2023

Risk Management Report

SAMPO GROUP

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Sampo Group's structure and business model

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Sampo Group's structure and business model

Sampo Group is the leading property and casualty insurance group in the Nordic region and a major operator in the growing digital P&C insurance market in the UK. Sampo Group has over 7 million customers and it employs 13,300 people.

The Group's annual gross written premiums totalled EUR 8.9 billion in 2023 of which the Nordic market represented for 77 per cent. The Group's operations are diversified by geography, line of business and customer group. Sampo Group operates in Sweden, Norway, Finland, Denmark, the UK, and the Baltic countries and its largest customer group is private customers, which accounts for 64 per cent of the annual premiums. The Group is also a leading provider of P&C insurance in Nordic commercial and industrial business.

Sampo's purpose is to provide safety and create value to its customers, owners and other stakeholders through understanding risks and offering high-quality insurance solutions. Sampo is a stable and trustworthy partner that always acts in a fair and transparent manner. It aims at the best outcomes for its stakeholders and offers the most appropriate solutions for customers' needs.

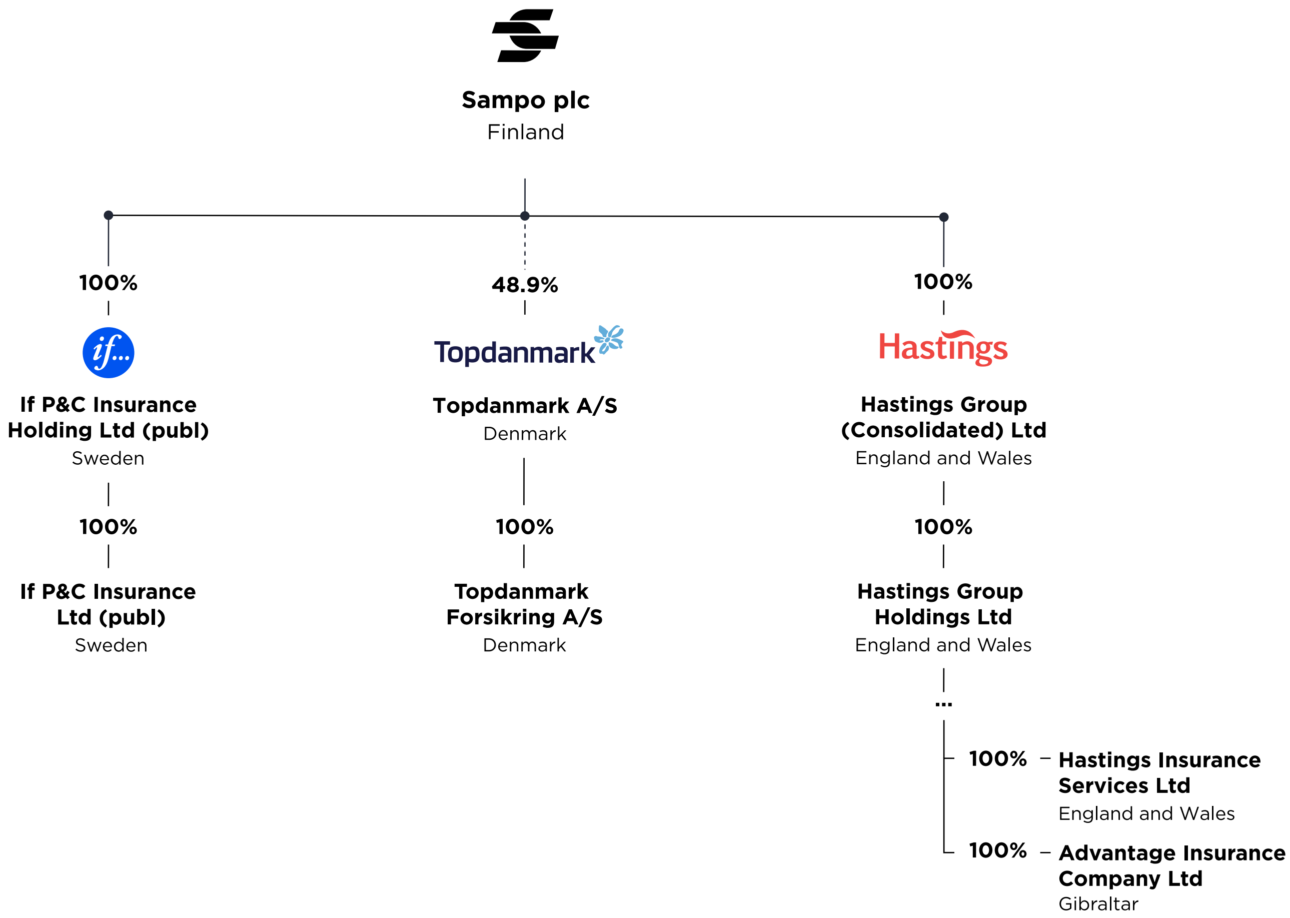
Sampo's ambitions are supported by a strategy based on disciplined underwriting, strong operational capabilities and customer centricity. The Group continuously invests in its people and technology to ensure that it maintains its competitive edge. Combined with careful risk management, this enables Sampo to deliver excellent customer outcomes, attractive margins and strong financial resilience.

