unit-linked business, volatility between the years has been relatively high.

In contrast to the unit-linked trend, the trend of with profit technical provisions has been decreasing since 2005 (except for year 2014 when the group pension portfolio from Suomi Mutual was transferred to Mandatum Life). In particular, the parts of technical

provisions with the highest guarantees (4.5 per cent and 3.5 per cent) have decreased. The development of with profit and unit-linked portfolios is presented in the graph Development of with profit and unit-linked technical provisions, Mandatum Life, 2013–2022.

The above-mentioned group pension portfolio transferred from Suomi Mutual and related assets are separated from the rest of the Mandatum Life balance sheet into a segregated group pension portfolio. The segregated group pension portfolio has its own profit-sharing rules, investment policy and Asset and Liability Committee. The with profit liabilities other than in the segregated group pension portfolio are hereafter referred to as the “original” with profit liabilities.

Development of with profit and unit-linked technical provisions Mandatum Life, 2013–2022



During the year 2022 insurance liabilities developed as planned, although the market turbulence caused by the Russia-Ukraine war and inflation fears had a significant impact on assets under management within the unit-linked business, ending up being EUR 9,912 million in total. On the other hand, the technical provisions with the highest guarantees fell by EUR 144 million. In total, the with profit technical provisions decreased by EUR 268 million and were EUR 2,969 million.

The development of insurance liabilities during 2022 is shown in the table Analysis of the change in provisions before reinsurance, Mandatum Life, 31 December 2022.

Analysis of the change in provisions before reinsurance

Mandatum Life, 31 December 2022

| EURm | Liability 2021 | Premiums | Claims paid | Expense charges | Guaranteed interest | Bonus | Other | Liability 2022 | Share % |
|--|----------------|--------------|---------------|-----------------|---------------------|----------|---------------|----------------|------------|
| Unit-linked, excl. Baltic | 10,526 | 1,285 | -734 | -104 | 0 | 0 | -1,061 | 9,912 | 77 |
| Individual pension insurance | 1,778 | 52 | -24 | -20 | 0 | 0 | -308 | 1,478 | 11 |
| Individual life | 2,495 | 73 | -146 | -19 | 0 | 0 | -342 | 2,062 | 16 |
| Capital redemption operations | 4,721 | 1,065 | -510 | -41 | 0 | 0 | -220 | 5,015 | 39 |
| Group pension | 1,532 | 95 | -54 | -24 | 0 | 0 | -192 | 1,357 | 11 |
| With profit and others, excl. Baltic | 3,236 | 104 | -364 | -31 | 80 | 4 | -61 | 2,969 | 23 |
| Group pension insurance, segregated portfolio | 751 | 2 | -45 | -1 | 16 | 4 | -12 | 715 | 6 |
| Basic liabilities, guaranteed rate 3.5% | 485 | 2 | -45 | -1 | 16 | 4 | -10 | 451 | 4 |
| Reserve for decreased discount rate (3.5% -> 0.0%) | 183 | 0 | 0 | 0 | 0 | 0 | -15 | 169 | 1 |
| Future bonus reserves | 82 | 0 | 0 | 0 | 0 | 0 | 13 | 96 | 1 |
| Group pension | 1,397 | 32 | -168 | -4 | 41 | 0 | 12 | 1,309 | 10 |
| Guaranteed rate 3.5% | 1,129 | 0 | -133 | -2 | 37 | 0 | 13 | 1,044 | 8 |
| Guaranteed rate 2.5%, 1.5% or 0.0% | 268 | 32 | -35 | -2 | 4 | 0 | -2 | 265 | 2 |
| Individual pension insurance | 550 | 4 | -123 | -3 | 19 | 0 | 43 | 490 | 4 |
| Guaranteed rate 4.5% | 377 | 2 | -56 | -2 | 15 | 0 | -5 | 331 | 3 |
| Guaranteed rate 3.5% | 112 | 1 | -35 | -1 | 4 | 0 | 23 | 104 | 1 |
| Guaranteed rate 2.5% or 0.0% | 61 | 0 | -32 | 0 | 1 | 0 | 26 | 56 | — |
| Individual life insurance | 130 | 30 | -19 | -9 | 5 | 0 | -14 | 122 | 1 |
| Guaranteed rate 4.5% | 49 | 4 | -2 | -1 | 2 | 0 | -1 | 51 | — |
| Guaranteed rate 3.5% | 63 | 8 | -9 | -3 | 2 | 0 | -5 | 57 | — |
| Guaranteed rate 2.5% or 0.0% | 18 | 18 | -8 | -5 | 0 | 0 | -8 | 15 | — |
| Capital redemption operations | 28 | 0 | 0 | 0 | 0 | 0 | -3 | 25 | — |
| Guaranteed rate 3.5% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | — |
| Guaranteed rate 2.5% or 0.0% | 28 | 0 | 0 | 0 | 0 | 0 | -3 | 25 | — |
| Future bonus reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | — |
| Reserve for decreased discount rate | 274 | 0 | 0 | 0 | 0 | 0 | -63 | 211 | 2 |
| Longevity reserve | 71 | 0 | 0 | 0 | 0 | 0 | -8 | 63 | — |
| Assumed reinsurance | 1 | 0 | -1 | 0 | 0 | 0 | 0 | 0 | — |
| Other liabilities | 35 | 37 | -8 | -15 | 0 | 0 | -17 | 32 | — |
| Total, excl. Baltic | 13,762 | 1,390 | -1,098 | -135 | 80 | 4 | -1,123 | 12,881 | 100 |
| Baltic | 196 | 10 | -27 | -3 | 0 | 0 | -176 | 0 | — |
| Unit-linked liabilities | 186 | 9 | -26 | -3 | 0 | 0 | -166 | 0 | — |
| Other liabilities | 10 | 1 | -1 | 0 | 0 | 0 | -10 | 0 | — |
| Mandatum Life Group total | 13,958 | 1,399 | -1,125 | -138 | 81 | 4 | -1,299 | 12,881 | 100 |

In most of the original with profit policies the guaranteed interest rate is 3.5 per cent. In individual policies sold in Finland before 1999, the guaranteed interest rate is 4.5 per cent, which is also the statutory maximum discount rate of these policies. Mandatum Life has sold policies with lower guaranteed rates as well, but their share is small.

Mandatum Life has supplemented technical provisions by a separate reserve due to low interest rates (reserve for decreased discount rate). The table Discount rates and reserves, Mandatum Life, 31 December 2022 shows the discount rate applied for each year and its effect to technical provisions.

The guaranteed interest for the segregated group pension policies is mainly 3.5 per cent. However, the discount rate for these segregated liabilities is 0.0 per cent and the related reserve for decreased discount rate was EUR 169 million (183) at the end of 2022. The segregated group pension portfolio includes a separate future bonus reserve. The reserve amounts to EUR 96 million (82). This future bonus reserve can also be used to cover possible investment losses or to finance possible reserve strengthening due to changes in the applied discount rate of segregated technical provisions. As a result, the future bonus reserve has a significant role in the risk management of the segregated group pension portfolio. For this reason, it has also its own profit-sharing rules as mentioned before.

The decreasing trend of with profit liabilities is expected to continue. Liabilities with the highest guarantees and highest capital consumption are expected to decrease from EUR 1,587 million to around EUR 550 million during the remaining Solvency II transitional period of the technical provision (1 January 2023–31 December 2031). The duration of the segregated group pension portfolio is around 8 years and the duration of the original with profit portfolio is also around 8 years. Duration has mainly decreased from previous years due to higher interest rates.

The graph Forecast of with profit liabilities, Mandatum Life, 2022–2031 shows the expected trend of existing with profit liabilities.

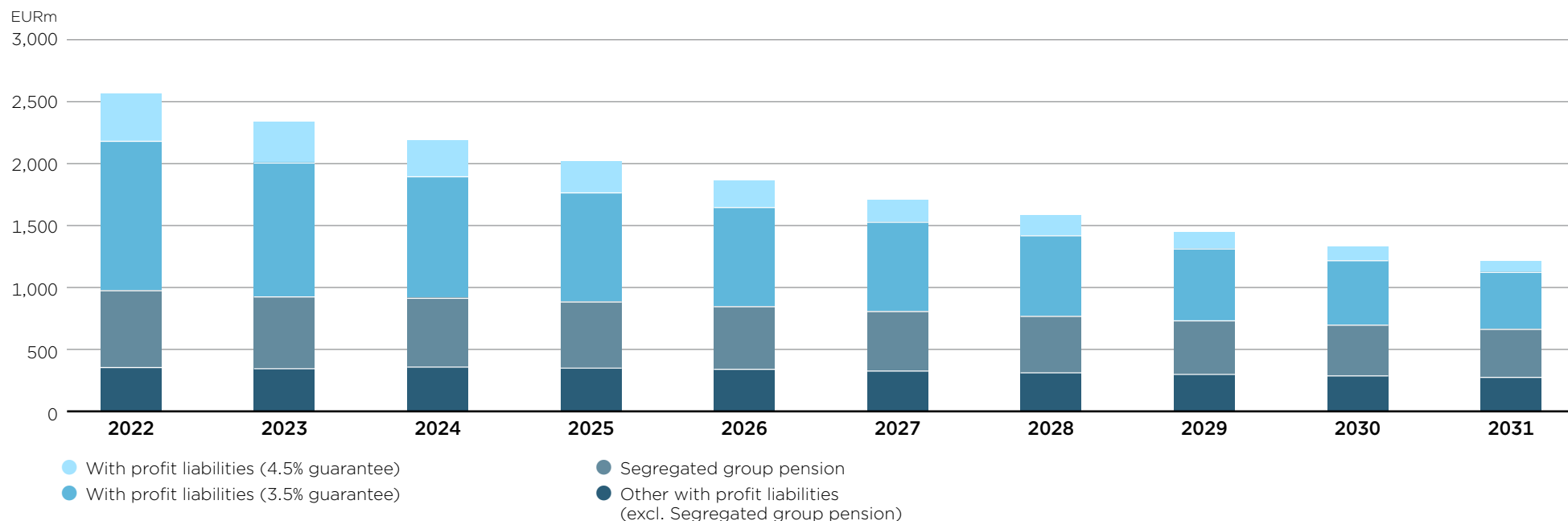
Discount rates and reserves

Mandatum Life, 31 December 2022

| Year | 2023 | 2024 | 2025 | 2026 | 2027 and onward | Total |
|-----------------------------|-------|-------|-------|-------|-----------------|-------|
| Applied discount rate | 0.25% | 0.25% | 0.25% | 0.75% | 3.50% | |
| Discount rate reserve, EURm | 53 | 49 | 45 | 35 | 29 | 211 |

Forecast of with profit liabilities

Mandatum Life, 2022–2031



Biometric risks

Mandatum Life's main biometric risks are longevity, mortality, and disability. In general, the long duration of policies and Mandatum Life's restricted right to change policy terms and conditions and tariffs increase biometric risks. The definition of biometric risk can be found in **Appendix 2 Risk definitions**. If the premiums turn out to be inadequate and cannot be increased,

technical provisions must be supplemented by an amount corresponding to the increase in expected losses.

Longevity risk is the most critical biometric risk in Mandatum Life. The Solvency Capital Requirement of longevity risk is also highly dependent on the interest rate level, which in practice means that the lower the applied discount rate is, the higher the longevity SCR would be and vice versa. Most of the longevity risk arises

from the with profit group pension portfolio. With profit group pension policies have mostly been closed for new members for years and due to this the average age of members is relatively high, almost 70 years. In the unit-linked group pension and individual pension portfolio the longevity risk is less significant because most of these policies are fixed term annuities including death cover compensating the longevity risk.

The annual longevity risk result and longevity trend are analysed regularly. For the segregated group pension portfolio, the assumed life expectancy related to the technical provisions was revised in 2014 and for the other group pension portfolios in 2002 and 2007. In total, these changes increased the 2022 technical provision by EUR 63 million (71) including a EUR 52 million longevity reserve for the segregated group pension portfolio. The cumulative longevity risk result has been positive since these revisions. The longevity risk result of group pension for the year 2022 was EUR 7.8 million (11.3) after a EUR 7.6 million release from the longevity reserve.

The mortality risk result in life insurance was positive. A possible pandemic is seen as the most significant risk that could adversely affect the mortality risk result. However, during the years 2020 to 2022 COVID-19 did not have any significant effect on the mortality risk result. The reason for this is that COVID-19 has had the most significant incremental effect on the mortality of elder people and the insured are generally younger.

The insurance risk result of other biometric risks has been profitable overall, although the different risk results vary considerably. In the longer term, disability and morbidity risks are mitigated by the company's right to raise

insurance premiums for existing policies in case there is an unfavourable change in the claims development.

The table Claims ratios after reinsurance, Mandatum Life, 31 December 2022, and 31 December 2021 shows the insurance risk result in Mandatum Life's insurance policies, excluding Baltic operations. The ratio of the actual to expected claims costs was 75 per cent in 2022 (68). The sensitivity of the insurance risk result can also be assessed based on the information in the table. For instance, an increase of mortality by 100 per cent would increase the amount of benefit payments from EUR 17 million to EUR 34 million.

Claim ratios after reinsurance

Mandatum Life, 31 December 2022 and 31 December 2021

| EURm | 2022 | | | 2021 | | |
|--------------------------|--------------|----------------|--------------|--------------|----------------|--------------|
| | Risk income | Claims expense | Claims ratio | Risk income | Claims expense | Claims ratio |
| Life insurance | 46.5 | 22.2 | 48% | 47.3 | 17.3 | 37% |
| Mortality | 27.4 | 17.2 | 63% | 28.2 | 12.1 | 43% |
| Morbidity and disability | 19.1 | 5.0 | 26% | 19.1 | 5.3 | 28% |
| Pension | 80.1 | 72.9 | 91% | 83.5 | 72.1 | 86% |
| Individual pension | 13.9 | 14.6 | 105% | 14.0 | 14.6 | 104% |
| Group pension | 66.2 | 58.3 | 88% | 69.4 | 57.4 | 83% |
| Mortality (longevity) | 64.9 | 57.2 | 88% | 67.9 | 56.6 | 83% |
| Disability | 1.2 | 1.1 | 94% | 1.6 | 0.9 | 54% |
| Total | 126.6 | 95.1 | 75% | 130.8 | 89.4 | 68% |

The underwriting portfolio of Mandatum Life is relatively well diversified and does not include any major concentration of biometric risks. To further mitigate the effects of possible risk concentrations, Mandatum Life has catastrophe reinsurance in place.

In general, biometric risks are managed by careful risk selection, by setting prices to reflect the risks and costs, and by setting upper limits for the protection granted and by use of reinsurance. Mandatum Life's Underwriting Policy sets principles for risk selection and limits for sums insured. The Reinsurance Policy governs the use of Reinsurance. The Board approves the Underwriting policy, Reinsurance Policy, pricing guidelines and the central principles for the calculation of the insurance liabilities and the technical provisions.

The Insurance Risk Committee is responsible for maintaining the Underwriting Policy and monitoring the functioning of the risk selection and claims processes. The Committee also reports all deviations from the Underwriting Policy to the Risk Management Committee. The Insurance Risk Committee is chaired by the Chief Actuary who is responsible for ensuring that the principles for pricing policies and for the calculation of

technical provisions are adequate and in line with the underwriting and claims management processes.

Reinsurance is used to limit the amount of individual mortality and disability risks. The Board of Directors annually approves the Reinsurance Policy and determines the maximum amount of risk to be retained on the company's own account. The highest retention of Mandatum Life is EUR 1.5 million per insured.

The risk result is actively followed and thoroughly analysed on an annual basis. Mandatum Life measures the efficiency of risk selection and the adequacy of tariffs by collecting information about the actual claims' expenditure for each product line and each type of risk and comparing it to the claims expenditure assumed in insurance premiums of every risk cover.

Technical provisions are analysed, and the possible supplemental needs are assessed regularly. Assumptions related to technical provisions are reviewed annually. The adequacy of the technical provisions is tested quarterly. Tariffs for new policies are set and the Underwriting Policy and assumptions used in calculating technical provisions are updated based on adequacy tests and risk result analysis.

Policyholder behaviour and expense risks

From an Asset and Liability Management point of view, surrender risk is not material because in Mandatum Life around 85 per cent of with profit technical provisions consists of pension policies in which surrender is possible only in exceptional cases. Surrender risk is therefore only relevant in individual life and capital redemption policies of which the related technical provisions amount to around 5 per cent (around EUR 150 million) of the total with profit technical provisions. Furthermore, the supplements to technical provisions are not paid out at surrender which also reduces the surrender risk related to the with profit policies. Due to the limited surrender risk, the future cash flows of Mandatum Life's insurance liabilities are quite predictable.

Policy terms and tariffs cannot usually be changed materially during the lifetime of the insurance, which increases the expense risk. The behaviour of financial markets has also an influence on expense risk since normally the company's fee income is linked to policy reserves in unit-linked policies. The main challenge is to keep the expenses related to insurance administrative processes and complex IT infrastructure at an effective

and competitive level. In year 2022, the operational result of Mandatum Group was EUR 49 million (45). Mandatum does not defer insurance acquisition costs. Development of operational result since 2013 is presented in the graph Operational result, Mandatum Group, 2013–2022. Notice that prior to 2021 the operational result equals Mandatum Life Group's expense result.

Market risks and investment performance

This section covers market risk related to Mandatum Life's with profit business i.e., that part of the business where Mandatum Life carries the investment risk. As mentioned earlier, the behaviour of financial markets has also an influence on unit-linked business since normally the company's fee income is linked to policy reserves in unit-linked policies. This risk is considered as part of expense risk.

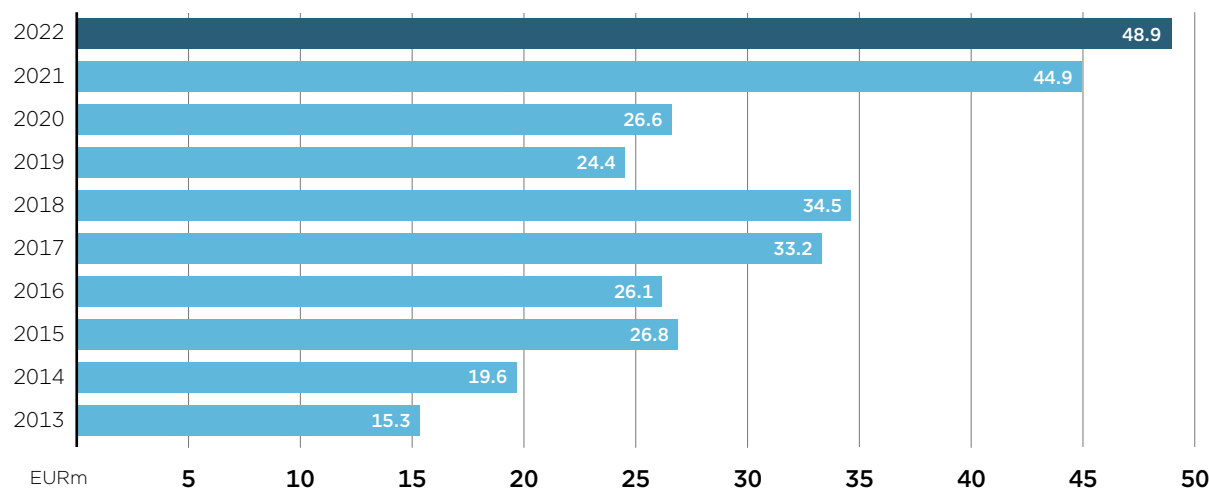
In Mandatum Life, the approach to market risk management is based on an analysis of technical provisions' expected cash flows, interest rate level and current solvency position, i.e., active Asset and Liability Management. A common feature for all with profit technical provisions is the guaranteed rate and bonuses. The cash flows of life insurance technical provisions are generally predictable because in most of the company's with profit policies, surrenders and additional investments are not possible.

Mandatum Life's market risks arise mainly from equity investments, credit risk of fixed income investments and interest rate risk related to assets and insurance liabilities with a guaranteed interest rate. The most significant interest rate risk in the life insurance business is that fixed income investments and hedging derivatives will not, over a long period of time, generate a return at least equal to the guaranteed interest rate of technical provisions.

The probability of this risk increases when market interest rates fall and stay at a low level. The duration gap between the balance sheet's technical provisions and fixed income investments is constantly monitored and managed. Control levels based on an internal risk capacity model are used to manage and ensure adequate capital in different market situations. Guarantees and other main features of with profit liabilities are presented in the section **Underwriting risks and performance**.

Operational Result

Mandatum Group, 2013–2022



The majority of the investment portfolio is invested in fixed income and listed equity investments, but the role of alternative investments – real estate, private equity and private credit funds – is also material being 16 per cent of total investments. During the year 2022 Mandatum Life's has also established an asset portfolio within the investment portfolio, a so called ALM hedging portfolio. This portfolio includes hedging instruments, currently interest rate swaps, which are meant to hedge the interest rate risk of technical provisions.

Investment allocations and average maturities of fixed income investments as at year end 2022 and 2021 are presented in the table Investment allocation, Mandatum Life, 31 December 2022 and 31 December 2021.

Investment allocation

Mandatum Life, 31 December 2022 and 31 December 2021

| Asset class | 31 Dec 2022 | | | 31 Dec 2021 | | |
|---|--------------------|-------------|-------------------------|--------------------|-------------|-------------------------|
| | Market value, EURm | Weight, % | Average maturity, years | Market value, EURm | Weight, % | Average maturity, years |
| Fixed income total | 2,869 | 66% | 2.6 | 3,231 | 62% | 2.7 |
| Money market securities and cash | 372 | 9% | 0.0 | 585 | 11% | 0.0 |
| Government bonds | 0 | —% | 0.0 | 0 | —% | 0.0 |
| Credit bonds, funds and loans | 2,497 | 58% | 2.9 | 2,645 | 51% | 3.2 |
| <i>Covered bonds</i> | 0 | —% | 0.0 | 0 | —% | 0.0 |
| <i>Investment grade bonds and loans</i> | 1,091 | 25% | 3.1 | 1,056 | 20% | 3.0 |
| <i>High-yield bonds and loans</i> | 1,079 | 25% | 2.8 | 1,240 | 24% | 3.3 |
| <i>Subordinated / Tier 2</i> | 173 | 4% | 2.4 | 148 | 3% | 3.0 |
| <i>Subordinated / Tier 1</i> | 156 | 4% | 3.5 | 200 | 4% | 4.1 |
| <i>Hedging swaps</i> | -2 | —% | — | 0 | —% | 0.0 |
| Listed equity total | 784 | 18% | — | 1,233 | 24% | 0 |
| Finland | 329 | 8% | — | 543 | 10% | 0 |
| Scandinavia | 0 | —% | — | 0 | —% | 0 |
| Global | 455 | 11% | — | 690 | 13% | 0 |
| Alternative investments total | 673 | 16% | — | 770 | 15% | 0.0 |
| Real estate | 172 | 4% | — | 191 | 4% | 0.0 |
| Private equity* | 249 | 6% | — | 293 | 6% | 0.0 |
| Private Credit Funds | 252 | 6% | — | 286 | 5% | 0.0 |
| Asset classes total | 4,327 | 100% | — | 5,233 | 100% | 0.0 |
| FX Exposure, gross position | 110 | —% | — | 139 | —% | 0.0 |

The total investment allocation of Mandatum Life is equal to EUR 4,327 million. When EUR 7 million of intra-group assets, EUR 24 million of accrued interest, EUR 372 million of cash, EUR 172 million of real estates and an adjustment of EUR 1 million to the value of loans and receivables are deducted and EUR 25 million of derivatives are added, the total is equal to EUR 3,776 million which corresponds to the sum of Mandatum's financial assets on Sampo Group's balance sheet.

