Group CEO’s Review

Setting the pace in Nordic P&C insurance

Sampo Group delivered a solid result on the back of excellent performance in our P&C insurance business. This illustrates the resilience of the Group in challenging capital markets. We also took major steps in executing on our strategic agenda.

Sampo’s P&C insurance business had an outstanding 2022 as we outperformed our Group-level targets by a margin. Underwriting profit increased by 13 per cent, excluding the COVID-19 effects in 2021, to its highest-ever level of over EUR 1.3 billion, while our combined ratio of 82.1 per cent was comfortably within the target of below 85 per cent. The strong result was driven mainly by an excellent performance in our market-leading Nordic P&C insurance operations.

Nordic market conditions remained stable over the year, supporting attractive premium growth of 7 per cent in our largest business area If. We implemented rate increases in excess of claims inflation of 4–5 per cent, while maintaining high retention

SAMPO GROUP

> Outstanding year for P&C insurance: We outperformed our Group-level targets by a margin.

and increasing customers count through growth in areas such as home and personal insurance, and with SMEs. We also grew premium volumes with large corporations on the back of rate increases.

Excellent customer service is instrumental in ensuring the high retention rates that we enjoy in the Nordics. We continuously receive high scores in customer satisfaction surveys, which are the result of the substantial investments we have made into our digital offering over the last decade, and our commitment to always putting our customers first. In 2022, the digital channels accounted for 50 per cent of direct incoming sales to private customers, while 57 per cent of claims were reported online. However, high retention also requires us to offer customers good value; the efficiency gains that our IT investments have enabled, combined with our continuous cost focus, have allowed us to be competitive without compromising on our profitability.

In the UK, motor market conditions remained challenging in 2022, not least because of rapid developments in claims trends, including a sharp rise in claims inflation. Given this uncertainty, we prioritised underwriting discipline over volume growth in the motor business, allowing us to deliver good profitability despite the difficult backdrop. In contrast, we achieved a 33 per cent increase in customers in home insurance thanks to favourable market conditions following the implementation of the GIPP reforms. With its leading digital capabilities and lean operating platform, I firmly believe that our UK business is in pole position to deliver attractive profit growth once UK motor market conditions improve.

Higher interest rates add to earnings power

In the capital markets, 2022 was no doubt one of the most challenging years in recent history as a plethora of political and macroeconomic events related to the war in Ukraine, such as rising interest rates and accelerated inflation, unfolded. The weak markets naturally had an adverse effect on our mark-to-market investment returns throughout the year.

More encouragingly, the increase in interest rates added EUR 230 million to our annual earnings capacity – a benefit that our shareholders will reap in future years – and supported our solvency position. The rapid increase in earnings power was enabled by the short duration of our fixed income portfolios, which allowed us to reinvest relatively quickly into higher-yielding instruments.

Delivering on our strategic agenda

During 2022, we achieved a key milestone by completing the exit from Nordea, thus becoming a pure insurance group with substantially reduced market risk exposure.

While the Nordea exit was a big step, we continue to explore further opportunities to simplify the group structure, enhance returns, and increase resilience. For example, over recent months, the Board of Directors has undertaken a strategic review of the role of our life and wealth management business, Mandatum, within the Group. Beyond this, we are retaining a number of other options to work on capital allocation.

Executing on our commitment to disciplined capital management

Sampo's simplification journey has generated substantial excess capital, which we have deployed in a disciplined manner with shareholder value creation in mind. In 2022 alone, we returned in total EUR 2.5 billion of excess capital through share buybacks and dividends. Meanwhile, in February 2023, we announced a further EUR 1.7 billion of capital returns, including a dividend proposal for EUR 2.60 per share with respect to the financial year 2022.

Allowing for the actions outlined above, Sampo's financial strength remains excellent, while the resilience of our business and balance sheet has also improved. We remain committed to disciplined capital management in 2023 and beyond.

A valuable legacy

Last but not least, I would like to extend my gratitude to Björn Wahlroos, Sampo's Chair of the Board since 2009 and Group CEO before that, for his huge commitment and contribution to Sampo for over 20 years. Although "Nalle", as he is usually known, will be leaving the Board of Directors this May, I can assure shareholders that Sampo will retain the razor-sharp focus on profitability and value creation that he has instilled in the Group over so many years.

Torbjörn Magnusson
Group CEO