The business activities are conducted by the subsidiaries If P&C Insurance Holding Ltd (publ) ("If"), Hastings Group (Consolidated) Limited ("Hastings") and Topdanmark A/S ("Topdanmark"). The first two 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 48.9 per cent holding of shares and 49.6 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.

Sampo Group structure

31 December 2023



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 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.

On 29 March 2023, the Board of Directors proposed to the Annual General Meeting a partial demerger of Sampo plc to separate Mandatum from Sampo Group. The Annual General Meeting held on 17 May 2023 resolved to approve the partial demerger as set forth in the demerger plan approved by the Board on 29 March 2023. The demerger was successfully completed on 1 October 2023.

In the demerger, all of the shares in Mandatum Holding Ltd (a wholly-owned direct subsidiary of Sampo plc) and related assets and liabilities were transferred without a liquidation procedure to Mandatum plc, a company incorporated in the demerger on the effective date. Mandatum shares were listed on Nasdaq Helsinki on 2 October 2023.

Following the completion of the demerger of Sampo plc, the Swedish FSA (Finansinspektionen) became Sampo's group prudential supervisor as of 1 October 2023. As a result, Sampo refiled its application for a Group Partial Internal Model to the Swedish FSA on 2 October 2023. The application had previously been filed with Finnish FSA. Sampo expects that the application process will be completed during the first half of 2024.

The Partial Internal Model recognises the risk profile of Sampo's P&C operations better than the Standard Formula.

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: internal dividends, Topdanmark's hybrid capital owned by If, and service charges. Service charges are related to intragroup outsourcing agreements. Sampo has outsourced its IT platform services and payroll accounting to If. In addition, If provides some of the support functions for Sampo plc's investment department. 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 (**Board of Directors' Report**, **www.sampo.com/year2023)** have owned their holdings for many years. As said earlier, Sampo Group's main supervisor is the Swedish 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 2023 Sampo Group's auditor was Deloitte Ltd.

Sampo Group applies IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments from 1 January 2023. Comparative information (IFRS 17) for the year 2022 has been restated, and IAS 39 is applied. For more information on the implementation, please see Board of Directors report's note on accounting principles section IFRS 17 and IFRS 9 transition impacts (**www.sampo.com/year2023**). Implementation of IFRS 17 or IFRS 9 does not have an impact on the Solvency II calculations.

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 75 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 one of four strategic foundations for If 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-related risks, such as climate change risk, are not assessed and reported as a stand-alone risk category within If's Risk Management System. Instead, the risks are an integral part of assessments of each main risk category.