By further deducting EUR 0.8 million of financial assets belonging to Mandatum Asset Management Group, the total is equal to EUR 3,775 million, which is equal to Mandatum Life's financial assets.

* Private equity also includes direct holdings in non-listed equities.

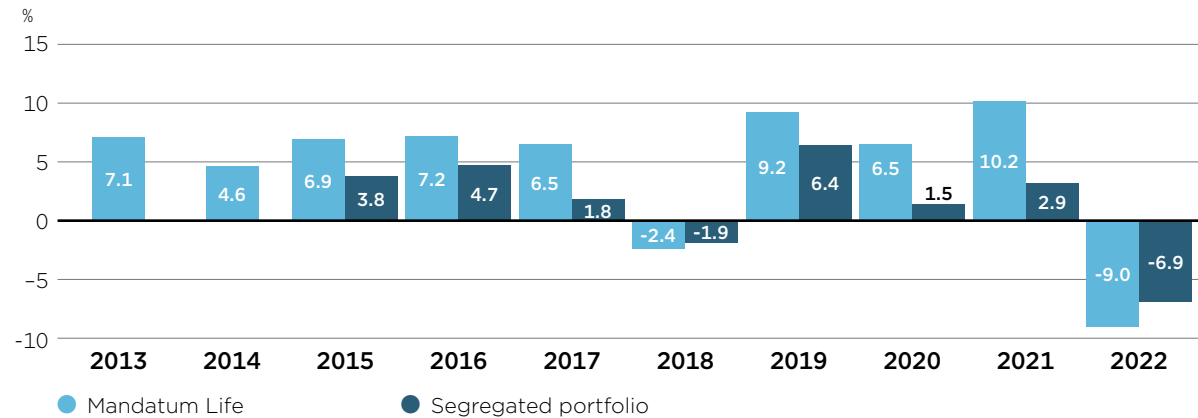
Annual investment returns from 2013 onwards are presented in the table Annual investment returns at market values, Mandatum Life, 2013–2022.

Market risks of fixed income and equity exposures

Fixed income and equity exposures are presented by sector, asset class and rating together with counterparty risk exposures relating to derivative transactions in the table Exposures by sector, asset class and rating, Mandatum Life, 31 December 2022. Counterparty default risks are described in more detail in the section **Counterparty default risks**. Due to differences in the reporting treatment of derivatives, the figures in the table may not be fully comparable with other tables in the annual report.

Annual investment returns at market values

Mandatum Life, 2013–2022



Exposures by sector, asset class and rating

Mandatum Life, 31 December 2022

| | | AA+ | A+ | BBB+ | BB+ | | | Fixed | Listed | | Counter- | | Change |
|--------------------------------|----------|------------|------------|-------------|-------------|----------|-------------|--------------|-------------|------------|------------|--------------|-------------|
| EURm | AAA | AA- | A- | BBB- | C | D | Non-rated | income | equities | Other | party risk | Total | from |
| | | | | | | | | total | | | | | 31 Dec |
| | | | | | | | | | | | | | 2021 |
| Basic industry | 0 | 0 | 4 | 33 | 30 | 0 | 14 | 81 | 62 | 0 | 0 | 143 | 10 |
| Capital goods | 0 | 0 | 17 | 22 | 58 | 0 | 15 | 112 | 99 | 0 | 0 | 211 | -1 |
| Consumer products | 0 | 3 | 24 | 87 | 90 | 0 | 10 | 214 | 60 | 0 | 0 | 274 | -120 |
| Energy | 0 | 0 | 7 | 0 | 0 | 0 | 0 | 7 | 8 | 0 | 0 | 15 | -44 |
| Financial institutions | 0 | 221 | 556 | 292 | 62 | 0 | 19 | 1,150 | 2 | 0 | 2 | 1,154 | -219 |
| Governments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Government guaranteed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Health care | 0 | 0 | 5 | 39 | 131 | 0 | 8 | 183 | 33 | 0 | 0 | 216 | -93 |
| Insurance | 0 | 0 | 15 | 42 | 0 | 0 | 17 | 74 | 0 | 1 | 0 | 75 | -15 |
| Media | 0 | 0 | 0 | 0 | 0 | 3 | 3 | 6 | 0 | 0 | 0 | 6 | -2 |
| Packaging | 0 | 0 | 0 | 0 | 27 | 0 | 0 | 27 | 5 | 0 | 0 | 32 | -4 |
| Public sector, other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -23 |
| Real estate | 0 | 0 | 0 | 74 | 0 | 0 | 83 | 157 | 0 | 169 | 0 | 326 | -92 |
| Services | 0 | 0 | 10 | 38 | 193 | 0 | 36 | 277 | 41 | 3 | 0 | 321 | -76 |
| Technology and electronics | 0 | 1 | 7 | 14 | 5 | 0 | 20 | 47 | 110 | 0 | 0 | 157 | -57 |
| Telecommunications | 0 | 0 | 7 | 44 | 27 | 0 | 0 | 78 | 0 | 0 | 0 | 78 | -46 |
| Transportation | 0 | 0 | 2 | 8 | 5 | 0 | 6 | 21 | 7 | 0 | 0 | 28 | -9 |
| Utilities | 0 | 1 | 0 | 40 | 95 | 0 | 35 | 171 | 0 | 0 | 0 | 171 | -27 |
| Others | 0 | 6 | 0 | 4 | 13 | 0 | 69 | 92 | 0 | 12 | 0 | 104 | 38 |
| Asset-backed securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Covered bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Funds | 0 | 0 | 0 | 0 | 0 | 0 | 171 | 171 | 357 | 487 | 0 | 1,015 | -127 |
| Clearing house | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 7 | 7 |
| Total | 0 | 232 | 654 | 737 | 736 | 3 | 506 | 2,868 | 784 | 672 | 9 | 4,333 | -900 |
| Change from 31 Dec 2021 | 0 | 20 | -9 | -168 | -100 | 3 | -108 | -363 | -449 | -98 | 9 | -900 | |

As the previous table shows the role of non-investment grade and non-rated bonds is material in Mandatum Life's portfolio. The fixed income investments also include the liquidity buffer consisting of cash, which is mainly held in Nordic banks. The total amount of cash is higher than what is needed for short term liquidity purposes. The table also shows that Mandatum Life's portfolio has a strong focus on the financial sector.

Nordic equity exposure includes almost only direct investments to Finnish equities, and they account for almost half of the listed equity exposure. More than half of listed equity investments are allocated globally consisting of both fund investments and direct investments. The breakdown of Mandatum Life's listed equity investments by geographical regions is presented in the following graph.

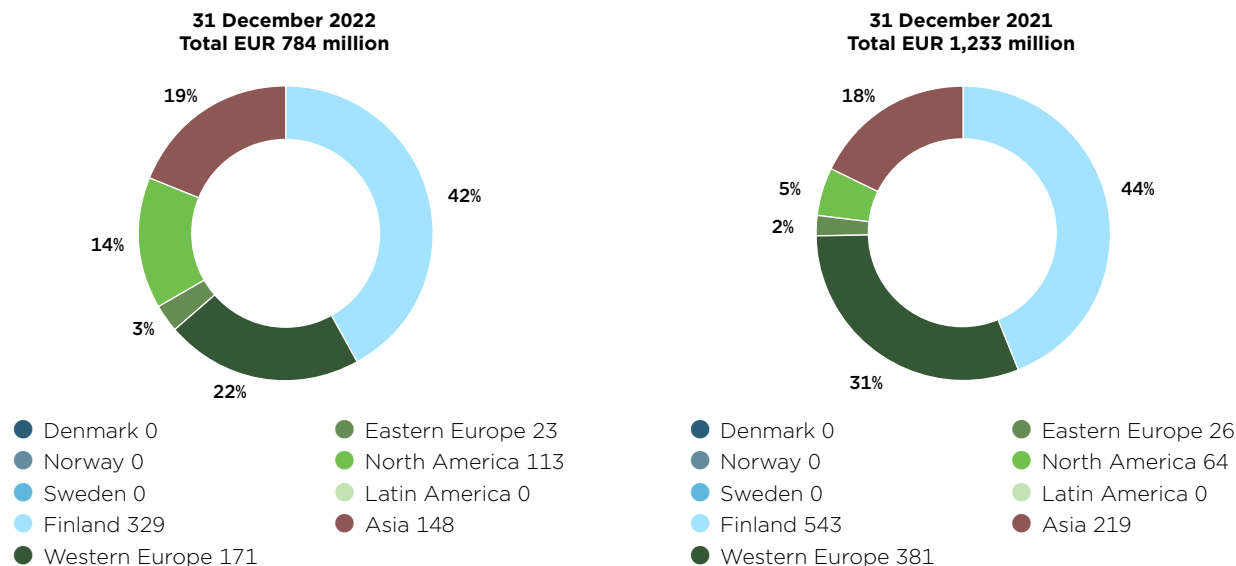
Alternative investments

The role of alternative investments has been significant in Mandatum Life over the years. The current allocation weight is 16 per cent.

The amount of alternative investments has slightly increased from 2021. A significant part of these highly illiquid alternative investments consists of private equity and private credit funds. Both asset classes are managed by Mandatum Asset Management's specialised teams. The private equity and private credit portfolios consist mainly of funds which are approaching the end of their life cycle

Breakdown of listed equity investments by geographical regions

Mandatum Life



and new investments are made carefully since Mandatum Life's with-profit portfolio is a run-off portfolio.

Balance sheet market risks

The Board of Directors of Mandatum Life approves annually the Investment Policy, which covers both the segregated assets and the company's other assets that carry investment risk. This policy sets principles and limits for investment portfolio activities and they are

based on the features of insurance liabilities, risk taking capacity and shareholders' return requirements.

The Risk Management Policy defines the risk bearing capacity and the corresponding control levels for the respective portfolio for segregated assets. Since the future bonus reserves of the segregated group pension portfolio is the first buffer against possible investment losses, the risk bearing capacity is also based on the amount of the future bonus reserve. Different control levels are based on the fixed stress scenarios of assets.

The Risk Management Policy also defines the company level risk bearing capacity, the control levels for the maximum acceptable risk and respective measures to manage the risk positions. The control levels are set above the Solvency II SCR and are based on Sampo Group's risk management principles. The general objective of these control levels and respective guidelines is to maintain the required solvency. If the above-mentioned control levels are breached, the CRO reports to the Board which then takes the responsibility for decisions regarding capitalisation and market risks on the balance sheet.

The cash flows of Mandatum Life's with profit technical provisions are relatively predictable, because in most of the company's with profit products, surrenders and premiums are restricted. In addition, the company's claims costs do not contain a significant inflation risk element.

The long-term target for investments is to provide enough return to cover the guaranteed interest rate plus discretionary bonuses based on the principle of fairness as well as the shareholder's return requirement with an acceptable level of risk. In the long run, the most significant risk is that assets will not generate an adequate return compared to the applied discount rate. As mentioned earlier, one way to mitigate this risk is by hedging the interest rate risk of technical provisions with interest rate swaps.

In addition to investment and capitalisation decisions, Mandatum Life has implemented active measures on the liability side to manage the balance sheet level interest rate risk. The company has reduced the minimum guaranteed interest rate in new contracts, supplemented the technical provisions with discount rate reserves and adjusted policy terms and conditions as well as policy administration processes to enable more efficient interest rate risk management.

Interest rate risk

Mandatum Life is negatively affected when rates are decreasing or staying at low levels, because the duration of insurance liabilities is longer than the duration of assets. A growing part of Mandatum Life's business, i.e., unit-linked and risk insurance business, is not interest rate sensitive, which mitigates the whole company's interest rate risk.

The average duration of fixed income investments excluding the hedging portfolio was 1.9 years. The respective duration of the insurance liabilities was around 8 years. Interest rate risk is managed at the balance sheet level by changing the duration of assets and by using interest rate derivatives.

Currency risk

Currency risk can be divided into transaction and translation risk. Mandatum Life is exposed to transaction risk, which refers to currency risk arising from contractual cash flows in foreign currencies. For more detailed risk definition of currency risk see **Appendix 2 Risk definitions**.

In Mandatum Life, transaction risk arises mainly from investments in other currencies than the euro as the company's technical provisions are denominated in the euro. Open FX exposures are managed within limits given in the Investment Policy.

Mandatum Group's transaction risk is mainly composed of Mandatum Life's transaction risk as Mandatum Asset

Management only has a very limited SEK exposure. The transaction risk positions of Mandatum Life against the euro as at year ends 2022 and 2021 are shown in the tables Transaction risk position, Mandatum Life, 31 December 2022 and 31 December 2021. The tables show the net transaction risk exposures and the changes in the value of positions given a 10 per cent decrease in the value of the base currency.

Transaction risk position

Mandatum Group, 31 December 2022 and 31 December 2021

| Base currency, EURm | EUR | USD | JPY | GBP | SEK | NOK | CHF | DKK | Other | Total, net |
|---------------------------------------|----------|-----------|----------|-----------|-----------|----------|-----------|-----------|-----------|------------|
| Technical provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investments | 0 | 514 | 1 | 119 | 45 | 10 | 22 | 9 | 147 | 867 |
| Derivatives | 0 | -518 | 0 | -125 | -49 | -9 | -29 | -14 | -68 | -812 |
| Transaction risk, net position | 0 | -4 | 1 | -6 | -4 | 1 | -7 | -5 | 79 | 55 |
| Sensitivity: EUR -10% | 0 | 0 | 0 | -1 | 0 | 0 | -1 | -1 | 8 | 6 |

| Base currency, EURm | EUR | USD | JPY | GBP | SEK | NOK | CHF | DKK | Other | Total, net |
|---------------------------------------|----------|-----------|----------|----------|----------|----------|----------|----------|-----------|------------|
| Technical provisions | 0 | 0 | 0 | 0 | -1 | 0 | 0 | 0 | 0 | -1 |
| Investments | 0 | 538 | 0 | 145 | 60 | 11 | 55 | 26 | 214 | 1,050 |
| Derivatives | 0 | -518 | 0 | -142 | -58 | -9 | -48 | -25 | -122 | -922 |
| Transaction risk, net position | 0 | 21 | 0 | 4 | 2 | 2 | 7 | 1 | 92 | 127 |
| Sensitivity: EUR -10% | 0 | 2 | 0 | 0 | 0 | 0 | 1 | 0 | 9 | 13 |

Liquidity risks

Liquidity risk is relatively immaterial for Mandatum Life's with-profit business because liability cash flows in most lines of business are stable and predictable and an adequate share of the investment assets is in cash or short-term money market instruments. However, the use of derivatives requires that collateral management is aligned with the liquidity management and appropriate escalation processes are in place.

In life insurance companies in general, a large change in surrender rates could influence the liquidity position. However, in Mandatum Life, only a relatively small part of the insurance policies can be surrendered, and it is therefore possible to forecast short-term cash flows related to claims payments with a very high accuracy.

The maturities of technical provisions and financial assets and liabilities as well as lease liabilities are presented in the table Cash flows according to contractual

maturity, Mandatum Group, 31 December 2022. The average maturity of fixed income investments was 2.6 years in Mandatum Life. The table shows the financing requirements resulting from expected cash inflows and outflows arising from financial assets and liabilities as well as technical provisions and lease liabilities.

Mandatum Life has a relatively low amount of financial liabilities and thus refinancing risk is relatively small.

Cash flows according to contractual maturity

Mandatum Group, 31 December 2022

| EURm | Carrying amount total | Carrying amount without contractual maturity | Carrying amount with contractual maturity | Cash flows | | | | | | |
|---|--------------------------|--|---|-------------|-------------|-------------|-------------|-------------|---------------|-------------|
| | | | | 2023 | 2024 | 2025 | 2026 | 2027 | 2028- 2037 | 2038- |
| Financial assets | 4,610 | 2,214 | 2,396 | 330 | 640 | 571 | 515 | 427 | 435 | 0 |
| Financial assets (non-derivatives) | 4,587 | 2,214 | 2,373 | 307 | 640 | 571 | 515 | 427 | 435 | 0 |
| Interest rate swaps | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| FX forwards | 23 | 0 | 23 | 23 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial liabilities | 405 | 0 | 405 | -362 | -263 | -8 | -8 | -8 | -78 | -183 |
| Financial liabilities (non-derivatives) | 402 | 0 | 402 | -362 | -263 | -8 | -8 | -8 | -77 | -183 |
| Interest rate swaps | 2 | 0 | 2 | 0 | -1 | 0 | 0 | 0 | -1 | 0 |
| FX derivatives | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 21 | 0 | 21 | -2 | -2 | -2 | -2 | -2 | -13 | 0 |
| Net technical provisions | 2,493 | 0 | 2,493 | -242 | -229 | -225 | -205 | -177 | -114 | -683 |

Cashflows related to assets without contractual maturity are not included in the table, although they are covering the 2023 cashflows, which in the table are negative.

Counterparty default risks

In Mandatum Life, the three main sources of counterparty risk are financial derivatives, reinsurance, and other receivables. Counterparty default risk arising from reinsurance or receivables from policyholders and other receivables related to commercial transactions is, however, very limited.

Counterparty risk related to financial derivatives

In Mandatum Life, the default risk of derivative counterparties is a by-product of managing market risks. Mandatum Life uses interest rate derivatives and FX forwards and options to manage market risks.

The counterparty risk of bilaterally settled derivatives is mitigated by careful selection of counterparties, by diversification of counterparties to prevent risk concentrations and by using collateral arrangements, e.g., ISDA Master Agreements backed by Credit Support Annexes. Mandatum Life settles interest rate swaps in central counterparty clearing houses, which, while further mitigating bilateral counterparty risk, also exposes to the systemic risk related to central counterparty clearing houses.

Operational risks

The objective of operational risk management in Mandatum Group is to recognise risks proactively, manage them efficiently and to minimise the potential effects of realised risks as cost-effectively as possible.

Business units are responsible for the identification, assessment, and management of their own operational risks, including organising adequate internal controls. Operational risks are identified and assessed through the Risk and Control Self Assessment ("RCSA") process. The Operational Risk Committee ("ORC") monitors and coordinates risk management issues regarding operational risks within Mandatum Group. The committee ensures that risks are identified, and that internal control and risk management have been organised in a proper way across all business units. In addition, the committee ensures that the incidents are reported when occurred. The committee also analyses deviations from operational risk management policies and monitors operational risks identified in the self-assessments as well as in occurred incidents. Normally the committee meets four times a year. Significant observations on operational risks are reported to the Risk Management Committee ("RMC") and the Board of Directors. The ORC is also responsible for monitoring that the business continuity and contingency plans are prepared accordingly within the business units.

In order to mitigate operational risks, Mandatum Group companies have approved several policies including e.g. Internal Control Policy, Compliance Policy, Security Policies, Continuity Plan, Procurement and Outsourcing Policy, Complaints Handling Policy and a number of other policies related to ongoing operative activities. Deviations against different policies are followed up in each business unit and are reported to the Compliance Function and the ORC.

To increase risk awareness in order to facilitate good risk culture, internal training on risk management is also provided to employees on a regular basis and completion of trainings is closely monitored.

The internal control system aims at preventing and identifying negative incidents and minimising their impact. In addition, operational risk events and near misses must be analysed and reported to the risk management function.

Mandatum's information security and cybersecurity are developed systematically and in accordance with the information security strategy approved by the management. Considering the ever-changing cyber threat environment, amendments may be possible during the strategy period. The primary objective of the strategy is to ensure that the management has visibility of the status of information security, to determine the priorities of development activities, and to provide adequate resourcing to implement these.

In March 2020, Mandatum launched a project to apply for ISO 27001 certification. In November 2021, an external auditor executed a certification audit, and Mandatum was granted an ISO/IEC 27001:2013 certificate in December 2021.

Further information on information security and cybersecurity in Mandatum is available in the **Sustainability Report 2022** published in May 2023 www.sampo.com/year2022.

Risks related to asset management activities

Mandatum Asset Management Ltd (MAM) is the asset management arm of Sampo Group and an investment firm which forms together, with its subsidiaries Mandatum AM AIFM and Mandatum Fund Management, an investment firm group. MAM offers discretionary and consultative asset management for institutional and other professional investors and manages a variety of investment products within its core areas of credit, alternatives, and equity selection. MAM currently has approximately EUR 27 billion in client and balance sheet assets and employs more than 130 professionals.

MAM's approach to managing clients' assets is characterised by jointly investing in products with its own balance sheet, bringing economics of scale and an alignment of interests with its clients. Its investment philosophy focused on investment selection,

opportunism, and patience points to its heritage as part of Sampo Group to generate strong returns for its clients.

MAM's risk management follows Sampo Group's risk management principles and Mandatum Holding's risk management policy. MAM's risk management framework is in line with Mandatum Group's risk management framework. MAM's Board of Directors is responsible for the adequacy of risk management and internal control within the Company and the CEO has the overall responsibility for the implementation of risk management in accordance with the instructions set by the Board.

MAM's most significant risk area are operational risks, which is why operational risk management is an important part of the Company's risk management as described earlier in chapter **Operational risks**.

In addition to operational risks, MAM is exposed to liquidity risk. MAM's business is financed by income financing, which consists of commission income from clients and partners. MAM has not financed its activities through external financing, so the Company does not have any related risks such as interest rate risk, exchange rate or refinancing risk. Going forward, MAM's liquidity strategy remains to seek to finance the business without external loan financing. MAM limits liquidity risk by monitoring its liquidity position on a regular basis and by maintaining a liquidity buffer. MAM also monitors its liquidity position with respect to regulatory liquidity requirements.

MAM is also exposed to concentration risk with respect to its clients as most of its business is linked to clients within Sampo Group. Mandatum Life is MAM's largest client by commission income. This is not, however, considered as a significant risk since Mandatum Life and MAM are both Sampo Group companies.

MAM does not trade on its own account, and it is not exposed to market risk arising from its own trading book. MAM commission income is, however, strongly tied to the value of the assets it manages and through its commission income MAM is exposed to market risk. Nonetheless, the asset portfolios MAM manages are well diversified both by asset class as well as sector but also geographically.

Emerging risks

One important area in risk management field is emerging risks. Mandatum aims to identify, evaluate, and prioritise potential threats and opportunities of emerging risks in different ways. The risk management function has specific workshop where emerging risks are analysed on a regular basis. On the other hand, one important method is also normal RCSA process where organisational units analyse their own risks and although those aim to manage more hands-on risks, emerging risks do have impact on those.

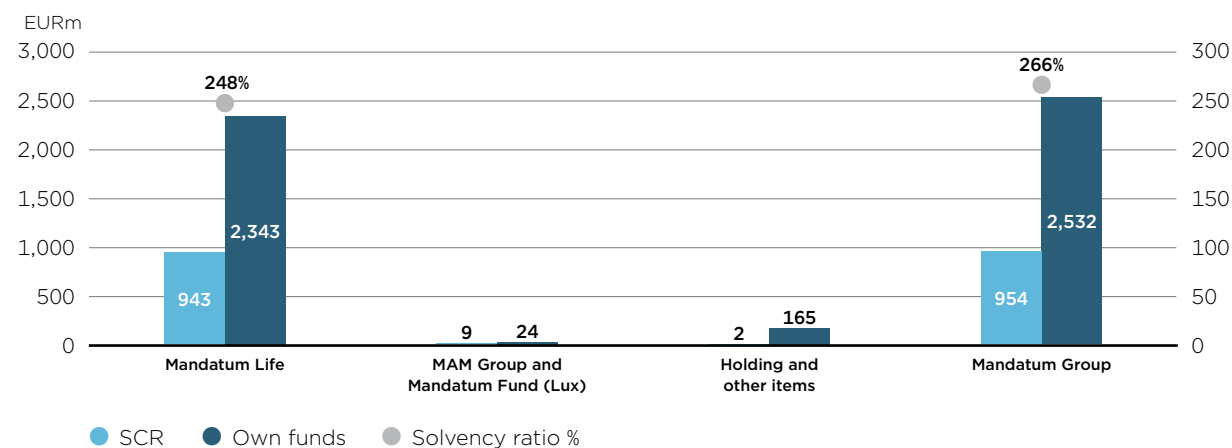
Capitalisation

Mandatum Group's solvency position is followed according to the Solvency II framework and Mandatum Group's solvency position is presented in figure Solvency position of Mandatum Group, 31 December 2022. Subsidiaries which are under other capital adequacy regulations (e.g. IFR) are included by applying their own capital requirement frameworks. Since Mandatum Life is the main contributor to own funds and SCR in Mandatum Group, the focus in the following chapter is on Mandatum Life's solvency position.

Mandatum Life applies transitional measures on its technical provisions in regard to its original pension policies with 3.5 per cent and 4.5 per cent guarantees, which affects its Solvency II own funds (OF). A volatility adjustment is also applied when technical provisions are calculated. The size of Solvency II liabilities with transitional measures of EUR 11,559 million is less than the respective figure without transitional measures (EUR

Solvency position

Mandatum Group, 31 December 2022



11,897 million). Hence the transitional measure increase the amount of OF. Mandatum Life does not apply any undertaking-specific parameters in the underwriting risk modules or apply simplified calculations for any of the risk modules of the Solvency II standard formula.

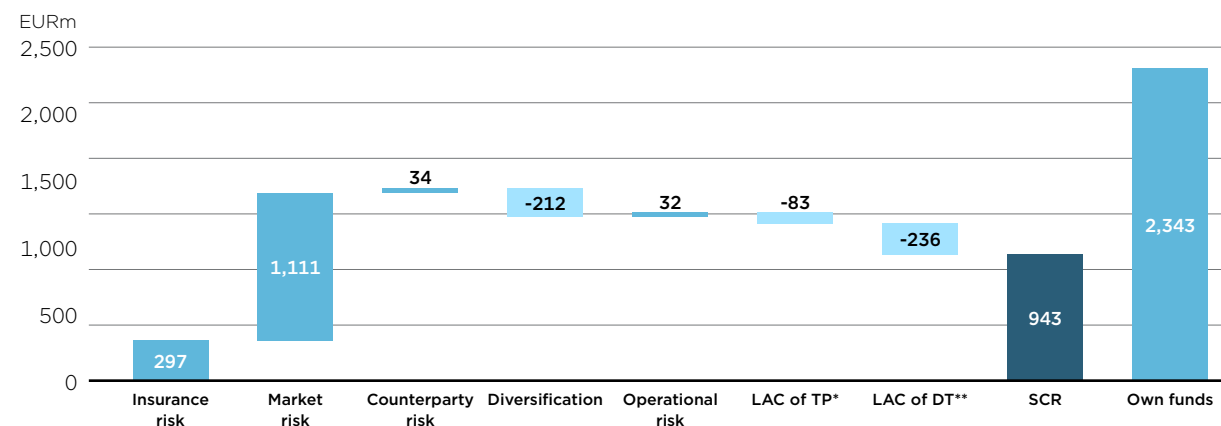
The OF of Mandatum Life was EUR 2,343 million while the SCR was EUR 943 million. The solvency ratio (OF/SCR) was 248 per cent and the buffer was EUR 1,400 million. OF without transitional measures on Technical Provisions would be EUR 2,072 million.

In the graph Solvency, Mandatum Life, 31 December 2022, the SCR is presented in more detail. The diversification benefit between risks is also presented in the graph.

The solvency position without the transitional measures is expected to develop favourably during the transitional period. The amount of with profit liabilities is decreasing (see graph **Forecast of with profit liabilities, Mandatum Life, 2022–2031** within chapter **Underwriting Risks and Performance**) and liabilities with the highest guarantees are expected to decrease significantly, from EUR 1,587 million to around EUR 550 million during the transitional period. Hence, most of the capital consuming with profit liabilities will decrease during the period. In addition to this, the strategic business areas are self-funding from a capitalisation point of view i.e., they create more own funds than what is their capital requirement. This creates a decreasing trend for the SCR and, simultaneously, a positive trend for own

Solvency

Mandatum Life, 31 December 2022



* Loss absorbing capacity of technical provisions

** Loss absorbing capacity of deferred taxes

funds without transitional measures is being anticipated. Mandatum Life forecasts the development of solvency

ratios with and without the transitional measures and these both influence the company's business decisions.

Mandatum Life's structure of OF is presented in the table Eligible own funds, Mandatum Life, 31 December 2022 and 31 December 2021. In 2022 OF consists of both Tier 1 and Tier 2 items of which EUR 350 million (i.e. 14.9 per cent of OF) was subordinated debt at the end of 2022 as presented in the table Solvency II compliant subordinated liabilities, Mandatum Life, 31 December 2022. The subordinated debt, which is classified as a restricted Tier 1 item due to Grandfathering principles, amounted to EUR 100 million. Transitional measures on technical provisions contribute EUR 271 million to OF at the end of 2022.

Eligible own funds

Mandatum Life, 31 December 2022 and 31 December 2021

| EURm | | 2022 | 2021 |
|---------------------------|--------------------------|--------------|--------------|
| Tier 1 | Total | 2,093 | 2,315 |
| | Ordinary share capital | 181 | 181 |
| | Reconciliation reserve | 1,812 | 2,034 |
| | Subordinated liabilities | 100 | 100 |
| Tier 2 | Total | 250 | 249 |
| | Subordinated liabilities | 250 | 249 |
| | Untaxed reserves | 0 | 0 |
| Tier 3 | Total | 0 | 0 |
| | Deferred tax assets | 0 | 0 |
| Eligible own funds | | 2,343 | 2,564 |

Solvency II compliant subordinated liabilities

Mandatum Life, 31 December 2022

| Issuer | Instrument | Nominal amount | Carrying amount in EUR (IFRS) | First Call | Tiering | Nominal amount in Sampo plc's portfolio |
|-------------------------------------|------------|-----------------|----------------------------------|-------------|---------|---|
| Mandatum Life Insurance Company Ltd | PerpNC10 | EUR 100,000,000 | 100,000,000 | 31 Dec 2012 | Tier 1 | 100,000,000 |
| Mandatum Life Insurance Company Ltd | 30NC5 | EUR 250,000,000 | 249,637,888 | 4 Oct 2024 | Tier 2 | 0 |
| | | | 349,637,888 | | | |

Deferred tax and loss-absorbing capacity of deferred tax

Mandatum Life has EUR 0.05 million in deferred tax assets booked into the IFRS balance sheet, but this amount is significantly lower than the tax liabilities (EUR 57 million). The amount of tax liability in own funds according to Solvency II is higher than the tax liability booked into the IFRS balance sheet.

The loss-absorbing capacity related to deferred taxes reduces the solvency requirement, and it reduced the solvency requirement by EUR 236 million (see the graph **Solvency, Mandatum Life, 31 December 2022**). A net of EUR 323 million in deferred tax liabilities, considering the impact of the transitional provision related to technical provisions, was entered in the Solvency II balance sheet. The Company has internally assessed that in conducting business according to the prevailing business strategy, the Company's operations will produce

a surplus also if the stress corresponding to the solvency requirement assumed in the calculations is realised, such that the applied loss-absorbing capacity of deferred taxes is justified.

In summary, the solvency and the capital structure of Mandatum Life is adequate. During the transitional period on technical provisions the liabilities with high guarantees will decrease significantly.

Appendices

| | |
|--|-----|
| Appendix 1: Sampo Group steering framework and risk management..... | 107 |
| Parent company's guidance..... | 109 |
| Parent company's oversight and activities | 109 |
| Risk governance | 113 |
| Appendix 2: Risk definitions..... | 121 |
| Underwriting risks..... | 121 |
| Market risks | 124 |
| Balance sheet level market risks or ALM risks..... | 126 |
| Counterparty default risks..... | 128 |
| Operational risks | 129 |
| Business risks | 130 |
| Appendix 3: Selected management principles | 132 |
| Principles of balance sheet management (ALM) | 132 |
| Principles of investment portfolio management and control of investment activities | 133 |
| Principles of operational risks management..... | 136 |

| | |
|---|-----|
| Appendix 4: Profitability, risks, and capital | 137 |
| Capitalisation at the Group level..... | 137 |
| Capitalisation at the sub-group level | 140 |
| Appendix 5: Valuation for solvency purposes | 142 |
| Assets | 144 |
| Technical provisions according to Solvency II in Sampo Group..... | 145 |
| Technical provisions according to Solvency II in If | 147 |
| Technical provisions according to Solvency II in Topdanmark | 148 |
| Technical provisions according to Solvency II in Hastings | 149 |
| Technical provisions according to Solvency II in Mandatum | 150 |
| Other liabilities..... | 151 |

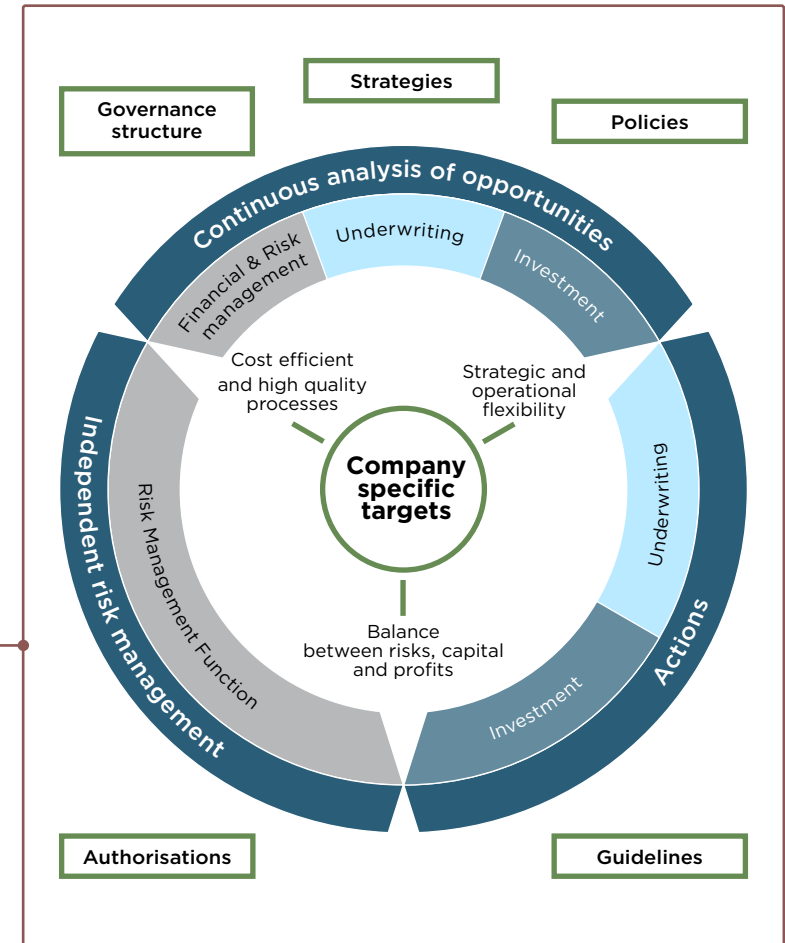
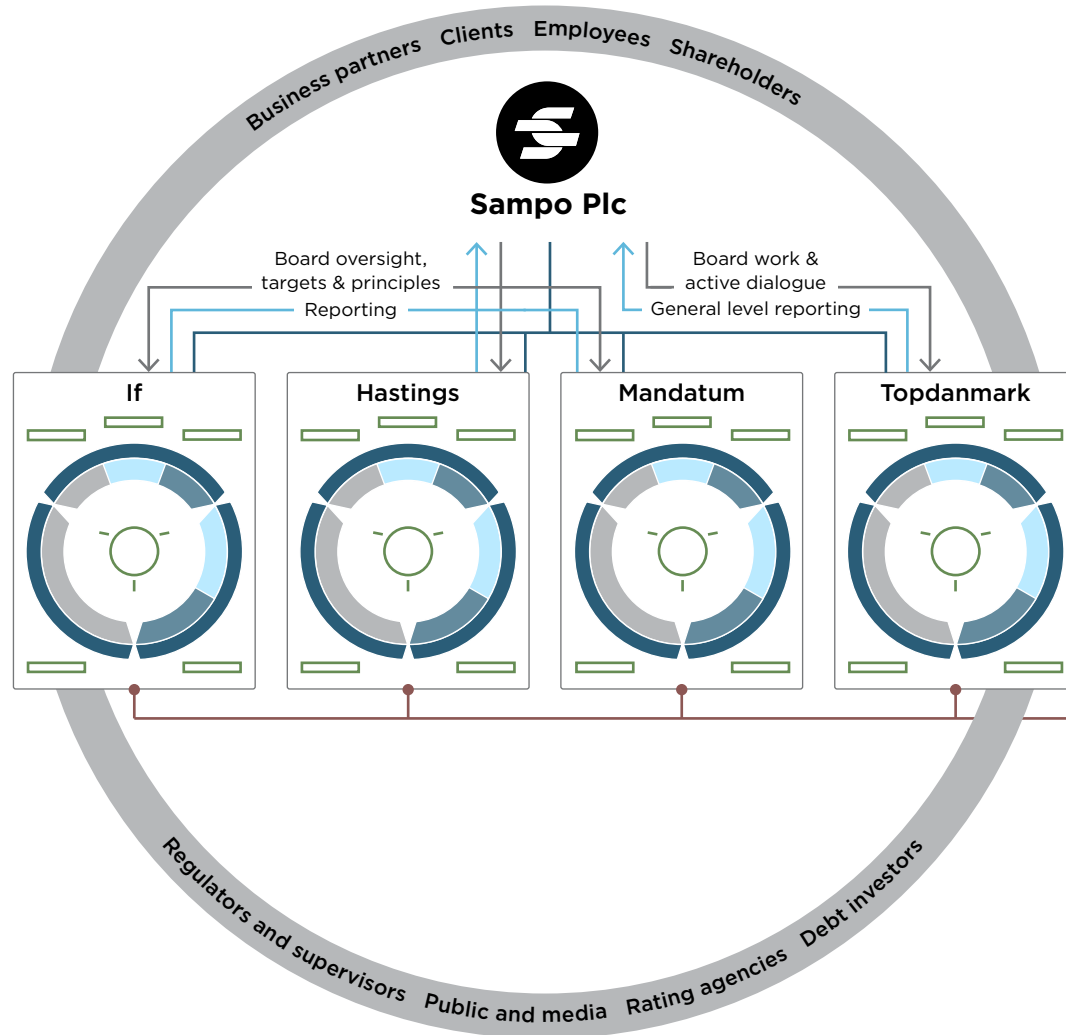
Appendix 1: Sampo Group steering framework and risk management

When Sampo Group is organising its business and risk management activities, clear responsibilities and simple and flat operational structures are the fundamental principles. The responsibilities and operational structures

followed in Sampo plc and its wholly owned subsidiaries, as illustrated in the graph Sampo Group’s Steering Framework are described in the following paragraphs. Topdanmark has also adopted Sampo’s main Group-wide principles and policies, including the risk management

principles, although there may be some small differences. Thus, the steering framework and risk management processes of Topdanmark may be slightly different than described next.

Sampo Group's steering framework



Parent company's guidance

The Group's parent company steers the wholly owned subsidiaries by setting targets for their underwriting performance and operating efficiency and by defining the main preconditions for the subsidiaries' operations in the form of the Group-wide principles.

Target Setting: The Board of Directors of Sampo plc decides on the subsidiaries' P&L targets which are currently below 85 per cent for If's combined ratio and below 88 per cent and below 76 per cent for Hastings' operating ratio and calendar year loss ratio, respectively.

The parent company assesses the adequate level of capitalisation and the suitability of the capital structure on both Group level and sub-group level as described in **Appendix 4 Profitability, risks and capital**. Based on this analysis, the parent company estimates the number of dividends distributed by the subsidiaries to the parent company. In Sampo Group, the excess capital from an operational point of view is held by the parent company which capitalises the subsidiaries if needed.

The Board of Directors of Sampo plc decides on the main guidelines governing the subsidiaries' business activities and risk management. The most significant of these guidelines are the Code of Conduct, Internal Control Policy, Risk Management Principles, Remuneration Principles and Compliance Principles. There are also

further guidelines which are followed to prevent reputational and compliance risks, for example the Disclosure Policy.

Moreover, Sampo plc's Board of Directors' decisions and thereby also the guidance given to subsidiaries may be impacted by the external regulatory environment and expectations of different stakeholders on Sampo Group's operations. Further information on Sampo Group's relations with its stakeholders is available within the Code of Conduct at www.sampo.com/codeofconduct.

Parent company's oversight and activities

Sampo's risk appetite defines the boundaries for what risk the group is willing to accept in the pursuit of its objectives. It is reflected in Sampo's capital management framework and its risk management strategy, which is to:

- Ensure that risks affecting the profit and loss account and the balance sheet are identified, assessed, managed, monitored and reported in all business activities and at the Group level;
- Ensure cost-efficient customer business that is soundly priced in terms of risks and adding value to clients;
- Ensure the overall efficiency, security and continuity of operations;
- Limit M&A transactions to bolt-ons in non-life insurance;

- Dispose non-strategic or otherwise unnecessary balance sheet items and distribute the released capital and reserves to the parent company as appropriate;
- Ensure that risk buffers – in the form of capital and foreseeable profitability – are adequate in relation to the current risks inherent in business activities and existing market environment; and
- Arrange its activities in ways that safeguard the Group's reputation, since in addition to the ability to provide value-adding services for its clients and sound capitalisation, the confidence of the clients and other stakeholders is among the most significant assets of Sampo.

Sampo reviews quarterly the performance of Sampo Group both on a company level and on the Group level based on the reporting provided by the subsidiaries. Reporting on the subsidiaries' performance to the Board of Directors and Audit Committee ("AC") of Sampo is based mainly on the reporting produced by the subsidiaries. The reporting concentrates on the balance between risks, capitalisation, and profitability. The parent company is responsible for reporting on its own activities. Reporting from Topdanmark is not as detailed as reporting from other subsidiaries.

At the Group level, the central focus areas are potential concentrations arising from the Group companies' operations as well as the Group's capitalisation and the parent company's ability to generate liquidity. The parent

company is also projecting and analysing the Group companies' profitability, risks, and capitalisation with uniform scenarios to have company specific forecasts that are additive at the Group level.

In addition, Sampo Group prepares annually or more often if needed an Own Risk and Solvency Assessment document ("Group ORSA"). The Group ORSA report has virtually the same structure and contents as quarterly Audit Committee reporting.

Based on both the company and the Group level information, the Board of Directors of Sampo decides on the Group's balance sheet targets and the parent company's liquidity reserve. The underlying objective for Sampo is to operate a resilient but efficient balance sheet.

Subsidiaries' activities and risk management

Subsidiaries organise their business activities to implement strategic decisions made by Sampo. They make decisions on specific risk-taking policies, capitalisation, risk limits and the delegation of authorisations considering the specific characteristics of their own operations, within the framework provided by approved Sampo Guidelines or otherwise binding decisions by Sampo's Board of Directors. The stakeholders' expectations and external regulations also have a direct effect on the subsidiaries' activities. Companies will in particular:

- Control risks subject to capital requirements and capitalisation and be in charge of regulatory solvency and internally assessed solvency at all times;
- Appoint persons to specific committees (among others underwriting, investment and risk committees, as deemed appropriate) and approve the policies and plans prepared by them;
- Make decisions on policies regarding the management of risks and supervise their implementation;
- Make decisions regarding the calculation principles for life and non-life insurance products and supervise their implementation;
- Make decisions regarding the principles on reinsurance coverage of life and non-life insurance policies and supervise their implementation; and
- Ensure that all critical processes – client services, internal processes, and external reporting – have clear ownership that include responsibility to maintain high quality of these processes. Especially information and communication technology (ICT) assets, services and systems, information assets and security as well as the resiliency of operations are areas of focus.

The executive management of the subsidiaries have extensive experience in the insurance industry as well as in financial and risk management. The members of different committees and governing bodies represent expertise related to business and other functions. The subsidiaries' operations are monitored by the different governing bodies and ultimately by the Boards of Directors whose members are mainly in senior management positions in Sampo or in Sampo Group companies.

Since only the main guidelines are prepared by the parent company, the subsidiaries' management have the power and responsibility to incorporate the specific characteristics of their own operations into the company specific policies, limits, authorisations, and guidelines.

The subsidiaries line organisations are in charge of pricing their products and services and organising their sales and implementation processes, for ensuring the profitability, efficiency, quality, security and continuity of their operations as well as the liability towards the clients. They are also responsible for the management of assets and liabilities and capitalisation on the sub-group and company-level. Risk management consists of these continuous activities that are the responsibility of the personnel involved in business activities and being supported and controlled by independent risk management specialists. Parties independent of business activities provide complementary expertise, support, monitoring, and challenge related to the management of risk. This includes the development, implementation, and continuous improvement of risk management practices at a process, system, and entity level. Although the responsibilities of business lines and independent risk management are clearly segregated in Sampo Group, these functions are in continuous dialogue with each other. Sampo Group has defined the roles and responsibilities of different internal stakeholders in the Internal Control Policy, which applies on a Group-wide basis.

The central prerequisites for facilitating successful risk management include the following:

- Risk management governance structure and authorisations (see **Risk governance** section) and clear division of responsibilities between business lines and independent functions
- Companies' own risk policies and more detailed instructions related to risk management
- Prudent valuation, risk measurement and reporting procedures.

Key elements in the risk management system include:

Independent risk management functions

Financial and risk management functions are explicitly responsible for assuring the above prerequisites for risk management. Operationally they are responsible for independent measurement and control, including the monitoring of operations in general as well as profitability, risk and capitalisation calculations.

The following items are examples of their specific reporting responsibilities:

- Detailed reporting on risks to the subsidiaries' and Sampo's Risk Committees and the Boards of Directors

- Internal reporting on Capital needs and actual available Capital
- Internal reporting on regulatory and rating agency capital charges and capital positions
- Disclosure of regulatory capitalisation figures quarterly.

Continuous analysis of opportunities and risks

Both the business lines and the financial and risk management functions are active in supporting the business with continuous analysis and assessment of opportunities. The insurance and investment business units assess business opportunities, especially their risk return profiles, daily. In the financial and risk management functions, on the other hand, a considerable amount of time is spent on risk analysis and reporting as well as capital planning.

This assessment of opportunities generates, for example, the following outputs:

- Identification of business opportunities (e.g., product and service development and investment opportunities) and analysis of respective earnings potential and capital consumption
- Intra-group and external dividend plans
- Hybrid and senior debt issuance initiatives.

Actions

Actions, i.e., transactions representing the actual insurance and investment operations, are performed in accordance with the given authorisations, risk policies and other instructions. These actions are the responsibility of business and investment functions. Activities related to capitalisation and liquidity positions are included in this part of the process. In Sampo Group, proactive actions to manage profitability, risks and capital are the most important phase in the risk and capital management process. Hence, risk policies, limits, and decision-making authorisations, together with profitability targets, are set up in a way that they facilitate business and investment units to take carefully considered risks. Examples of the actions are as follows:

- Pricing of insurance policies and execution of investment asset transactions
- Dividend payments, share buy-backs, hybrid issuances and senior debt issuances
- Derivative and reinsurance transactions
- Business acquisitions and divestments.

High quality execution of the above tasks contributes to the achievement of the key objectives of risk management:

Balance between risks, capital, and earnings

- The risks affecting profitability as well as other material risks are identified, assessed, and analysed.
- Capitalisation is adequate in terms of risks inherent in business activities and strategic risks, considering the expected profitability of the businesses.
- Risk-bearing capacity is allocated to different business areas in accordance with the strategy.
- Underwriting risks are priced to reflect their inherent risk levels, expected returns from investment activities are in balance with their risks, and consequential risks are mitigated sufficiently.

Cost efficient and high-quality processes

- Client service processes and internal operational processes are cost efficient and of high quality.
- Decision-making is based on accurate, adequate, and timely risk-based information.
- Continuity of operations is ensured and in the case of a discontinuity event, recovery is fast and comprehensive.

Strategic and operational flexibility

- External risk drivers and potential business risks are identified and assessed, and the company is in a good position in terms of capital structure and management skills to react to changes in the business environment.

- Corporate structure, knowledge and processes in the companies facilitate effective implementation of changes.

When the above targets are met, risk management contributes positively to return on equity and mitigates the yearly fluctuations in profitability. Risk management is therefore considered to be one of the contributors in creating value for the shareholders of Sampo.

Risk governance

This section describes the governance framework of Sampo Group and its subsidiaries from a risk management perspective. A more detailed description of Sampo Group's corporate governance and internal control system is included in the **Corporate Governance Statement** available at www.sampo.com/year2022.

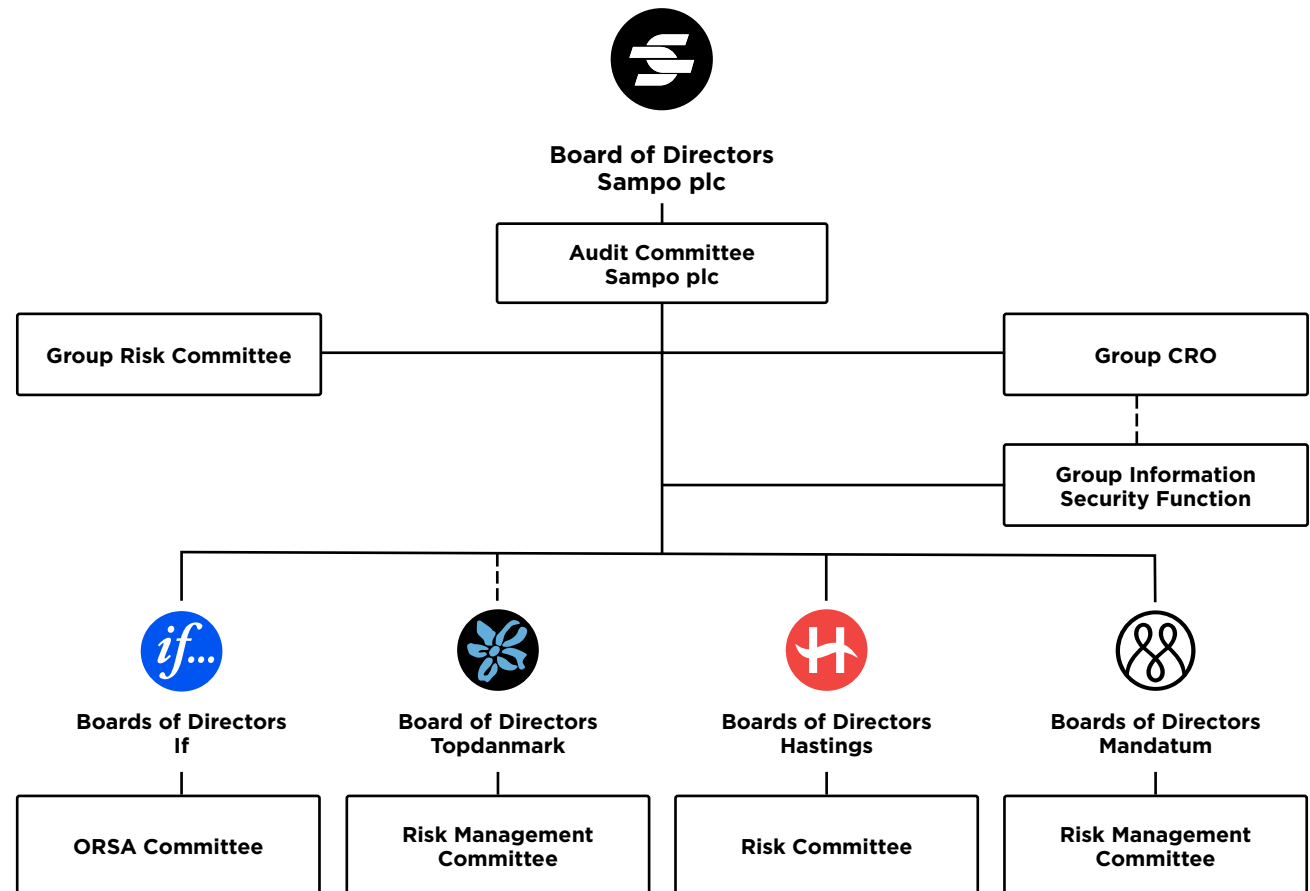
Risk governance at the Group level

The Board of Directors of Sampo is responsible for ensuring that the Group's risks are properly managed and controlled. The Board of Directors of Sampo defines financial targets for the Group and for the wholly owned subsidiaries and approves the Group level principles which steer the subsidiaries' activities. The risk exposures and capitalisation reports of the subsidiaries are consolidated at the Group level on a quarterly basis and reported to the Board and to the Audit Committee of Sampo.

The reporting lines of different governing bodies at the Group level are described in the graph Risk management governance framework.

Risk management governance framework

Sampo Group, 31 December 2022



The Audit Committee is responsible, on behalf of the Board of Directors, for the preparation of Sampo Group's risk management principles and other related guidelines. The AC shall ensure that the operations follow these guidelines, control Sampo Group's risks and risk concentrations as well as control the quality and scope of risk management in the Group companies. The committee shall also monitor the implementation of risk policies, capitalisation and the development of risks and profit. At least three members of the AC must be elected from members of the Board who do not hold management positions in Sampo Group and are independent of the company. The AC meets on a quarterly basis.

The Sampo Group Chief Financial Officer (CFO) chairs the Group Risk Committee that ensures communication and cooperation in supporting risk management, including internal control, and risk reporting in Sampo Group. The committee assists both the Board of Directors as well as the Group CEO in the effective operation of the risk management system by:

- Monitoring that all material risks within the Group are assessed, managed, and reported as they should; and
- Monitoring and assessing whether the Group's short-term and long-term aggregate risk profile is aligned with its risk strategy and capital requirements.

Members of the Risk Committee include the Chief Risk Officers of Sampo's wholly owned sub-groups and the Group CRO, who is in charge of presenting any relevant analysis or assessments made in the Risk Committee to the Sampo Board's Audit Committee. The Chair may invite to specific agenda points in the meetings any other persons representing Group companies, including Topdanmark.

The Group Chief Risk Officer ("CRO") is responsible for assuring the appropriateness of risk management at the Group level. The CRO's responsibility is to monitor Sampo Group's aggregated risk exposures and control and monitor company specific and the Group level risk management. Sampo plc's Risk Management Function is organised under the CRO and also the Group Information Security Function has an indirect reporting line to the CRO. In addition to reporting on the Group's information security status, the Group Information Security Function supports the Board when defining and maintaining the Sampo Group Information Security Principles and controls their deployment. Both of these functions report directly to the Sampo Board of Directors and the Audit Committee.

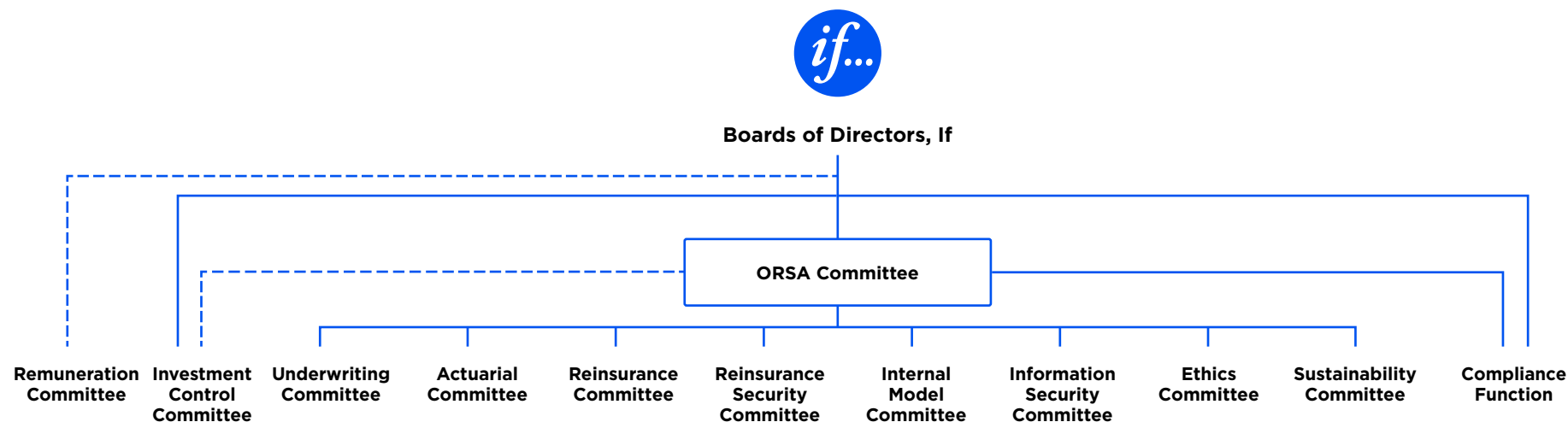
The Boards of Directors of If, Hasting, Topdanmark and Mandatum Life are the ultimate decision-making

bodies and have the overall responsibility for the risk management processes in the companies respectively. The Boards of Directors of the Group companies appoint the relevant risk committees and are responsible for identifying any need to change the policies, principles and instructions related to risk management.

Risk governance in If

The main risk steering mechanism used by the Boards of Directors is the policy framework. As part of their responsibilities, the Boards of Directors approve the Risk Management Policy and the other risk steering documents, and receive risk reports from the Chief Risk Officer, the Chief Compliance Officer and the Chief Executive Officers ("CEOs"). Furthermore, the Boards of Directors take an active part in the forward-looking own risk and solvency assessment process, ensuring that the management and follow-up of risks are satisfactory and effective, and ensure that the organisation and management of If's operations are characterised by sound internal controls. The reporting lines of different governing bodies in If are described in the graph Risk governance in If.

Risk governance in If



The Own Risk and Solvency Assessment Committee (“ORSA Committee”) assists the CEOs of If in fulfilling their responsibilities to oversee the risk management processes. The ORSA Committee monitors that If’s material risks are assessed, managed, and reported in a satisfactory way. The ORSA Committee reviews reporting from If’s other committees within the Risk Management System as well as reporting from the line organisation and the Compliance Function. Furthermore, the ORSA Committee monitors that If’s short-term and long-term aggregated risk profile is aligned with the risk strategy and capital adequacy requirements. The Risk Management function is responsible for coordinating

the risk management activities on behalf of the Boards of Directors and the CEOs.

The responsibility to identify, assess, measure, mitigate, monitor and report risks lies within the line organisation. There are also separate committees in place for key risk areas. These committees have the responsibility to monitor that risks are managed and controlled as decided by the Boards of Directors. The risk committees in If do not have a decision-making mandate.

There are policies for the main risk categories, which specify restrictions and limits chosen to reflect and ensure that the risk level follows the overall risk appetite

and capital adequacy constraints of If. The committees also monitor the effectiveness of governance and give input to changes and updates of policies, if needed.

In addition to the risk specific committees, there are four other committees included in the risk governance structure.

- The Ethics Committee coordinates and discusses ethical issues in If. The committee gives recommendations on ethical issues and proposes changes to the Ethics Policy. The Chairman is responsible for the reporting of identified risks related to ethical issues brought to the committee.

- The tasks of the Internal Model Committee are to identify sources for potential model changes and to give its opinion to the Chairman on the assessment and classification of potential changes, further validation activities or internal model developments. The committee discusses and prioritises actions to be taken based on the validation findings and gives input to subsequent validation. In addition, the committee monitors the use of the internal model and development activities.
- The tasks of the Remuneration Committee are to support and provide advice in the oversight and design of the Remuneration Policy. The committee also supports HR in the preparation of remuneration proposals to the Boards of Directors by supervising the compliance with the governance processes set out in the Remuneration Policy.
- The Sustainability Committee provides advice on sustainability related matters and on integration of sustainability into operations. The committee also maintains documentation of the ongoing and planned activities to meet the sustainability objectives and review progress on key performance indicators.

The Compliance function forms part of the risk governance in If. The Compliance function reports identified compliance risks to the ORSA Committee and to the Boards of Directors on a quarterly basis.

Risk governance in Topdanmark

Topdanmark's policy is to hedge against risks arising from the Company's activities or to limit such risks to a level that allows the Company to maintain normal operations and implement its planned measures even in the case of highly unfavourable events in the operating environment. Because of this policy, for several years, the Company has identified and reduced or eliminated the risks which could potentially cause losses exceeding what Topdanmark considers to be acceptable.

The Board of Directors determines the overall risk policies and limits. The internal auditors report to the Board of Directors and report on, among other things, the observance of these risk policies and limits.

The responsibility to identify, evaluate, control, and manage risks lies within the line organisation. Topdanmark's Risk Management Function consolidates the risk picture, manages the ORSA and produces Solvency Capital Requirement and capital plans. It reports to the Risk Management Committee, which is responsible for risk policies, risk limits, solvency calculation, capital

plans, Topdanmark's ORSA, and Topdanmark's partial, internal model for non-life insurance risks. The members of the Risk Management Committee are the CFO of the Group, the head of the Compliance Function, the head of the Risk Management Function and representatives of the primary risk areas, which are: Asset Management and Statistical Services. Furthermore, the DPO and the head of Group Security participates.

The Risk Management Committee reports and recommends to the Board of Directors via the Executive Board.

The Risk Management Committee has set up the Internal Model Committee, which is responsible for developing and operating Topdanmark's internal model for calculation of results probabilities and risks of the non-life insurance portfolio based on random simulation. The model is used for, among other things, optimising the reinsurance programme, calculation of cost of capital, forecast testing and calculating capital requirements.

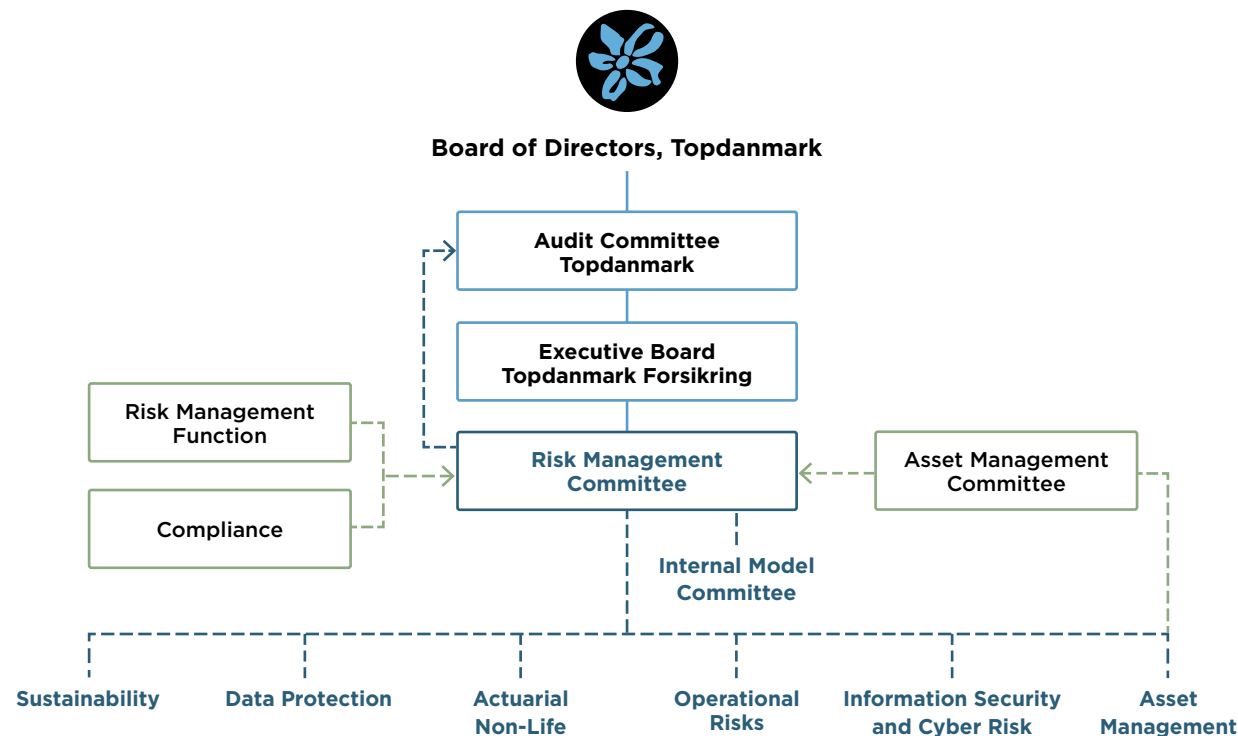
The reporting lines of the main governing bodies in Topdanmark are described in the graph Risk Governance in Topdanmark.

The risk management function implements an annual ORSA process identifying risks in the business, quantifying these risks and collecting them in a risk register. Additionally, the principles of solvency calculation are reviewed, and the risk management process is updated. An ORSA report has been prepared, which, together with the risk register and risk management process, was reviewed at a Board seminar in the autumn of 2022. After the Danish FSA's approval of the sale of Topdanmark Livsforsikring A/S the risk management function has performed an extraordinary ORSA process. To strengthen the basis for the board to conduct ORSA the risk management function has at the same time developed a new ORSA report. The board has processed and approved the extraordinary ORSA at the board meeting January 2023.

The Risk Management Function collects information about specific risks from the decentral risk management units, who are responsible for reporting the SCR for their respective areas ("Actuarial Non-Life", "Asset Management" and "Finance"). Based on this, the total SCR is calculated in the Risk Management Function.

Likewise, two "Economy Partners" act as risk ambassadors representing the divisions Private and Commercial. One of their tasks, the divisions themselves still having the main responsibility, is to report to the Risk Management function all substantially changed risk conditions for the divisions.

Risk governance in Topdanmark



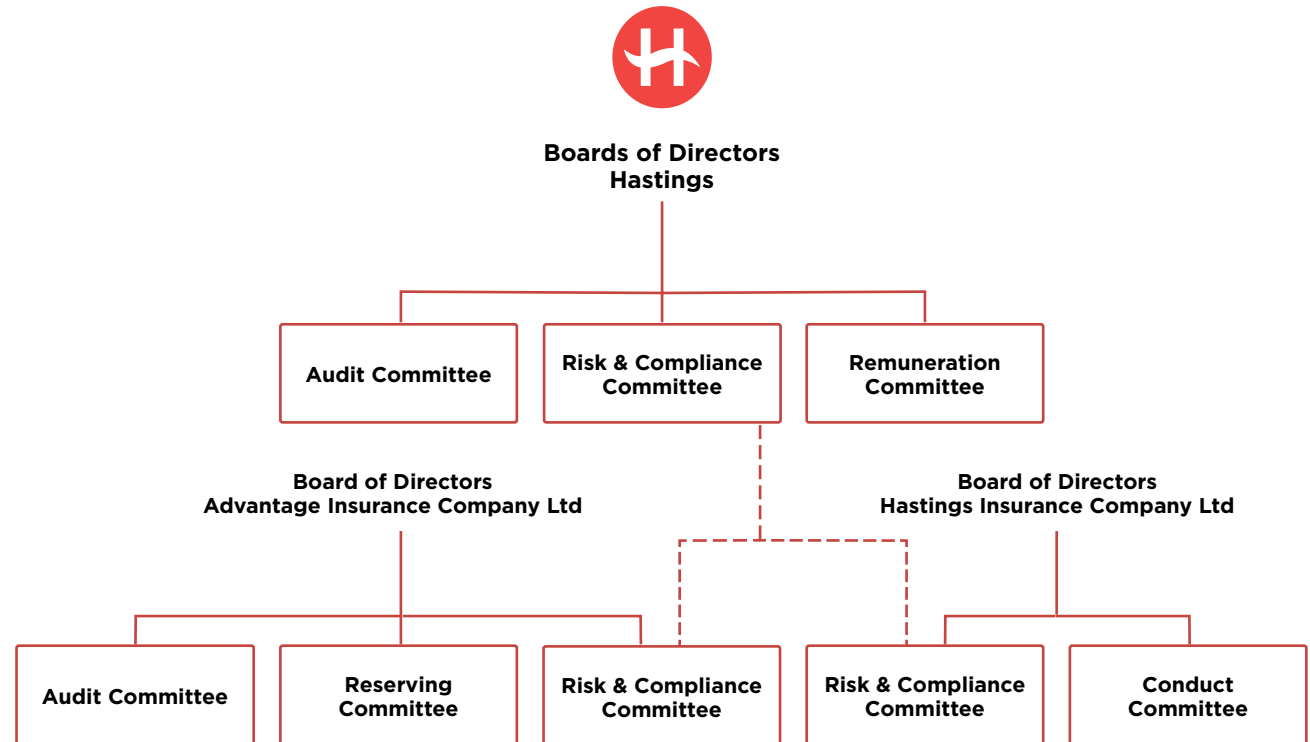
Risk governance in Hastings

The Boards of Directors of Hastings' companies have ultimate responsibility for the respective company's Risk Management Frameworks and delegate the oversight of this to the relevant Risk Committees. Each Risk Committee is a formal sub-committee of its respective Board, with its own terms of reference.

The principal purpose of each Risk & Compliance Committee is to advise the Board on risk management matters, approve risk limits and risk appetite, and oversee the risk management arrangements generally. The Committees seek to ensure that material risks are identified and that appropriate arrangements are in place to identify, measure, manage, monitor, and report those risks effectively.

Both Hastings Insurance Services Ltd ("HISL") and Advantage Insurance Company Ltd ("AICL") have their own risk management governance arrangements to ensure all risks are reported to, and reviewed by, the appropriate management oversight forum and ultimately, the respective Board risk committee.

Risk governance in Hastings



The governance structure, combined with embedded controls, processes and reporting protocols, enables senior management to conduct the affairs of each trading entity in line with the expectations of the respective Boards. This seeks to ensure that trading entities adhere to approved strategies and regulatory requirements.

Strategic and business risks are reviewed and challenged by the risk committees of each respective trading entity. These committees receive timely, up to date, reports from oversight functions on the material movements in risk profiles, whether influenced by external or internal developments and audits or events, or by any material shift in business risk that is linked to the successful delivery of the three-year plan.

AICL and HISL have implemented, respectively, the enhanced requirements of the GFSC's Regulated Individuals Regimes (RIR) and the Financial Conduct Authority's Senior Managers and Certification Regime (SMCR). These regimes are designed to improve culture, governance, and accountability within financial services firms by enhancing individual accountability and awareness for senior managers.

Hastings has an internal control framework based on the three lines of defence model, being primary control and oversight, secondary control and oversight and independent assurance. The independent assurance includes testing on aspects of how the business is managed and is undertaken by the internal audit function. The internal audit function is managed and resourced via a third-party relationship with Grant Thornton UK LLP.

The Compliance function within each of the trading entities provides regulatory risk oversight and monitors compliance with the various regulatory and legal obligations, including those of the UK's FCA and the GFSC. This monitoring, together with regular interaction with business functions, provides input into such areas as training, marketing, product development and the way in which the entities deal with customers.

The execution of a risk-based compliance monitoring plan and framework delivers independent assurance by monitoring and reporting on whether regulatory, adherence and customer conduct obligations are being met.

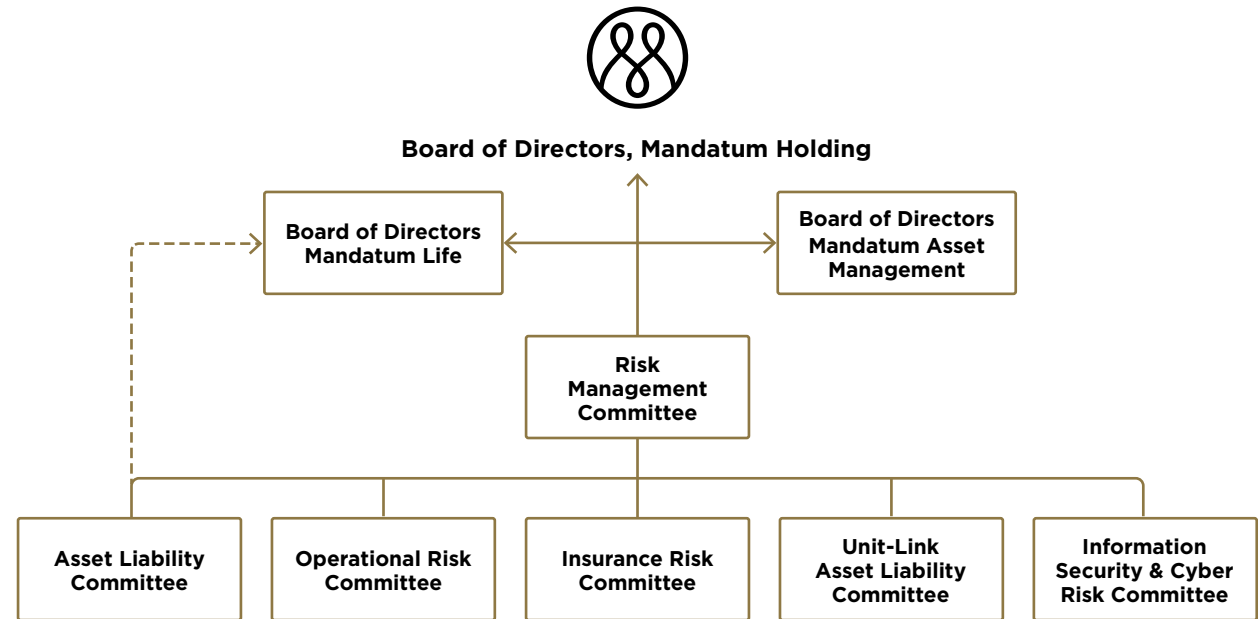
Risk governance in Mandatum

In Mandatum Group, the Boards of Directors of subsidiaries are responsible for risk management and the adequacy of internal control. The Boards of Directors of licenced companies annually approve the Risk Management Policy, and other risk management and internal control instructions.

The group CEO of Mandatum has the overall responsibility for risk management according to the Board of Directors' instructions. The group CEO is the Chairman of the Risk Management Committee which coordinates and monitors all risks in Mandatum Group. Majority of committees are group-wide, but some of them are specific to certain subsidiaries. For example, in Mandatum Life the key role of the Asset and Liability Committee ("ALCO") is to monitor and control the market risks arising from the with profit business in the life insurance company.

The reporting lines of the main governing bodies in Mandatum Group are described in the graph Risk Governance in Mandatum.

Risk governance in Mandatum



In addition to the specific committees, the Compliance Function takes care of compliance matters and the Head of the Unit is a member of the Risk Management Committee.

Internal Audit, through its audit recommendations, has a role to ensure that adequate internal controls are in place and it also provides an annual review to the Board of Directors.

Appendix 2: Risk definitions

Underwriting risks

In general, the book value of insurance liabilities (technical provisions) and economic value of insurance liabilities are dependent on the size and timing of future claims payments including expenses and the interest rates used to discount these claims payments to the current date.

The first component is a source of underwriting risk and the second component affects the interest rate risk to the balance sheet.

Underwriting risk can be generally defined as a change in the value of insurance liabilities caused by variance between the final costs for full contractual obligations and the assumed costs when these obligations were estimated. Hence, underwriting risk is realised as unexpected liability cash flows or unexpected change in the value of insurance liabilities when the pricing and provisioning assumptions on claims payments differ to the actual payments.

Technical provisions and the economic value of insurance liabilities always include a degree of uncertainty as they are based on estimates of the size, timing, and the

frequency of future claim payments. The uncertainty is normally greater for new portfolios for which comprehensive run-off statistics are not yet available, and for portfolios which include claims that take a long time to settle. Workers' compensation, Motor other and Motor third party liability, personal Accident and Liability insurance are examples of non-life products with the latter characteristics. In principle, most of the Life products have the latter characteristics embedded within them also. Life insurance policies are also exposed to the behaviour of policyholders because policyholders can change their premium payment intensity or cancel the existing policy.

Non-life insurance underwriting risks

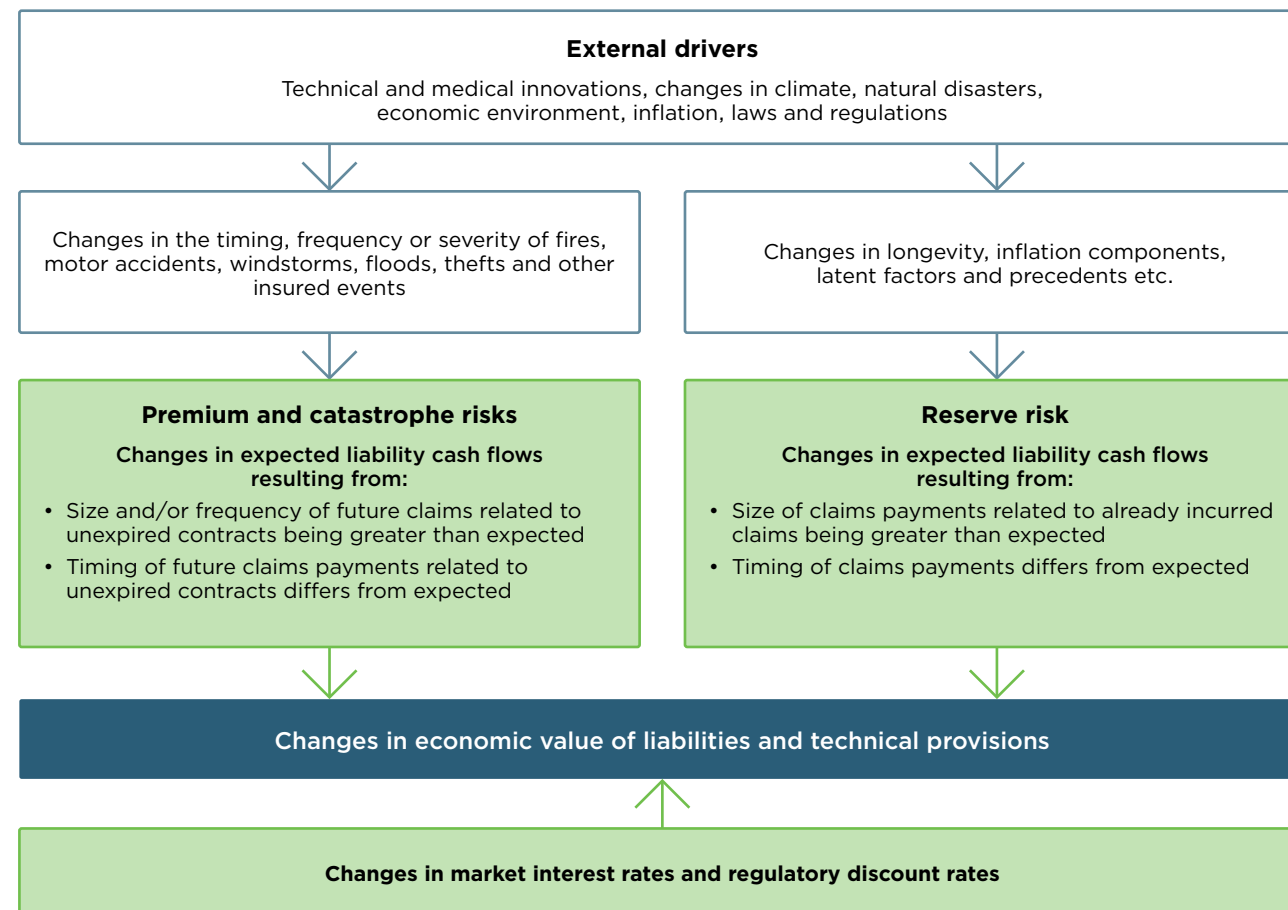
Non-life insurance underwriting risks are often divided into premium and catastrophe risks and reserve risk to separate the risks related to future claims of current insurance contracts from already incurred claims as illustrated in the graph Non-Life Insurance Underwriting Risks.

Premium risk and catastrophe risk

Premium risk relates to future claims resulting from expected insured events which have not occurred by the balance sheet date. The frequency, severity and timing of insured events and hence future claims may differ from those expected. As a result, the claims cost for future claims exceeds the expected level and there is a loss or adverse changes in the value of the insurance liabilities.

Catastrophe risk can be seen as an extreme case of premium risk. It is the risk of extreme or exceptional events, such as natural catastrophes where the pricing and setting of provisioning assumptions include significant uncertainty. These events may lead to significant deviations between the actual claims and the total expected claims resulting into a loss or adverse changes in the value of insurance liabilities.

Non-life insurance underwriting risks



Reserve risk

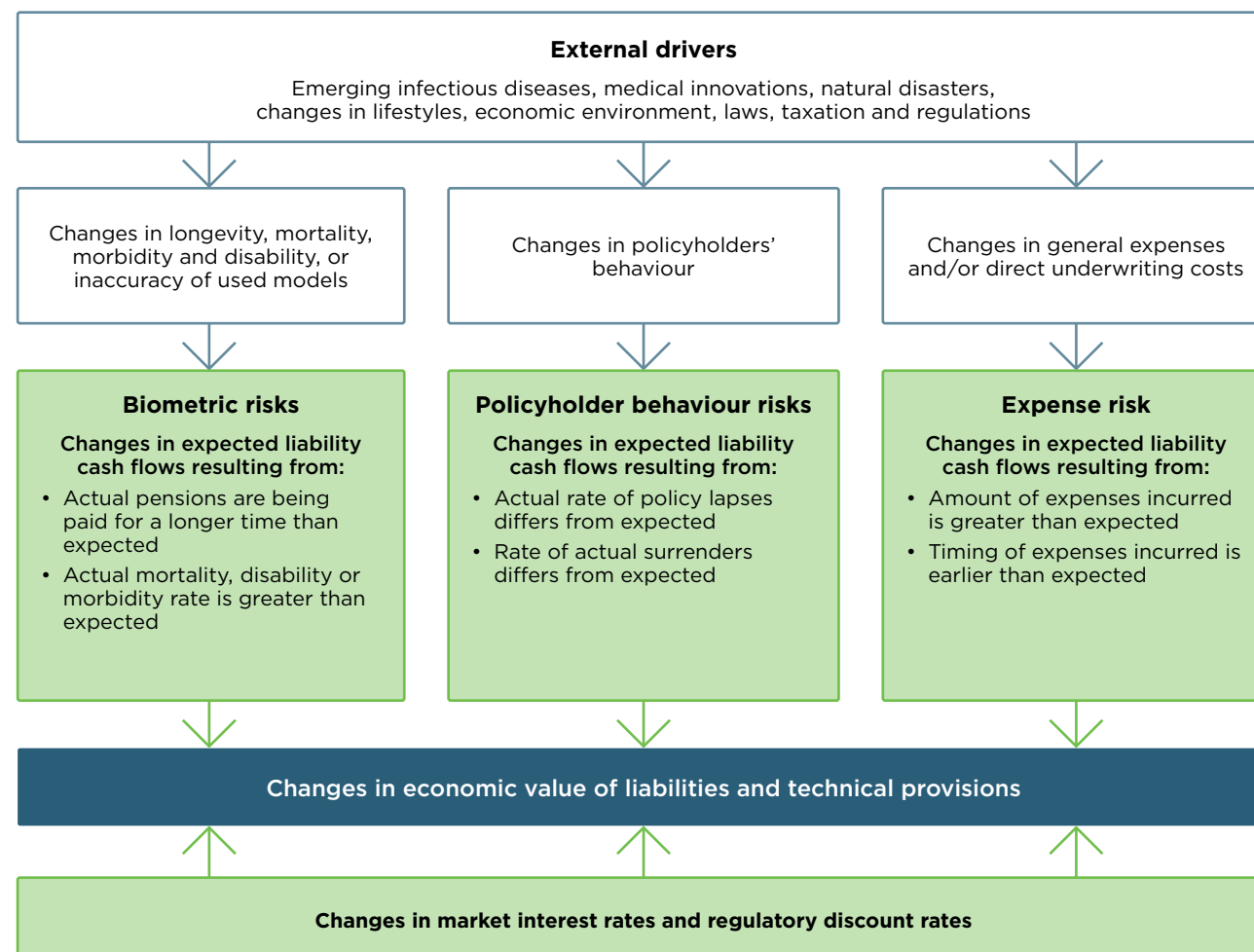
Reserve risk relates to incurred claims, resulting from insured events which have occurred at or prior to the balance sheet date. The final amount, frequency and timing of claims payments may differ from those originally expected. As a result, technical provisions are not enough to cover the cost for already incurred claims and there is a loss or adverse changes in the value of insurance liabilities.

Reserve risk includes revision risk, which is defined as the risk of loss, or of adverse change in the value of insurance and reinsurance liabilities, resulting from fluctuations in the level, trend, or volatility of revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.

Life insurance underwriting risks

The value of life insurance liabilities is sensitive to underwriting risks and interest rates. Underwriting risk includes biometric, policyholder behaviour and expense risks as presented in the graph Life Insurance Underwriting Risks.

Life insurance underwriting risks



Biometric risks

Biometric risks refer to the risk that the company has to pay more mortality, disability or morbidity benefits than expected, or the company has to keep paying pension payments to the pension policy holders for a longer period (longevity risk) than expected originally when pricing the policy.

In life insurance, catastrophe events include – as in non-life insurance – rare single events or a series of events, usually over a short period of time and, albeit even less frequently, longer lasting events. When a low frequency, high severity event or series of single events lead to a significant deviation in actual benefits and payments from the total expected payments, an extreme case of biometric risk (i.e. a catastrophe risk) has been realised.

Policyholder behaviour and expense risks

Policyholder behaviour risks arise from the uncertainty related to the behaviour of policyholders. The policyholders have the right to cease paying premiums (lapse risk) and may have a possibility to withdraw their policies (surrender risk).

The company is also exposed to expense risk, which arises from the fact that the timing and/or the amount of expenses incurred differs from those expected at the time of pricing. As a result, expense charges originally assumed may not be enough to cover the realised expenses.

Discount rate risk in technical provisions

Discount rate risk in technical provisions is the main risk affecting the adequacy of technical provisions. The guaranteed interest rate in policies is fixed for the whole policy period. Thus, if market interest rates and expected investment returns fall, technical provisions may have to be supplemented.

Market risks

In general, market risks refer to fluctuations in the financial results and capital base caused by changes in market values of financial assets and liabilities, as well as by changes in the economic value of insurance liabilities. The changes in market values and economic values are caused by movements in underlying market variables such as interest rates, inflation, foreign exchange rates, credit spreads and share prices.

Furthermore, market risks also include the risk of worsening market liquidity in terms of widening bid-ask spreads and the risk of unexpected changes in the repayment schedules of assets. In both cases the market values of financial instruments in investment portfolios may change.

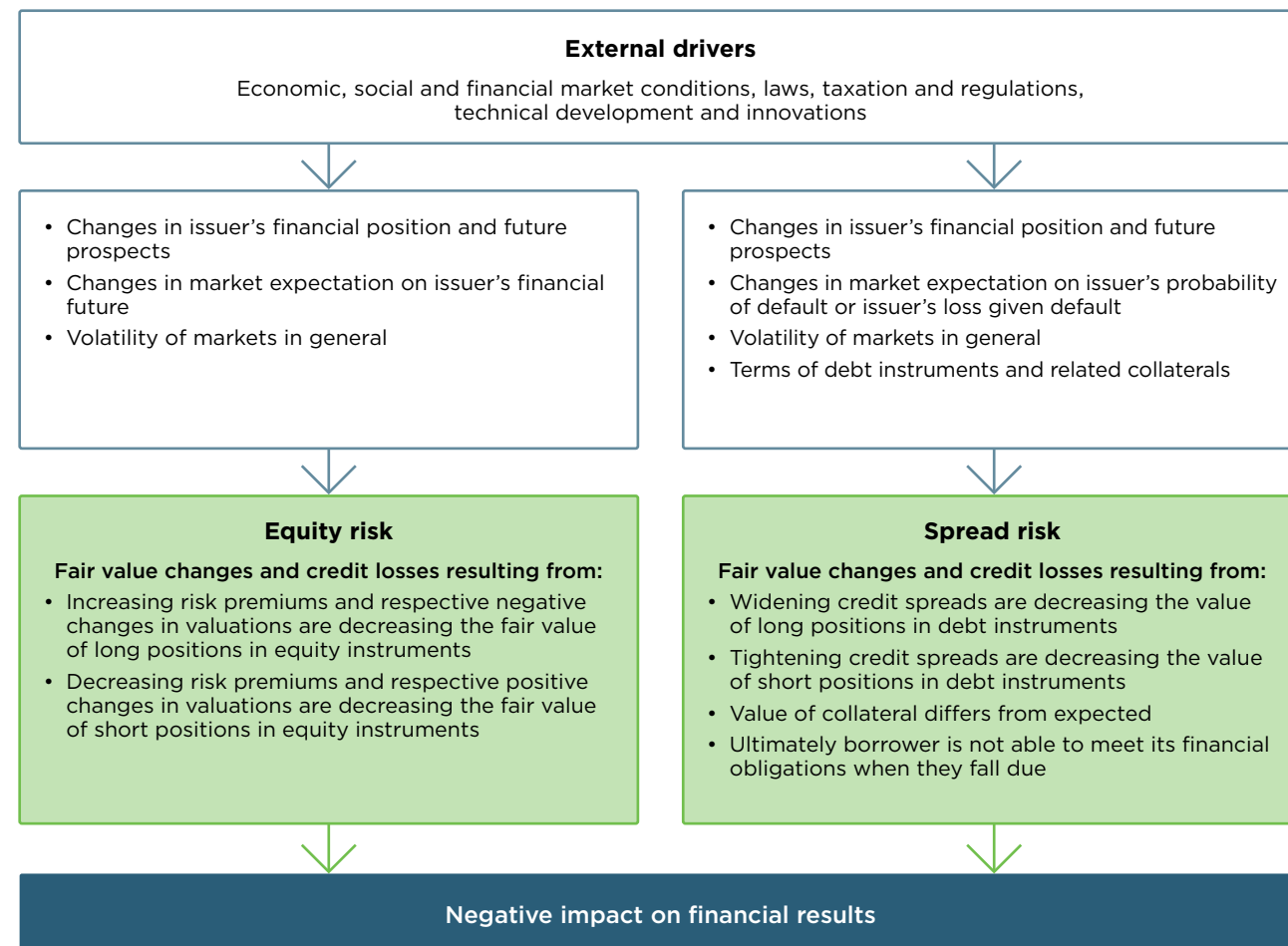
The risks caused by changes in interest rates, foreign exchange rates and inflation together with a general trend of credit spreads and equity prices are defined as general market risks and are managed by allocation limits and other risk limits. Interest rate, inflation and currency risks are balance sheet level market risks whereas trend in spreads and equity prices relate to a larger extent to assets.

The risk related to debt and equity instruments issued by a specific issuer can be defined as issuer specific market risk that is managed by issuer specific limits.

Equity and spread risks

Sampo Group is exposed to price risk dependent on changes in equity prices and spreads arising from its fixed income and equity investments, as illustrated by the graph Equity and spread risks. Equity price and spread movements are affected by general market trends and by risk factors that are related specifically to a certain issuer or a specific issue.

Equity and spread risks



Balance sheet level market risks or ALM risks

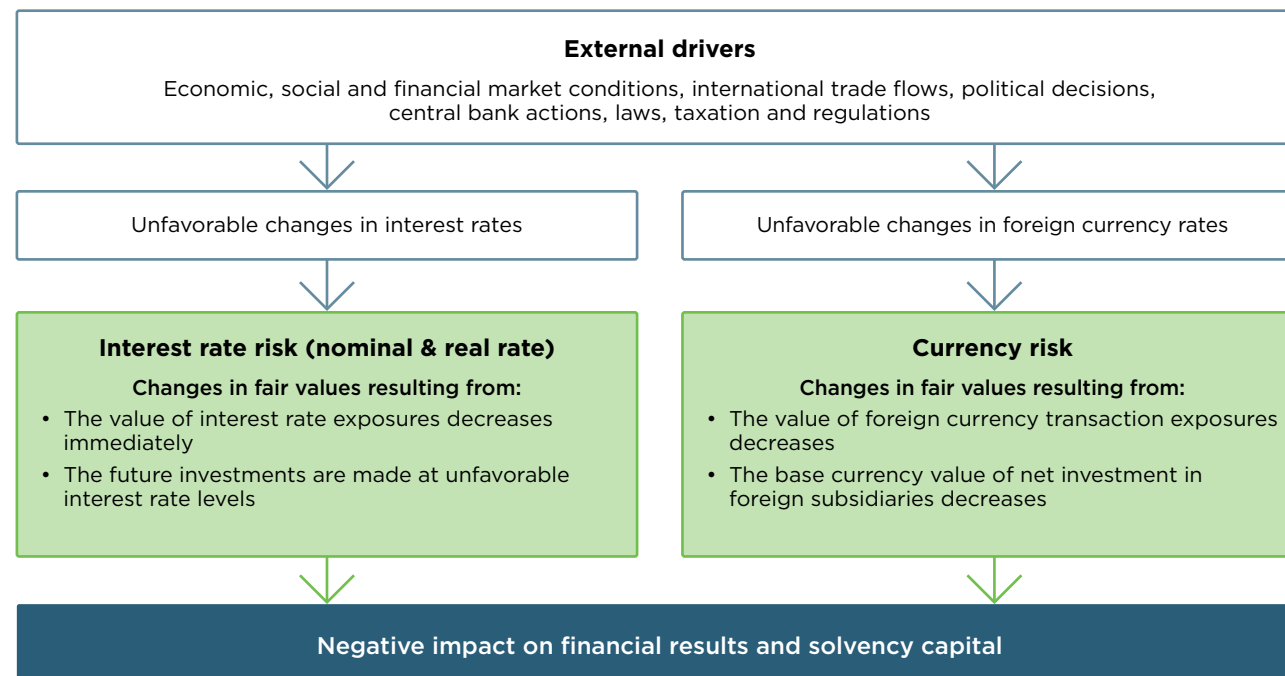
When changes in different market risk variables (interest rates, inflation, foreign exchange rates) cause a change in the fair values of investment assets and derivatives that is of a different size than the respective change in the economic value of the insurance liabilities, the company is exposed to ALM risk. It must be noted that the cash flows of insurance liabilities are modelled estimates and are therefore uncertain in relation to both their timing and amount. This uncertainty is a central component of ALM risk.

Interest rate and currency risks

Many external drivers are affecting interest rates, inflation, inflation expectations and foreign exchange rates as illustrated by the graph Interest rate and currency risks.

Currency risk can be divided into transaction and translation risk. Transaction risk refers to currency risk arising from contractual cash flows in foreign currencies which are related to insurance activities, investment operations and foreign exchange transactions. Translation risk refers to currency risk that may realise when balance sheet values or measures such as SCRs expressed in base currency are converted into other currencies.

Interest rate and currency risks

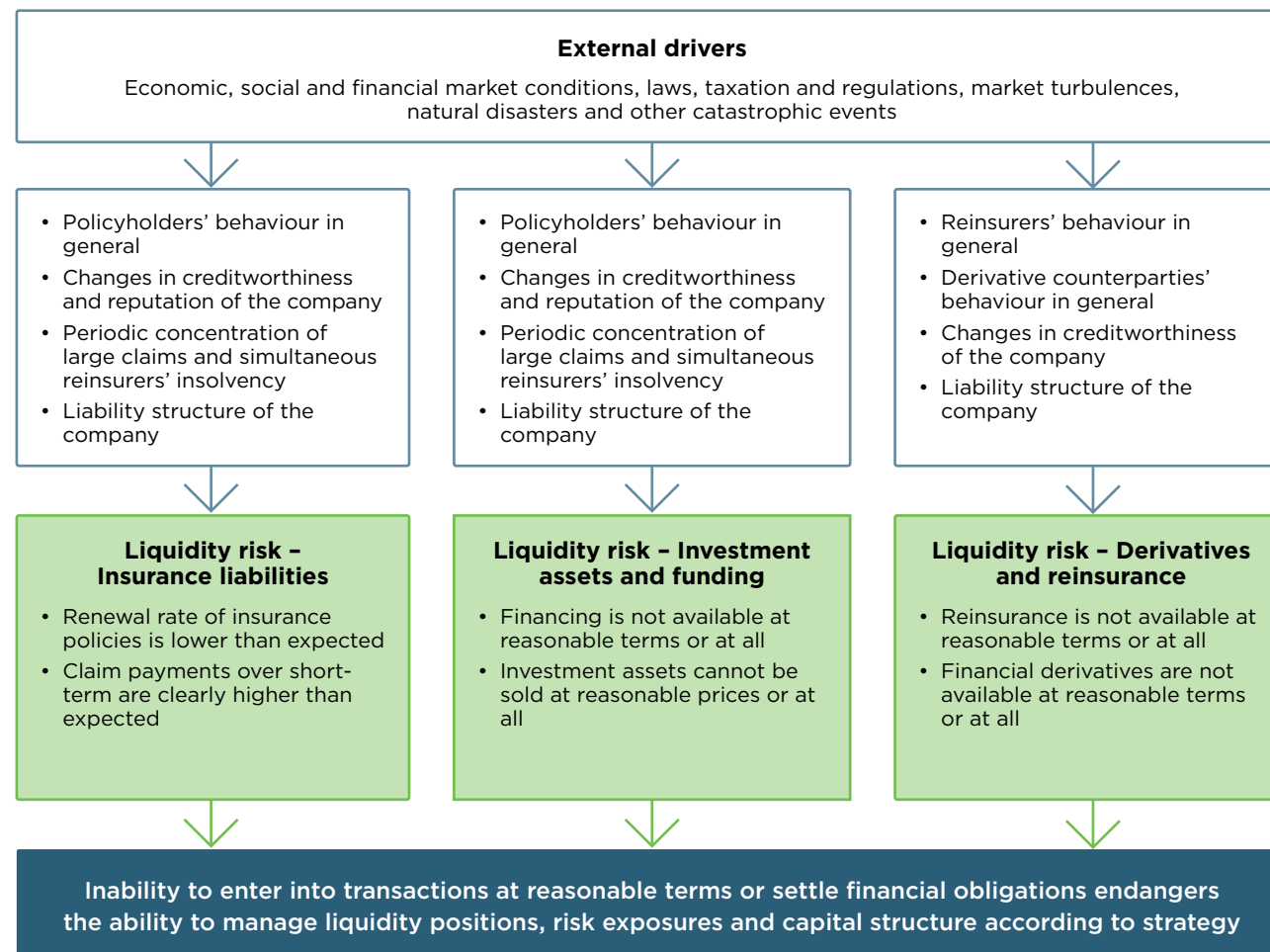


Liquidity risks

Liquidity risk is the risk that the Group companies are, due to a lack of available liquid funds or access to relevant markets, unable to conduct their regular business activities in accordance with the strategy, or in extreme cases, are unable to settle their financial obligations when they fall due.

The sources of liquidity risk in Sampo Group are either internal or external by their nature. If the company's rating declines or if the company's solvency otherwise appears jeopardised, its ability to raise funding, buy reinsurance cover or enter financial derivatives at a reasonable price is endangered. Moreover, policyholders may also not be willing to renew their policies because of the company's financial challenges or in the case of reputational issues. If these risks, caused by internal reasons, are realised together with general market turmoil, which makes the selling of investment assets and the refinancing of debt difficult, maintaining adequate liquidity can be a challenge.

Liquidity risks



Counterparty default risks

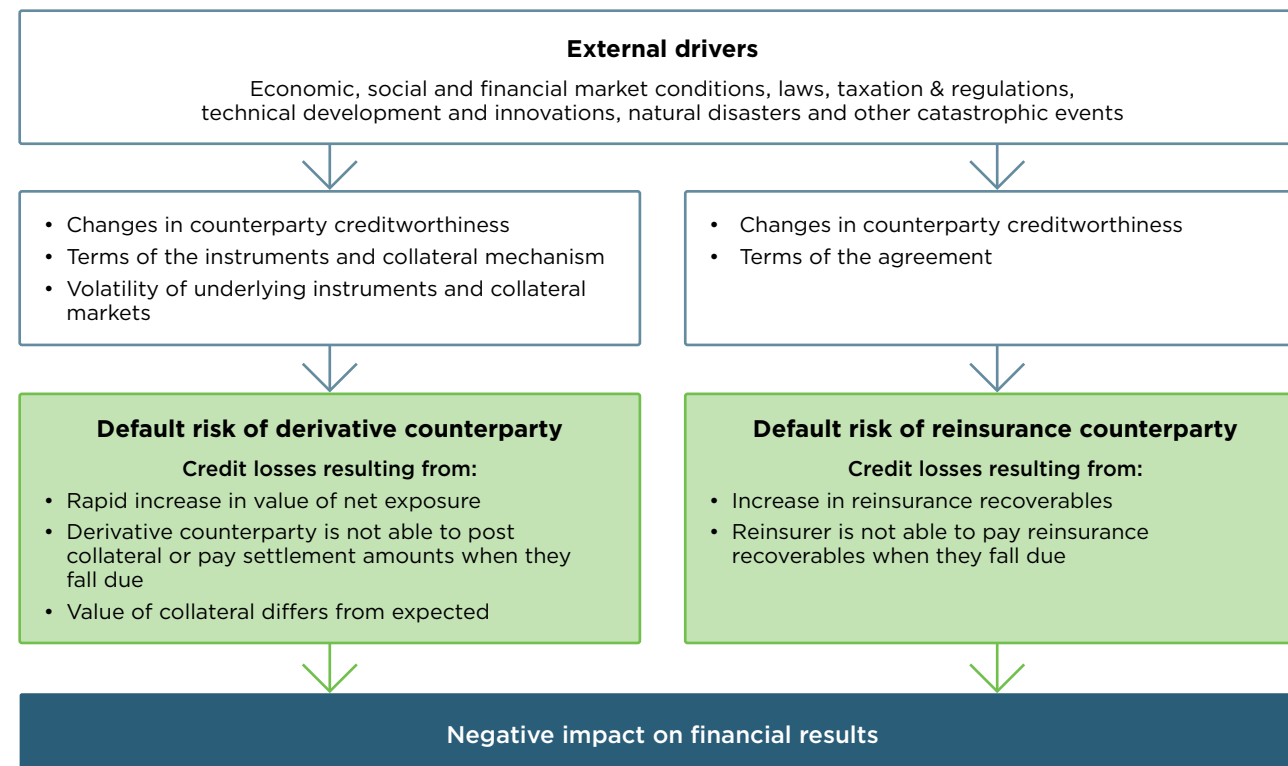
Credit risk comprises default, spread and settlement risks. Default risk refers to losses arising from occurred defaults of contractual counterparties (counterparty risk) or debtors (issuer risk).

Counterparty Default Risk ("Counterparty Risk") is one type of consequential risk, which Sampo Group is exposed to through its activities. In the case of counterparty risk, the final loss depends on the positive mark-to-market value of derivatives or reinsurance recoverables at the time of default and on the recovery rate which is affected by collaterals.

In the case of issuer risk the final loss depends on the investor's holding of the security or deposit at the time of default, mitigated by the recovery rate.

Spread risk refers to losses resulting from changes in the credit spreads of debt instruments and credit derivatives. Credit spreads are affected when the market's estimation of the probability of defaults is changing. Credit spread is the market price of default risk which is priced into the market value of the debt instrument. Hence the debt instrument's value should fall before the event of default occurs. Because of these features, spread risk, including also the default risk of debt instruments, is categorised in Sampo Group under investment portfolio market risks.

Counterparty default risks



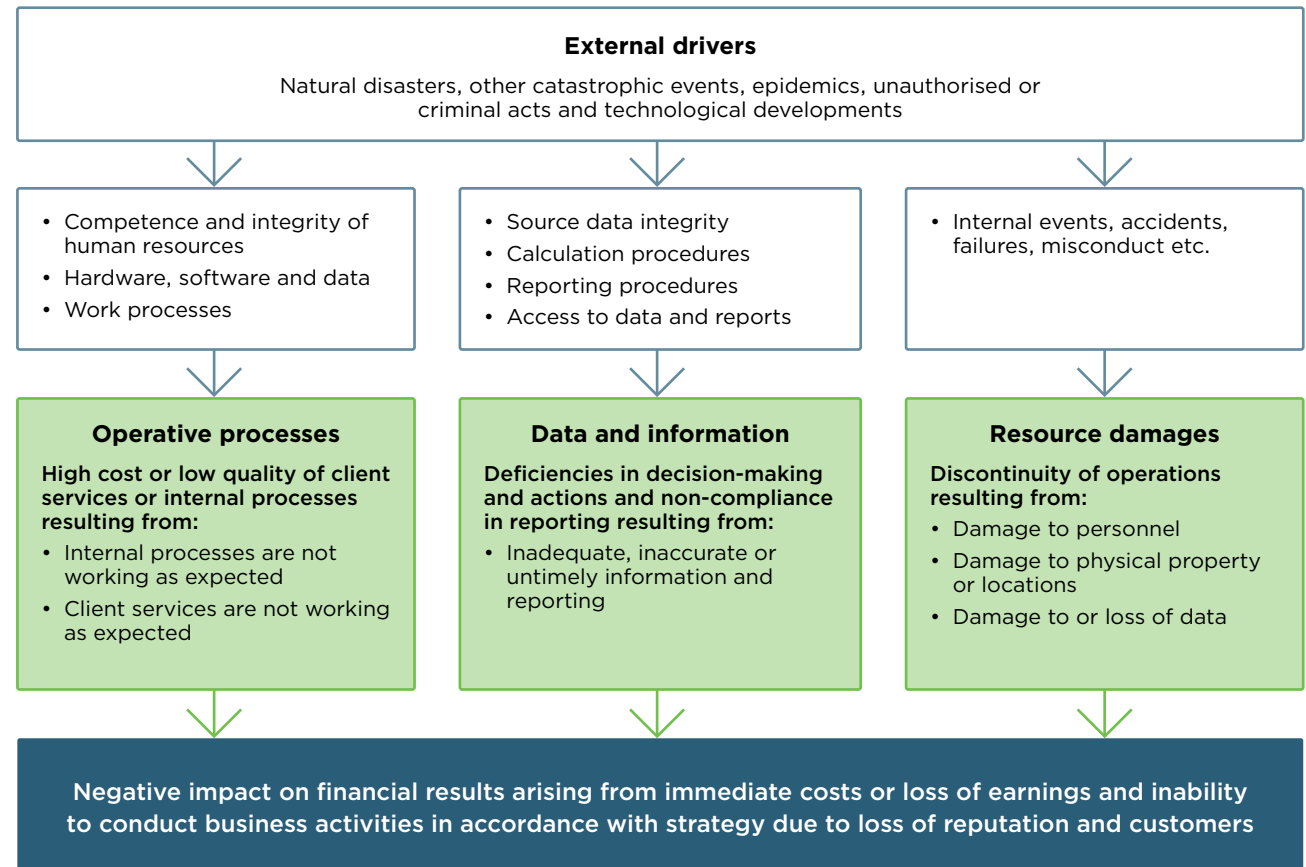
Settlement risk is realised when one party fails to deliver the terms of a contract after the other party has already delivered its part. Settlement risks are effectively mitigated by using centralised settlement and clearing systems by Sampo Group companies.

Operational risks

Operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel or from external events. This definition includes compliance risk but excludes risks resulting from strategic decisions. The risks may realise for instance because of:

- Internal misconduct – misappropriation of assets, tax evasion, intentional mismarking of positions, bribery;
- External misconduct – theft of information, hacking damage, third-party theft and forgery;
- Insufficient human resources management – discrimination, failures in workers' compensation, endangered employee health and safety;
- Insufficiencies in operating policies regarding customers, products or business activities – market manipulation, antitrust, improper trade, product defects, fiduciary breaches, account churning;
- Damage to physical property – natural disasters, terrorism, vandalism;
- Interruption of activities and system failures – utility disruptions, software failures, hardware failures; or
- Defects in the operating process – data entry errors, accounting errors, failed mandatory reporting, negligent loss of client assets.

Operational risks



The operational risk landscape is affected by risks becoming increasingly interconnected. Growing dependencies on digital systems, the interconnectedness of digital tools as well as simultaneous use of various and highly developed technologies can expose companies to risks affecting many critical and important business functions. These risks are resulting from multiple factors e.g., human conduct, software errors, utility disruptions, malicious cyber activities, and supply-chain disruptions.

Materialised operational risks can cause an immediate negative impact on the financial results due to disruptions of operations, additional costs and loss of earnings. In the longer term, materialised operational risks can lead to a loss of reputation and, eventually, a loss of customers which endangers the company's ability to conduct business activities in accordance with the strategy.

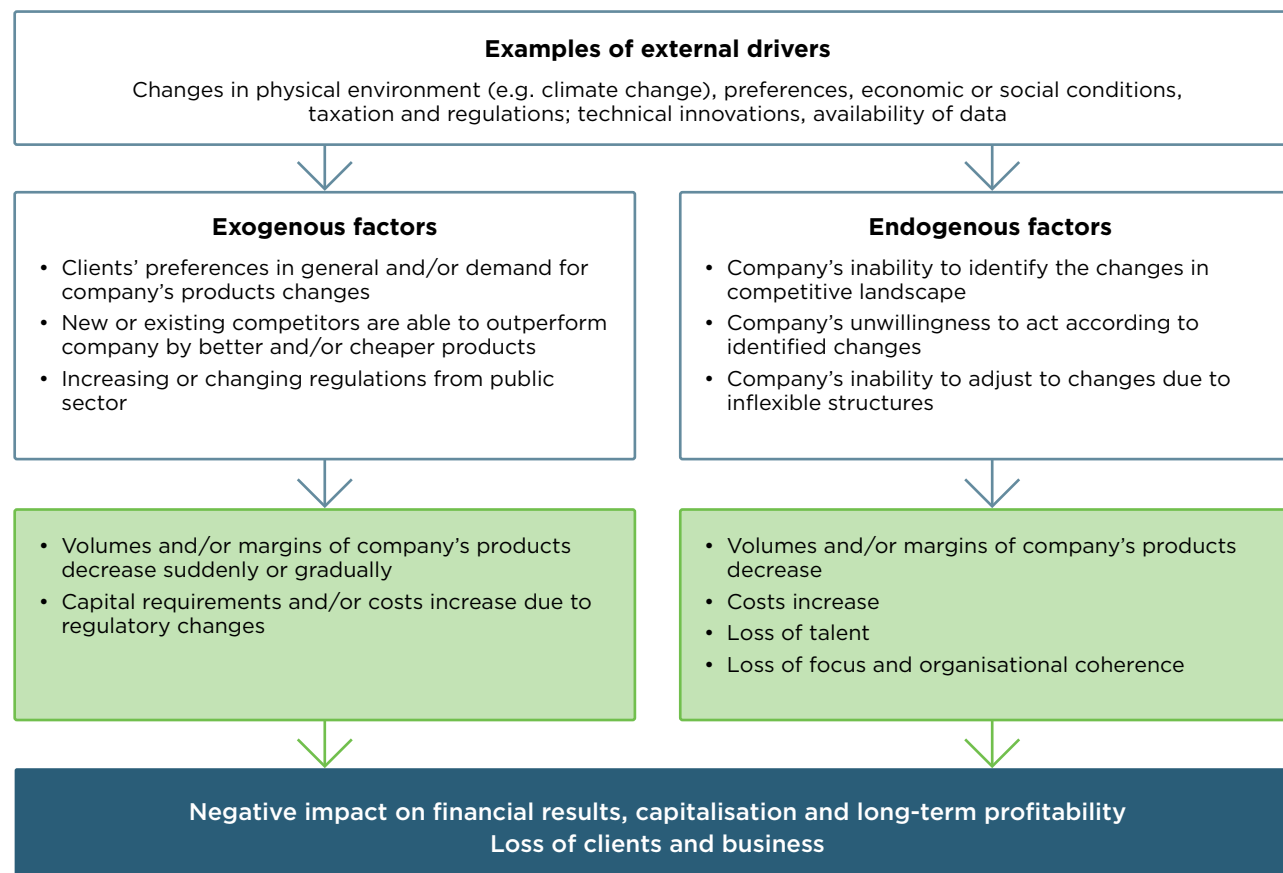
Compliance risk is the risk of legal or regulatory sanctions, material financial losses or loss of reputation resulting from a company's failure to comply with laws, regulations, and administrative orders as applicable to its activities. Compliance risk is usually the consequence of internal misconduct and hence it can be seen as a part of operational risk.

Business risks

Business risk is the risk of losses due to changes in the competitive environment and/or lack of internal operational flexibility. Unexpected abrupt changes or

already identified, but internally neglected trends can cause larger than expected fluctuations in profitability when volumes, margins, costs, and capital charges change and in the long run they may also endanger the existence of Sampo Group's business models.

Business risks



External drivers behind such changes are varied, including for instance general economic development, changes in commonly shared values, developments in the institutional and physical environment and technological innovations. Because external drivers are inter-connected, the customer preferences and demand can change unpredictably and there may be a need to change regulations as well. The themes of sustainable business practices in general and especially the issues related to environment, society, and governance, are changing the preferences and values of Sampo Group companies' stakeholders and, as a result, competitive environment is also changing in different ways. In case company's internal understanding of needed changes or

willingness and ability to act accordingly is inadequate and competitors are more able to meet clients' and regulation's altered expectations, the company is highly exposed to business risk. The key corporate responsibility related risk drivers for Sampo Group are described in more detail in section **Sampo Group's risks and core risk management activities** of this report.

Due to the predominantly external nature of the drivers of – and development in – the competitive environment, managing business risks is the responsibility of the executive level senior management. Proactive strategic decision making is the central tool in managing business risks, which relate to the competitive advantage. The

maintenance of internal operational flexibility, i.e., the ability to adjust the business model and cost structure when needed, is also an efficient tool in managing business risks.

Business risks do not have the regulatory capital charge, although they may be a material source of earnings volatility. Because of this, business risk may influence the amount and structure of actual capital base, if deemed prudent in existing business environment.

Appendix 3: Selected management principles

These principles are followed as such in the subsidiaries although there may be small differences in the principles followed in Topdanmark.

Principles of balance sheet management (ALM)

Risk factors that are affecting both sides of balance sheet contribute considerably to economic values of insurance liabilities, market value of assets, risks, and capital need. According to Sampo's definitions ALM risks include in addition to interest rate, inflation, and FX risks also liquidity risk and behavioural risks affecting maturities of insurance policies and some asset classes. Risk definitions related to ALM risks may be found in **Appendix 2 Risk definitions**.

ALM risk profiles are thoroughly analysed and considered for instance when investment policies are designed, insurance products are developed, and internal capitalisation targets are set.

In Sampo Group companies, insurance liabilities are the starting point for the investment policy. Insurance liabilities are modelled and analysed to form an understanding of their expected future cash flows and their sensitivities to changes in factors such as inflation, interest rates and foreign exchange rates. Secondly, the solvency position together with its target levels and the risk appetite define the general capacity and willingness to take market and liquidity risks. The stronger the solvency position and the higher the risk appetite, the more the investment portfolio can potentially deviate from a portfolio replicating cash flows of insurance liabilities. Sampo Group companies manage their investment portfolios within the limits set in Investment Policies as described in more detail at section Principles of Investment Portfolio Management.

In Sampo Group, operational liquidity risk is managed by the legal entities, which are responsible for liquidity planning and maintaining adequate liquidity buffers. Liquidity risk is monitored based on the expected cash flows resulting from assets, liabilities, and other business.

In the subsidiaries, the adequacy of liquidity buffers is dependent on the underwriting cash flows. In the parent company, the adequacy of liquidity buffers is dependent also on potential strategic arrangements; nevertheless, strong liquidity and capacity to generate more liquidity if needed is generally preferred. Sampo considers debt capacity as an important source of holding company liquidity and solvency capital in a stress event, and therefore aims to ensure reliable access to debt capital markets. Sampo's holding company liquidity reflects the risk that Sampo plc may need cash in periods when access to capital markets could be limited.

Sampo Group companies maintain good business relationships with several creditworthy counterparties which also mitigate the risk that the Group is not able to enter reinsurance or derivative transactions when needed.

At the Group level Sampo plc monitors the ALM profiles of the companies and may adjust its own risk profile to mitigate the risks at the Group level.

Principles of investment portfolio management and control of investment activities

Investments (excluding investments covering unit-linked policies) are managed according to the subsidiaries' Investment Policies which are based on insurance liabilities and solvency as described in the previous section. In Sampo Group direct investments and managers of collective investment assets are carefully studied before entering new investments or making new commitments. This prudent person principle is reflected in many ways in companies' investment policies and specifically in requirements set for new kind of investments or any non-routine investments by their nature.

Sampo Group has a thorough understanding of the Nordic markets and issuers and consequently the Group's direct investments are mainly made in Nordic securities. Mandatum's direct investments are mainly denominated in the euro and in companies geographically located in Finland and selectively in other countries. If has a major part of its direct investments in the Nordic countries and denominated in their respective currencies. Hastings and Topdanmark on the other hand invest the bulk of their portfolios in their respective local markets and

in assets denominated in their respective currencies. Consequently, investments gain from additional diversification benefits at the Group level.

Sampo Group prefers simple and matured instruments and transparency. Hence, most of Sampo Group's investments are in fixed income securities and listed equities which are tradable and subject to daily mark-to-market valuation. Moreover, Sampo Group has also some illiquid investments in these asset classes – loan instruments and private equity – for which market prices are not that frequently available, but whose fair values can change adversely when the financial strength or future prospects of the issuer deteriorates, or the value of collateral decreases. Sampo Group has tools in place to measure the risks of these instruments as well.

In financial accounting, the investment portfolios are reported on a fair value basis. These fair values are determined either based on direct market quotes or by using various valuation models. More information on the valuation methods of the investment assets is presented in **Note 16 Determination and hierarchy of fair values (www.sampo.com/year2022)** of Sampo Group's Financial Statements. Regarding Solvency II valuation methods, there are some minor differences compared to the IFRS standards. See **Appendix 4 Profitability, risks and capital** for Solvency II Valuation Methods.

ESG in investment management and operations

ESG issues, including climate change, have an impact on the performance, risks, and value of all companies. Hence, the Sampo Group companies take these issues into account in investment analysis, decision-making, reporting, and engagement activities.

Investment opportunities are carefully analysed before any investments are made and ESG issues are considered along with other factors affecting the risk-return ratio of individual investments. Taking ESG issues into account is a part of the work profile of every person who is making investment decisions and analysing investment opportunities.

Sampo Group is a signatory of the UN Principles for Responsible Investment ("PRI") and the UN Global Compact. In addition, the P&C insurance companies of Sampo Group have made commitments to the Science Based Targets initiative (SBTi) and will set climate targets for their investments. All these principles are used to guide responsible investment management and operations. Depending on the asset class, different ESG strategies, such as ESG integration, norms-based screening, sector-based screening, and engagement with

investee companies, are used to ensure the effective consideration and management of investment risks arising from ESG issues.

More detailed information on sustainable investment management and operations in Sampo Group is available in the **Sampo Group Sustainability Report 2022** published in May 2023 www.sampo.com/year2022.

Management of equity and spread risks of direct investments

In Sampo Group, the selection of direct fixed income and equity investments is based primarily on stock and bond picking and secondarily on top-down allocation. This investment style ensures that the portfolio includes thoroughly analysed investments with risk return ratios internally considered to be adequate, although the portfolio might not be necessarily as diversified as finance or portfolio theory suggests.

The main steps in the decision-making, limit and monitoring processes are as follows:

- Potential investments are analysed thoroughly. The creditworthiness and prospects of the issuer are assessed together with collaterals and structural details of the instruments. Although external credit ratings by rating agencies and the opinions of analysts are used to support the internal assessment, Sampo Group's own internal assessment is always the most important factor in decision-making.
- Investment transactions shall be executable on short notice when an opportunity appears. This puts pressure on authorisations and credit limit structures and procedures. They must be simultaneously carried out flexibly enough to facilitate fast decision-making regardless of instrument type, well-structured to ensure that investment opportunities are assessed prudently, considering the specific features and risks of all investment types and able to restrict the maximum exposure of a single name risk to a level that is within the company's risk appetite.
- Accumulated credit exposures over single names and products are monitored regularly at the subsidiary level and at the Group level to identify unwanted concentrations. Credit exposures are reported, for instance, by sectors, asset classes and ratings.

Management of indirect investments

Investments are made also in collective investment assets managed by third parties. These investments are mainly in other asset classes – real estate, private equity and alternative credit funds - and in different geographical areas than the direct investments that are mainly in Nordic countries. These investments are primarily used as a tool in tactical asset allocation when seeking return and secondarily to increase diversification.

Management of currency risk

In Sampo Group companies net foreign currency transaction exposure is considered as a separate asset class and is managed within investment portfolio activities as considered relevant by the company.

Open transaction risk positions are identified, measured, and managed separately by each Sampo Group company. The net position in each currency consists of the assets, liabilities and foreign exchange transactions denominated in the currency. Mandatum Life, Hastings and Topdanmark have their liabilities only in their local currency and hence their transaction exposures are net

of foreign currency assets and currency derivatives. In If there are also foreign currency denominated liabilities.

At the Group level Sampo is also exposed to translation risk, because the base currency is the Swedish krona for If, the pound sterling for Hastings and the Danish krone for Topdanmark.

Use of derivatives

In Sampo Group the main motive for use of derivatives is their efficiency – better liquidity and tighter bid-ask spreads – compared to cash instruments.

In Sampo Group derivatives are used mainly to adjust risks at investment-portfolio level (spread and equity risks) or at balance sheet level (interest rate, inflation, and currency risks). This may mean mitigating or increasing of risks. From time-to-time risk profiles of single transactions may also be adjusted by derivatives.

The approved derivatives are listed in the companies' investment policies. In case there is a need for a new kind of derivative instrument the proposal is made for the Board approval. This proposal includes analysis how the effect of new instrument type is properly considered in risk limits and other reporting.

In most of the cases, derivatives are booked as trading derivatives at fair value through the profit and loss statement in financial accounting and hedge accounting is applied only seldom. The counterparty risk related to derivatives is managed as described in the counterparty risk section.

Control of investment activities

Daily controlling of activities in If and Mandatum

Market risk control is separated from portfolio management activities in two ways. Firstly, persons independent from the Investment Unit prepare Investment Policies for Board approval. Secondly, Middle Office units which are independent of the Investment Unit measure risks and performance, and control limits set in Investment Policies daily.

Market risks and limits are also controlled by the Investment Control Committee ("ICC") in If and the Asset and Liability Committees ("ALCOs") in Mandatum Life monthly at a minimum. These committees are responsible for the control of investment activities within the respective legal entity.

The ICC is responsible for monitoring the implementation of and compliance with the Investment and Asset Coverage Policies. The committee considers and proposes changes to the policies. The Chairman is responsible for the reporting of policy deviations and other issues dealt with by the committee.

Mandatum Life has two ALCOs for its with profit assets and liabilities. One of the ALCOs controls the segregated assets and liabilities and the other controls the rest of Mandatum Life's with profit assets and liabilities. The ALCOs report to the board and ensure that the investment activities are conducted within the limits defined in the Investment Policy as approved by the Board and monitors the adequacy of liquidity, profitability, and solvency capital in relation to the risks in the balance sheet. The Investment Policies are first dealt with by the ALCOs before they are taken to the Board of Directors. Mandatum Life has additionally also a separate UL ALCO which is responsible for controlling risks arising from the unit-link business regarding assets covering unit-linked liabilities.

Group-wide monitoring activities

The aggregated market risks and concentrations at the Group level are controlled by the Group's Audit Committee quarterly at a minimum.

The subsidiaries' investment portfolios' risk profiles are designed and decided separately from each other, but their risk profiles are coordinated to proactively prevent potential concentrations. This principle is relevant for Topdanmark and Hastings as well.

The same basic principles are primarily followed in the investment activities of If and Mandatum, although the risk level of If's investment portfolio is significantly lower than the risk level of Mandatum Life's investment portfolio due to different features of their insurance liabilities. Also in Topdanmark and Hastings the insurance liabilities are the starting point when designing the investment risk profiles.

Principles of operational risks management

The effects of operational risks have their underlying causes in external and internal drivers. Operational risks may be realised because of inadequate or failed processes or systems, from personnel or from external events (for further details, see **Appendix 2 Risk definitions – Operational risks**). The Group companies have their own specific risk sources which are causes of events that may have negative impacts on different processes, personnel or fixed assets.

In Sampo Group, the parent company sets the following goals of operational risk management for its subsidiaries:

- To ensure simultaneously the efficiency and quality of operations
- To ensure that operations are compliant with laws and regulations
- To ensure the continuity of business operations in exceptional circumstances
- To ensure the ability to recover normal operations swiftly in case of disruptions.

Each company is responsible for arranging its operational risk management in line with the above-mentioned goals, while also considering the specific features of its business activities.

Appendix 4: Profitability, risks, and capital

Sampo's core business competences are skilful pricing of risks inherent in business operations and high-quality management of arising risk-exposures and capital needed to cover these risks. A balance between earnings, risks and capital contributes positively to return on equity and to stakeholder confidence, facilitating the creation of shareholder value.

Sampo plc is responsible for the group's capital management activities. These actions are guided by targets set for group-level solvency and financial leverage and they include decisions on group-level investment exposures, business growth and performance targets, reinsurance strategies, capital distributions and capital instrument issuances.

Group level capitalisation is managed within Sampo's capital management framework, which sets targets for solvency and informs potential risk management actions. Sampo solvency targets are determined by the group's ambition to provide an attractive risk-return profile to shareholders, and they reflect Sampo's risk appetite. The balance between risks and actual level of capital is analysed and monitored regularly assuming historical circumstances and, from time to time, different stress scenarios defined by the management. When a potential imbalance between risks and actual level of capitalisation

is identified, the balance will be secured by adjusting existing risk exposures, capital, or both. In general, Sampo Group believes that maintaining the profitability of businesses and active adjustment of risks is the first line of defence in risk management and, in the long run, even more important factor than capitalisation.

Sub-groups and their companies shall monitor the size of their capital buffers and have practices in place to maintain actual amount of capital always over the defined capital floor.

Over the years Sampo Group has disclosed its financial information by segments and relevant risk and solvency reporting by insurance sub-groups. Associated companies have disclosed their respective reports independently.

Since Solvency II entered into force on 1 January 2016 Sampo Group has disclosed the Group-level solvency calculated by Solvency II rules. In Solvency II Sampo plc is defined as the ultimate parent of the Solvency II Group and thus the operating insurance companies each report separate figures to their local supervisors while If Group Solvency II figures are not required to be disclosed separately, but as part of Sampo Group Solvency II figures.

Capitalisation at the Group level

As noted earlier, it is a priority for Sampo to maintain a balance between profits, risks, and capital in the Group. This is carried out via Sampo's capital management framework which provides a high level of protection against falling below financial limits and aims to support value creation by enabling the Group's strategy.

In a nutshell, a balance between profits, risks, and capital means that the actual amount of capital – or Own Funds ("OF") in Solvency II terminology – is maintained with certain buffers over a minimum level. Consequently, quantitative targets have been set for group solvency. The target levels are intended to encourage active steering of the balance sheet, not automatic actions.

The minimum level of financial resources has been set based on the risks and regulatory as well as rating agency constraints faced by the group. This minimum level has been defined as 125 per cent for the Solvency II ratio. Buffers on top of the minimum level are held to ensure business continuity and dividend security, and to finance bolt-on acquisitions:

- risk buffer ensures Sampo remains above regulatory and rating agency risk levels in a severe stress event
- operating buffer is smaller than the risk buffer and absorbs normal volatility, without consuming any of the risk buffer.

Solvency is managed towards a target range of 170–190 per cent for the Solvency II ratio, which is considered optimal, considering the requisite minimum level and the above-mentioned buffers.

The target range ensures high dividend security but without allowing for excessive buffers. Below target levels Sampo can pay ordinary dividends, but excess capital returns would not be considered. Capital generation is used to enable organic earnings growth and attractive shareholders returns. The group is able to operate below the targets for some time, e.g. after an acquisition but will gradually steer toward the target range. The aim is for Sampo to not consume any of the risk buffer more than briefly. The target levels are reassessed regularly in order to adjust for any potential changes in the risk profile.

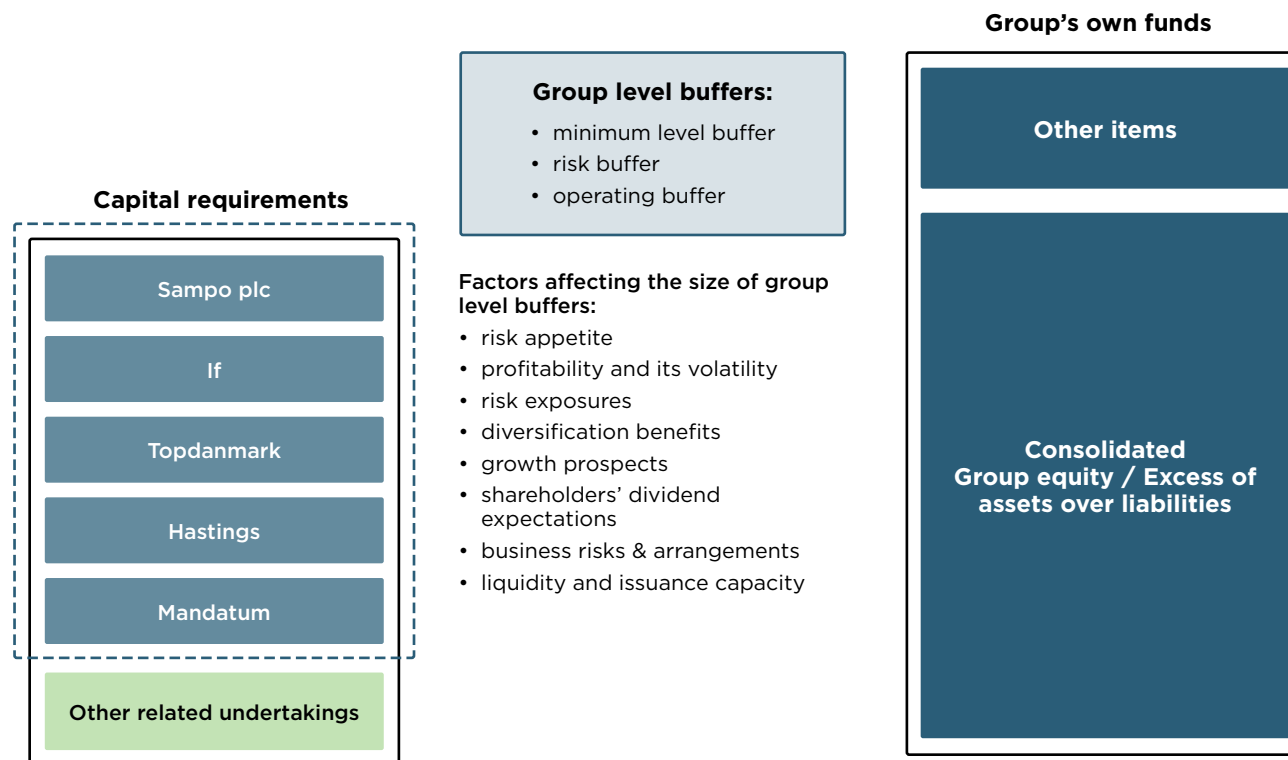
In addition to solvency, Sampo's capital management framework sets targets for financial leverage, which reflect a broad range of criteria including the availability

of debt capacity. The minimum level for leverage is to remain below 35 per cent and the target less than 30 per cent for the financial leverage metric². Sampo considers debt capacity as an important source of holding company liquidity and solvency capital in a stress event, and therefore aims to ensure reliable access to debt capital markets.

Sampo plc shall additionally monitor group-level risk concentrations and intra-group transactions which have a direct impact on the desired level of capitalisation.

Group-level capitalisation and the factors affecting it are illustrated in the graph Sampo Group's capitalisation framework.

Sampo Group's capitalisation framework



² Financial leverage calculated as financial debt/(financial debt + IFRS equity)

The Group's capital requirement is dependent mainly on the capital requirements of the sub-groups and investments in the Nordic financial service companies on Sampo plc's balance sheet. Otherwise, the parent company's contribution to the Group capital need is relatively small, because Sampo plc does not have any business activities of its own other than the management of its capital structure and liquidity portfolio.

Diversification benefit exists at two levels, within the companies and between the companies. The former is included in the companies' solvency capital requirement (SCR).

Conceptually, the Group's own funds is the difference between the market value of assets and liabilities plus the subordinated liabilities. This difference has accrued during the lifetime of the Group and it includes the following main components:

- Accrued profits that have not been paid as dividends over the years.
- Market value adjustment to the book values of assets and liabilities.
- Issued capital and subordinated liabilities meeting Solvency II requirements.

At the Group level, the capital requirement and own funds are both exposed to foreign currency translation risk. The actual capital and the capital needs of If, Topdanmark and Hastings are converted from their reporting currencies to the euro. When the reporting currencies of If, Topdanmark and Hastings depreciate, the actual amount of the Group's capital in euros decreases and the capital requirements of If, Topdanmark and Hastings will be lower in euro terms. Translation currency risk is monitored internally and its effect on Sampo Group's solvency on a going concern basis is analysed regularly. However, internally no capital need is set for translation risk, because it is realised only when a sub-group is divested.

The Group-level buffers equal in total to the difference between the amount of the Group's own funds and the Group capital requirement. In addition to sub-group level factors – expected profits and their volatility, business growth prospects, volatility of the balance sheet due to fluctuations in the market value of investments and insurance liabilities, and ability to issue Solvency II compliant capital instruments – there are factors that are additionally relevant when considering the size of the Group-level buffers. The most material of them are correlation of sub-groups' profits, parent company's capacity to generate liquidity, probability of business arrangements and shareholders' dividend expectations.

Regulatory solvency calculation methods and the group solvency position

Sampo Group's solvency capital requirement ("SCR") and amount of the Group's own funds are calculated by the Solvency II directive as follows:

Sampo Group's capital requirement is called **Group SCR** and it is calculated in two phases:

- 1) The capital requirements of other risks than FX risk and concentration risk are calculated for the consolidated Group including respective standard formula SCRs of the parent company Sampo plc, If, Mandatum Life, Topdanmark and Hastings. The company SCRs may include the simplifications and other options as applied by them. The capital requirement of FX risk and concentration risks are calculated based on Group-wide exposures calculated separately for this purpose. Regarding FX risk requirement also the translation risk exposures related to the Swedish krona denominated equity of If, Danish krone denominated equity of Topdanmark and pound sterling denominated equity of Hastings are considered. Diversified capital requirement for the consolidated Group SCR is then calculated from these risk-specific SCRs.

- 2) Sampo plc's share of the capital requirement of other related undertakings, that are not a part of the consolidated SCR, is added to the consolidated Group capital requirement.

The Group SCR considers diversification only within the consolidated Group thus excluding the diversification benefit related to other related undertakings that are not consolidated.

The Group's own funds under Solvency II rules is the excess of assets over liabilities including any subordinated liabilities which may be called up to absorb losses and minus own shares held directly. Assets and liabilities are valued at market value and all intra-group transactions are eliminated. The excess of assets over liabilities is classified into tiers 1–3. The tiers reflect the degree of loss absorbency of own funds in the event of a winding up. Adjustments are made if all own funds are not available or eligible at the Group level.

The Group's own funds and SCR are calculated by a consolidation method. The consolidated Solvency II Group consists of If, Mandatum Life, Topdanmark and Hastings, and the holding company Sampo plc. Capital requirements of other related undertakings are then added to the consolidated Group SCR. The Minimum Consolidated Group SCR ("MCR") is determined by adding up the Solo MCRs of the insurance entities consolidated for the Group SCR calculation.

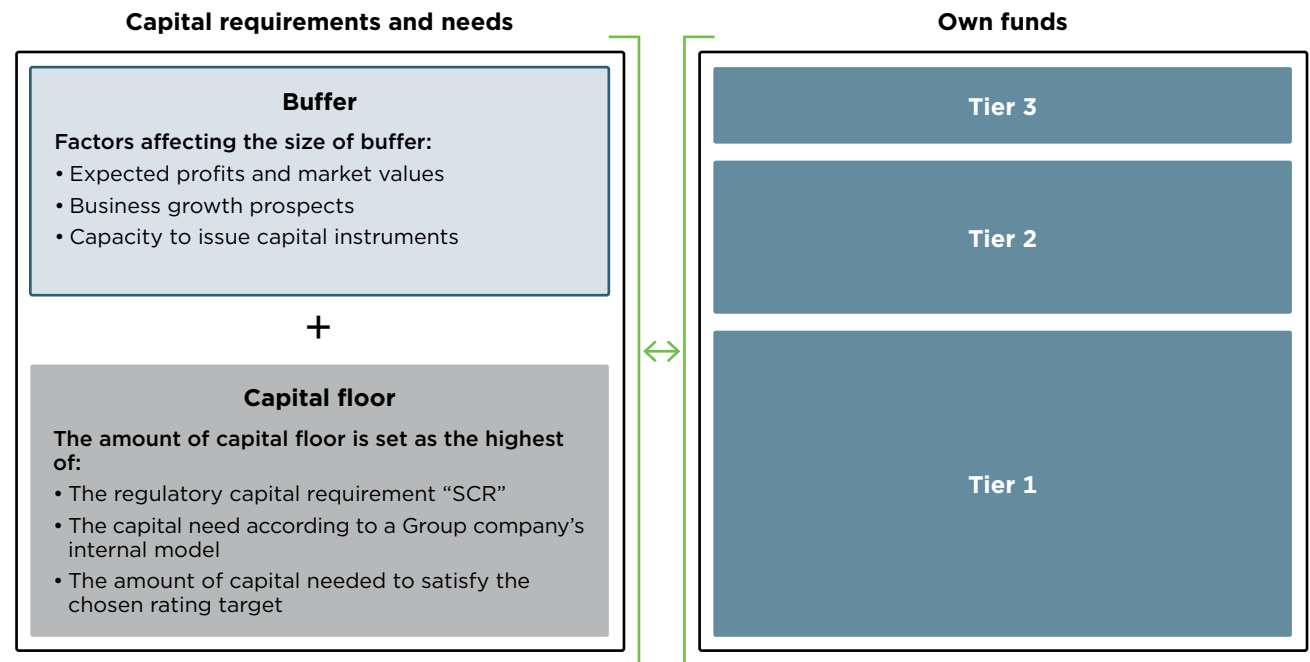
Capitalisation at the sub-group level

Subsidiary balance sheets are calibrated to cover needs for business plans and to provide a stable dividend. The total need for capital at the sub-group and company level is assessed in a fairly similar way as on the Group-level. First, a capital floor is defined as the minimum level of own funds the company needs to run its business

operations normally. Because risk exposures and profits evolve continuously over time and capital can sometimes erode rapidly due to stressed situations, there is a need to have a certain buffer, which together with the capital floor form the actual amount of capital.

The graph Sampo Group companies' capitalisation framework illustrates Sampo's approach to sub-group and company-level capitalisation.

Sampo Group companies' capitalisation framework



The SCR sets the minimum level of capital at which a company can conduct its business without regulatory intervention. Regardless of whether the regulatory capital requirement is calculated using the internal model or the standard formula ("SF"), it reflects a 99.5 per cent confidence level, i.e. the same probability of default as a BBB rating from major rating agencies. If the company's clients and counterparties prefer a higher than BBB creditworthiness from their insurance company, the level of capital must always be higher than the SCR, to ensure the company's ability to serve its client base.

To serve its current clients, If is maintaining a Single A rating which effectively implies that If's capital floor – the level to which it compares its actual capital – is higher than the SCR. Mandatum, Topdanmark and Hastings consider the SCR to be an adequate capital floor. Topdanmark's Group solvency is calculated according to Solvency II rules. Topdanmark uses a partial internal model to calculate the non-life insurance risk (and the volatility adjustment until 31 December 2022) when calculating technical provisions, which are both approved by the Danish FSA. Hastings and its underwriting subsidiary, Advantage Insurance Company Ltd, calculate their SCR using the standard formula, apply a volatility adjustment and have permission to use Group Specific Parameters (GSPs) for Hastings and Undertaking Specific Parameters (USPs) for Advantage in the SCR calculation. Mandatum is also applying the volatility adjustment when calculating technical provisions for solvency purposes.

As noted earlier, there is a need to have a certain buffer between the actual amount of capital and the capital floor defined by the company. An adequate buffer gives time for the company to adjust its risks and capital in times of stress and to maintain the balance between risks and capital. An adequate buffer also gives confidence to supervisors and counterparties, which makes another motivation for the buffer.

In Sampo Group the management steers the balance between SCR/rating agency capital target and OF through their decisions on strategy, risk profiles, dividend payments, capital instrument issuances and technical provisions. In the long run, a sound profitability and satisfied clients are the most important factors in maintaining an adequate capitalisation.

The following factors are the most material when the size of buffers is considered in Sampo Group companies:

- The higher the level of expected profits and the lower the volatility of profits and market value of balance sheet, the less is the volatility of own funds and thus the smaller is the buffer.
- When the business is growing, the buffer is larger than in the case of a run-off-business. For instance, in Mandatum Life, the capital consuming with profit business has already been in a virtual run-off mode for years.

- More ability and capacity to issue Solvency II compliant capital instruments means that a lower buffer is needed.

When the balance between profits, risks and capital is maintained, the following three goals of Sampo Group are simultaneously obtainable:

- The business activities can be conducted without supervisory intervention.
- The business activities can be conducted with all targeted client bases and the company has access to financial and debt issuance markets on the terms and conditions implied by the company's creditworthiness.
- The targeted dividends can be paid to shareholders in the long run without endangering the balance between risks and capital.

On a sub-group and company level, a target can also be set for the capital structure. In general, Sampo Group is in favour of a strong capital structure and as a result Sampo Group companies currently have, according to Solvency II rules, room for new hybrid capital and subordinated debt instruments in their balance sheets.

Appendix 5: Valuation for solvency purposes

Sampo Group Solvency II balance sheet is derived from Sampo's consolidated IFRS financial statements, which are adjusted in accordance with Solvency II regulation. The IFRS accounting principles "Summary of significant accounting principles" are presented in **Sampo Group's Financial Statements** in **Notes to the financial statements** (www.sampo.com/year2022). A large majority of Sampo Group's assets are valued at fair value on the IFRS balance sheet based on market values. No significant alternative valuation methods are used. The fair values of financial liabilities and properties are given in the notes to the IFRS accounts.

The determination of the fair values is presented in Sampo Group's Financial Statements in Notes to the accounts/Summary of significant accounting policies/ Fair value and Investment property and in the notes Fair values and Determination and hierarchy of fair values.

For comparison purposes the values derived from Sampo's consolidated IFRS financial statements are mapped in accordance with the Solvency II balance sheet presentation in the table Solvency II adjustments, Sampo Group, 31 December 2022. Only main rows are presented.

The currency used is the Group's reporting currency, the euro.

The scope of Sampo Group in the Solvency II framework is the same as the scope used in Sampo Group's financial statements.

Solvency II adjustments

Sampo Group, 31 December 2022

| Assets, EURm | IFRS value* | Solvency II value | Adjustment |
|---|---------------|-------------------|---------------|
| Goodwill, intangible assets and deferred acquisition cost | 3,675 | 0 | -3,675 |
| Deferred tax assets | 17 | 45 | 28 |
| Property, plant & equipment held for own use | 340 | 341 | 2 |
| <i>Investments (other than unit-linked)</i> | 19,745 | 19,738 | -7 |
| <i>Property other than for own use</i> | 166 | 166 | 0 |
| <i>Holdings in related undertakings</i> | 16 | 16 | 0 |
| <i>Equities</i> | 2,015 | 2,015 | 0 |
| <i>Bonds</i> | 14,857 | 14,853 | -4 |
| <i>Collective investments undertakings</i> | 2,045 | 2,045 | 0 |
| <i>Derivatives</i> | 101 | 98 | -3 |
| <i>Deposits other than cash equivalents</i> | 544 | 544 | 0 |
| Asset held for unit-linked contracts | 9,934 | 9,934 | 0 |
| Loans and mortgages | 408 | 407 | 0 |
| Reinsurance recoverables | 2,271 | 1,843 | -428 |
| <i>Non-life and health similar to non-life</i> | 2,270 | 1,779 | -492 |
| <i>Life and health similar to life</i> | 0 | 64 | 64 |
| Insurance and intermediaries receivables | 2,223 | 475 | -1,748 |
| Reinsurance receivables | 35 | 52 | 17 |
| Receivables (trade, not insurance) | 217 | 151 | -67 |
| Own shares (held directly) | 0 | 181 | 181 |
| Cash and cash equivalents | 2,907 | 2,907 | 0 |
| Any other assets, not elsewhere shown | 261 | 225 | -35 |
| Total assets | 42,033 | 36,300 | -5,732 |

* In IFRS Sampo's financial assets consist of equity and debt instruments available for sale and fair value through profit/loss, derivatives and loans and receivables. Financial liabilities in IFRS consist of derivatives and other liabilities e.g. subordinated liabilities and other debt securities in issue.

| Liabilities, EURm | IFRS value | Solvency II value | Adjustment |
|---|---------------|-------------------|---------------|
| Technical provisions – non-life | 11,435 | 8,298 | -3,137 |
| Technical provisions – life | 5,147 | 4,207 | -940 |
| Technical provisions – unit-linked | 9,908 | 9,501 | -407 |
| Provisions other than technical provisions, Pension benefit obligations | 82 | 82 | 0 |
| Deferred tax liabilities | 514 | 524 | 10 |
| Derivatives | 55 | 55 | 1 |
| Financial liabilities other than owed to credit institutions | 1,616 | 1,527 | -89 |
| Insurance and intermediaries payables | 348 | 237 | -111 |
| Reinsurance payables | 280 | 219 | -61 |
| Payables (trade, not insurance) | 620 | 554 | -67 |
| Subordinated liabilities | 2,001 | 1,723 | -278 |
| Any other liabilities, not elsewhere shown | 483 | 477 | -6 |
| Total liabilities | 32,489 | 27,404 | -5,085 |
| Excess of assets over liabilities | 9,543 | 8,896 | -647 |

According to the Solvency II balance sheet the excess of assets over liabilities for the Group per 31 December 2022 was EUR 647 million less than the respective IFRS figure. On the asset side the main differences are due to the different treatment of intangible assets and inclusion of future undue premium receivables in technical provisions instead of assets. On the liability side, there are material differences related to technical provisions due to different classification of some items and valuation principles. These differences are discussed in the next sections.

Assets

In the Group Solvency II balance sheet goodwill, intangible assets and deferred acquisition costs are valued at zero.

While recognition of deferred taxes is consistent with the IFRS accounts, Solvency II adjustments affect the carrying values in the Solvency II balance sheet and thus give rise to additional deferred tax effects. Solvency II valuation increased deferred tax assets by EUR 28 million and deferred tax liabilities by EUR 10 million. The difference is mainly due to elimination of certain assets (intangible assets, etc.) and differences in the calculation of technical provisions.

Loans and mortgages are valued at amortised cost, which is not in line with the treatment for financial assets in Solvency II. Sampo, however, considers the IFRS value to be substantially commensurate with the fair value of the loans.

Participations are reported in Sampo's Solvency II consolidated balance sheet using the adjusted equity method, or where applicable, the IFRS equity method. Participations refers to undertakings in which Sampo Group directly or indirectly has significant influence, which is normally the case when the shareholding amounts to a minimum of 20 per cent of the capital or voting rights for all shares in the company.

Reinsurance recoverables represent the reinsurers' share of the best estimate, less expected counterparty default. Consistently with technical provisions, these amounts are calculated in line with the Solvency II requirements.

Under Solvency II the technical provisions should fully consider all cash inflows and outflows. Therefore, regarding the policies in force, the future premiums expected but not yet due are not recognised as receivables. Instead, they are included in the premium provision based on a best estimate, which differs from the treatment under the IFRS, where premium receivables are recognised in the balance sheet. Thus, receivables of EUR 1,748 million were reclassified from premium receivables to insurance liabilities. Receivables in Solvency II relate only to the amounts due for payments by policyholders, insurers, and others linked to insurance business.

The adjustment of receivables (trade receivables, not insurance receivables) relates to netting of receivable amounts in relation to the Finnish medical malpractice pool ("MMP"), public sector, which are treated as part of the Solvency II best estimate technical provisions, whereas in Sampo Group's consolidated accounts the MMP provision public sector is recognised as other assets/liabilities. Receivables of EUR 67 million are reclassified from trade receivables to the insurance obligation.

In Solvency II Own Shares EUR 181 million are recognised on balance sheet whereas in IFRS Own Shares are deducted from Equity.

Technical provisions according to Solvency II in Sampo Group

In Solvency II, the value of technical provisions is equal to the sum of a best estimate and a risk margin.

The Best Estimate is determined as follows:

- First, all expected future insurance liability cash flows and cash flows related to the management and claims handling costs of insurance liabilities are estimated by the company at best effort basis based on recognised actuarial and statistical techniques.
- Second, all these cash flows are discounted by the risk-free interest rate term structure as defined and published by EIOPA.

The best estimate is calculated separately on a gross basis, without deduction of the amounts recoverable from reinsurance contracts, and on a net basis by considering the ceded amount representing amounts recoverable from reinsurance contracts.

The above calculations of the best estimate are done separately for each currency the company has insurance liabilities in and the currency specific discount curve as defined by EIOPA is used. This risk-free term structure

is based on market rates that are adjusted by credit risk adjustment and by volatility adjustment. The use of volatility adjustment is optional. This routine is followed up to the last liquid point of market rates as defined by EIOPA and it is defined separately for different currencies. The last liquid point is for example 20 years for the euro and 10 years for the Swedish krona. From the last liquid point and ahead, being the last point on the curve based on market rates, the risk-free term structure is affected by the Ultimate Forward Rate ("UFR") as defined by EIOPA.

The future expected cash flows of insurance activities are always estimating and hence their magnitude and timing are uncertain by their nature. For this uncertainty, and to arrive at a market consistent valuation of the liabilities, a company must consider the capital allocated for the run-off of the liabilities. Risk Margin is the cost of this capital and it is determined as follows.

- It is assumed that a company is hedging the market risk related to insurance liabilities entirely and is not writing any new business. Then all expected future cash flows of insurance activities match exactly with risk free asset cash flows in same currencies as insurance related cash flows.
- With the market risk SCR at zero and no new business being written, the company's SCR is related to the insurance risk, reinsurance credit risk and operational risk.

- Since no new business is written, the cash flows behind the best estimate will run off to zero over time. Based on these cash flows, the company calculates the future values of the best estimate and the resulting SCRs over the full depletion of the insurance liabilities.
- All the resulting future SCR values are discounted to one present value with the risk-free rate as defined by EIOPA.
- Finally, to get the risk margin, the cost for holding the SCR until full run-off of the best estimate is calculated by multiplying the sum of the future SCRs by 6 per cent – the cost of capital given by EIOPA.

Conceptual differences between Solvency II and IFRS technical provisions³:

- In Solvency II a "true best estimate" is defined as the mean of the full range of possible future outcomes of insurance cash flows without any cash flow add-ons based on prudence. The IFRS provisions may include prudential assumptions when the cash flows are estimated.
- In Solvency II, all cash flows are discounted by EIOPA's risk free interest rates whereas within the financial accounting regime not all cash flows are discounted, and when discounting, discount rates based on local regulations are typically used.

³ Until 31 December 2022, before IFRS 17 was in force

- The inclusion of future insurance events into Technical Provisions is fundamentally different in Solvency II and in financial accounting. The following points listed are illustrating these differences, but local financial accounting rules may be different than the ones used as examples here.
- Following the financial accounting rules, when an insurance company writes a premium, the full written premium is booked into the reserves now of the writing. This reserve is called the Unearned Premium Reserve ("UPR") and its conceptual purpose is to cover future insurance events on the written contracts. After the initial booking, the reserve is released linearly into earnings during the lifetime of the insurance contract – at the end of the contract period there is no UPR left and if the claims and costs related to the contract turned out to be lower than the written premium, a profit has been recognised.
- The corresponding component in the Solvency II Technical Provisions is called the Premium Provision ("PP"). This account estimates all the future insurance events and the corresponding best estimate cash flows related to contracts in force.

- The PP has a lower value than the UPR account if the written contract is estimated to be profitable. The higher the estimated profitability, the bigger the difference between the accounts.
- Effectively, the PP implicitly recognises the estimated profit of the contract via the difference between the UPR and the PP already at the inception of the contract. This means that the younger the contract, the bigger the difference between the UPR and the PP. As time goes by, both accounts decrease in value and the absolute difference between them becomes narrower and eventually diminishes as the contract expires and both accounts reach zero. Neither item ever reaches zero in an active insurance company since new business is written continuously. If a company would write an equal amount of exactly equal business each day, the difference between the items would remain constant over time.

- When a policy is written but no premiums are due yet, the whole premium is already booked as UPR in financial accounting and a corresponding receivable is booked on the asset side. In Solvency II, any insurance receivables that are not yet due are netted against the PP account. This effectively means that the balance sheet shrinks in size when going from financial accounting to Solvency II and that the difference between the UPR and the PP is the biggest when premiums are not yet due.
- In non-life business, the valuation difference between the UPR and the PP is the most material difference between the financial accounting and Solvency II Technical Provisions.
- A risk margin over the Best Estimate is included in the Solvency II Technical provisions.

The nature of technical provisions means that there is always uncertainty associated with the calculations since they inevitably involve assumptions about future events. Main risk factors affecting the reserve risk are described further in section Non-Life Insurance Underwriting Risks in **Appendix 2 Risk definitions**.

Sampo Group's insurance companies present the differences between IFRS and Solvency II Technical provisions in the next sections. Calculation methods, made assumptions and other decisions affecting the cash flows are described in more detail.

Technical provisions according to Solvency II in If

The differences between IFRS and Solvency II technical provisions are summarised in the table Technical provisions in IFRS and Solvency II, If, 31 December 2022.

Different principles are used for calculating the technical provisions in Solvency II and in the IFRS financial statements:

- The largest revaluation effect is due to the netting of expected premiums not yet due, amounting to EUR 1,239 million, affecting both the asset and liability side of the balance sheet to the same degree.
- The Solvency II risk margin increases the technical provisions by EUR 211 million.
- Other revaluation effects amounting to EUR 1,192 million include cash flow revaluation effects mainly on premium provisions as well as discounting effects. If, under IFRS, only discounts claims provision reserves for annuities;

- The basic risk-free rates used in the Solvency II balance sheet are derived for currencies DKK, EUR, GBP, NOK, SEK and USD, which cover more than 99 per cent of the technical provisions. For other currencies, either EUR or USD rates are used, and
- If uses the risk-free rates without volatility adjustment.

Further information regarding the reinsurance recoverables can be found in section Counterparty default risks in **Appendix 2 Risk definitions**.

Technical provisions in IFRS and Solvency II If, 31 December 2022

| Type of technical provisions | IFRS VALUE | | | | SOLVENCY II VALUE | | | | |
|---|-----------------|----------------------|---------------------|---------------|-------------------|-----------------|----------------------|---------------------|-------------------------|
| | Provision gross | Share of reinsurance | Technical provision | Best estimate | Risk margin | Provision gross | Share of reinsurance | Technical provision | SII value of IFRS value |
| Total, EURm | 8,798 | 326 | 8,473 | 6,308 | 211 | 6,519 | 267 | 6,252 | 74% |
| Health similar to life | 900 | 0 | 900 | 850 | 22 | 872 | 0 | 872 | 97% |
| Income protection insurance (annuities) | 56 | 0 | 56 | 53 | 2 | 55 | 0 | 55 | 99% |
| Medical expense insurance (annuities) | 2 | 0 | 2 | 2 | 0 | 2 | 0 | 2 | 98% |
| Workers' compensation insurance (annuities) | 842 | 0 | 842 | 795 | 20 | 815 | 0 | 815 | 97% |
| Health similar to non-life | 1,722 | 26 | 1,696 | 1,282 | 62 | 1,345 | 24 | 1,321 | 78% |
| Income protection insurance | 843 | 1 | 842 | 587 | 27 | 614 | 1 | 613 | 73% |
| Medical expense insurance | 322 | 1 | 321 | 208 | 10 | 217 | 0 | 217 | 68% |
| Workers' compensation insurance | 557 | 24 | 533 | 488 | 25 | 513 | 22 | 491 | 92% |
| Life excluding health | 921 | 0 | 921 | 835 | 18 | 853 | 0 | 853 | 93% |
| Fire and other damage to property insurance (annuities) | 4 | 0 | 4 | 4 | 0 | 4 | 0 | 4 | 97% |
| Other life insurance | 31 | 0 | 31 | -3 | 1 | -3 | 0 | -3 | (8)% |
| Motor vehicle liability insurance (annuities) | 870 | 0 | 870 | 819 | 17 | 836 | 0 | 836 | 96% |
| General liability insurance (annuities) | 16 | 0 | 16 | 15 | 1 | 16 | 0 | 16 | 100% |
| Non-life excluding health | 5,255 | 300 | 4,955 | 3,341 | 108 | 3,449 | 243 | 3,206 | 65% |
| Fire and other damage to property insurance | 1,820 | 164 | 1,657 | 1,223 | 30 | 1,254 | 140 | 1,114 | 67% |
| Marine, aviation and transport insurance | 117 | 15 | 102 | 92 | 4 | 96 | 12 | 84 | 82% |
| Other motor insurance | 1,017 | 2 | 1,014 | 356 | 9 | 365 | 1 | 363 | 36% |
| Motor vehicle liability insurance | 1,462 | 1 | 1,461 | 993 | 34 | 1,027 | 1 | 1,026 | 70% |
| General liability insurance | 839 | 118 | 721 | 677 | 31 | 708 | 89 | 618 | 86% |

Technical provisions according to Solvency II in Topdanmark

The IFRS and Solvency II technical provisions are presented in the table below, Technical provisions in IFRS and Solvency II, Topdanmark, 31 December 2022.

The calculation of best estimate liabilities is basically the same.

The IFRS risk margin for the non-life company Topdanmark Forsikring is calculated following the Solvency II principles. The Solvency II risk margin is calculated using a 6 per cent cost of capital on insurance risk, counterparty default risk and operational risk.

In IFRS the profit margin for non-life is presented as an insurance provision, while in Solvency II it forms part of the Solvency II own funds deducted by tax liabilities.

All the best estimate insurance liabilities are discounted using the volatility adjusted Solvency II interest rate curve for DKK.

Technical provisions in IFRS and Solvency II

Topdanmark, 31 December 2022

| EURm | | IFRS value | SII value | Adjustment |
|----------------------|-----------------------|--------------|--------------|-------------|
| Non-life gross | Best estimate | 1,582 | 1,582 | 0 |
| | Risk margin | 15 | 16 | 1 |
| | Profit margin | 189 | 0 | -189 |
| | Total non-life | 1,786 | 1,598 | -188 |
| | | | | |
| Life insurance gross | Best estimate | 0 | 0 | 0 |
| | Risk margin | 0 | 0 | 0 |
| | Profit margin | 0 | 0 | 0 |
| | Total life | 0 | 0 | 0 |
| | Total | 1,786 | 1,598 | |

Technical provisions according to Solvency II in Hastings

Reserving accuracy is one of Hastings' principal risks and, therefore, is subject to stringent controls. In 2022, AICL followed its well-established framework in which the Hastings Group Chief Actuary calculates the best estimate and the Hastings Group Senior Actuary separately verifies the data, appropriateness of techniques utilised, and assumptions used to create the best estimate. An additional best estimate is created by an independent third party with differences between the third party, the Senior Actuary and the Chief Actuary scrutinised by the

board. Supporting these processes are a series of monthly, quarterly, and semi-annual controls to ensure reserve adequacy.

In the technical provision calculations, best estimate liabilities and risk margin are also calculated separately. The valuation of the best estimate liabilities (claims and premium provisions, gross and reinsurers' share) is calculated on a discounted cash flow basis.

The steps in the calculation process are:

- Projection of future claims payments based on the IFRS reserves and historic claims payment patterns.

- Addition of loadings for management overhead and investment expenses and, for premium provisions, including the cost of future PPOs.
- For premium provisions, the removal of unpaid premiums and adjustments for expected future lapses and 'Bound But Not Incepted' (BBNI) business.
- For claims and premium provisions, further adjustments for 'Events Not In Data' (ENID) and, for the reinsurers' share, expected losses due to reinsurer default.
- Finally, the cash flows are discounted back to the valuation date using the EIOPA prescribed risk-free yield curve at as that date.

Technical provisions in IFRS and Solvency II

Hastings, 31 December 2022

| Type of technical provisions | IFRS VALUE | | | Best estimate | SOLVENCY II VALUE | | | | |
|---|-----------------|----------------------|---------------------|---------------|-------------------|-----------------|----------------------|---------------------|-------------------------|
| | Provision gross | Share of reinsurance | Technical provision | | Risk margin | Provision gross | Share of reinsurance | Technical provision | SII value of IFRS value |
| Non-life excluding health, EURm | 3,014 | 1,874 | 1,140 | 2,213 | 51 | 2,264 | 1,455 | 809 | 71% |
| Fire and other damage to property insurance | 35 | 2 | 34 | 32 | 2 | 34 | 1 | 33 | 97% |
| Marine, aviation and transport insurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | —% |
| Other motor insurance | 834 | 524 | 310 | 71 | 2 | 73 | 42 | 31 | 10% |
| Motor vehicle liability insurance | 2,145 | 1,348 | 797 | 2,110 | 47 | 2,157 | 1,412 | 744 | 93% |
| General liability insurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | —% |

The risk margin is estimated by projecting forward the individual components of the SCR and then discounting back to the valuation date using the risk-free yield curve. The cost-of-capital rate in the calculation is 6 per cent.

The two main sources of uncertainty associated with the technical provisions are:

- Ultimate cost of settling claims incurred at the valuation date – past incurred claims break down into those reported to AICL at the valuation date and those yet to be reported at that date.
- Claims costs arising from incidents that have yet to occur at the valuation date – there is relatively more uncertainty about future claims costs than about the ultimate cost of past claims because, nothing is known about future claims.

Ultimate claims costs are based broadly on analysis of past claims experience, although several factors act to reduce the reliability of prior experience as a guide to the future. Such factors include claims cost inflation, market-wide changes such as the Ogden discount rate reduction, changes to internal claims management procedures and changes in claimant and solicitor behaviour.

Technical provisions according to Solvency II in Mandatum

To calculate Solvency II technical provision Mandatum produces the cash flows of insurance policies by using best estimate parameters and assumptions and stochastic investment market scenarios consistent with Solvency II discount rates. Stochastic market scenarios are particularly needed for the valuation of economic guarantees and policyholder options embedded in insurance contracts. Probability weighted present value of these cash flows is so called best estimate liability. Solvency II technical provision is best estimate liability plus risk margin.

The differences between IFRS and Solvency II technical provisions with transitional measures are summarised in the table Technical provisions in IFRS and Solvency II, Mandatum, 31 December 2022.

Mandatum applies the transitional measures on technical provisions for its Solvency II technical provision regarding its original pension policies with 3.5 per cent and 4.5 per cent guarantees. Also, a volatility adjustment is applied when technical provisions are calculated. The size of Solvency II liabilities with transitional measures is EUR 11,559 million and EUR 11,897 million without transitional measures. Hence the transitional measures on technical provisions increase the amount of OF after tax by EUR 271 million. Mandatum applies standard formula without undertaking-specific parameters or simplified calculations.

Accounting principles of life insurance contracts are presented in Sampo's Annual Report/Financial Statements/Notes to the accounts/Summary of significant accounting policies/Life insurance business.

Technical provisions in IFRS and Solvency II Mandatum, 31 December 2022

| EURm | IFRS value | Solvency II value | Adjustment |
|--|--------------|-------------------|------------|
| Technical provisions - life (excluding unit-linked) | 2,967 | 2,053 | 914 |
| Best estimate | | 1,959 | |
| Risk margin | | 95 | |
| Technical provisions - unit-linked | 9,912 | 9,505 | 407 |
| Best estimate | | 9,440 | |
| Risk margin | | 65 | |

Other liabilities

The effects of Solvency II valuation on Sampo's other liabilities than technical provisions are limited, consisting mainly of the valuation impact on financial liabilities and payables balances related to the technical provisions.

Other liabilities than technical provisions are valued by discounting future cash flows with the government yield plus calculated spread at inception. This decreased the amount of financial liabilities in Solvency II balance sheet by EUR 89 million.

Deferred tax liabilities are discussed above in connection with deferred tax assets.

The reclassification of medical malpractice pool public sector from a service contract to an insurance contract effect also payables balances. Payables of EUR 67 million are reclassified from trade payables to the insurance obligations.

Other provisions than technical provisions and contingent liabilities do not give any additional rise to either new liabilities being recognised for solvency

purposes or existing liabilities being recognised differently to their financial statement recognition.

Provisions, pension benefits as well as **contingent liabilities and commitments** are presented in **Sampo's Financial Statements** (www.sampo.com/year2022).

There are no major financial leasing arrangements in Sampo Group.

2022

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