Despite uncertain outlooks, the Nordic countries experienced stable economic performance with modest growth in 2023. The financial markets remained resilient, and innovation in sectors like technology and renewable energy played an important role in shaping the economic landscape. However, challenges such as global economic volatility and fluctuating commodity prices influenced the financial conditions in the region and thereby If's main markets as well. Natural hazard disasters following the storm Hans and extreme winter conditions in northern Scandinavia have also been part of a challenging year. If's business model has nevertheless proven solid due to its high degree of diversification and long-standing tradition of remote and online-based distribution. As at year-end, If could present strong results where key performance indicators such as premium growth, cost ratio and return on equity outperformed their targets.

Topdanmark Group

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

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

In March 2023, Topdanmark signed an agreement to acquire Oona Health A/S and on 1 December 2023 the acquisition was formally completed. Oona Health A/S comprises, among others, the insurance company Dansk Sundhedssikring A/S which is market leading and focused on sales and administration of health insurances. Dansk Sundhedssikring A/S offers various healthcare services including physiotherapy, chiropractic and psychology for e.g. insurance companies, pension companies, other private companies and municipalities. PrimaCare A/S delivers part of the value chain related to health insurances. Today, Topdanmark is a focused non-life insurance company with a strategy of creating profitable growth in its core business. Health solutions are core products on the non-life insurance market, and the acquisition of Oona Health A/S is an important investment in delivering the best products and services to Topdanmark's customers. At the same time, Topdanmark secures a strong position in a fast-growing market with high customer loyalty.

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 partners.

Topdanmark seeks to improve customer experience and cost efficiency by digitalisation, innovation and new technology.

Topdanmark has 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. The process of implementing a new IT system for administration of Topdanmark's customers made significant progress during 2023, and the implementation is progressing according to the implementation plan.

For Topdanmark, social, environmental and financial sustainability is part of our core business. Every day everybody works to create financial and social security for all Topdanmark's customers, employees and society in general. Sustainability is a natural part of all the decisions and actions taken e.g. in relation to procurement, claims handling, product development, intake of new customers, and investments.

Hastings Group

Hastings Group ("Hastings") 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 ("PCW"s). 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, with a third business growing steadily. The Retail business, Hastings Insurance Services Limited (trading as "Hastings Direct", "HISL"), regulated by the Financial Conduct Authority ("FCA") in the UK, 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 ("Advantage"), based in Gibraltar and regulated by the Gibraltar Financial Services Commission ("GFSC"), engages in risk selection, technical risk pricing, reserving and oversight of claims handling. The majority of all policies are directly underwritten by Advantage, with the remaining underwritten by a panel of insurance partners who provide additional underwriting capacity.

Hastings Financial Services Limited ("HFSL"), a third growing business within the Group, fully owned by HISL, is a provider of regulated consumer credit in the form of personal loans, gained FCA authorisation in October 2022. The current personal loan product offered is developed for customers aged between 18-74, with prime credit profiles seeking unsecured credit for purposes such as vehicle purchase, debt consolidation, or home improvements. HFSL operates on a non-advised basis and focuses on providing good customer outcomes. All loans are distributed digitally, principally through PCWs and targeted at and designed for customers who prefer to purchase and interact with products in this manner.

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. These areas of focus are designed to enable Hastings' three ESG goals: Embed sustainability in Hastings' culture and products, net-zero business by 2050 (or sooner), and recognition of Hastings' positive impact across the market and 4Cs. 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 Advantage 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 Advantage.

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

Examples of external drivers

Changes in physical environment (e.g. climate change), preferences, economic or social conditions, taxation and regulations; technical innovations, availability of data

Exogenous factors

- Clients' preferences in general and/or demand for company's products changes
- New or existing competitors are able to outperform company by better and/or cheaper products
- Increasing or changing regulations from public sector

Endogenous factors

- Company's inability to identify the changes in competitive landscape
- Company's unwillingness to act according to identified changes
- Company's inability to adjust to changes due to inflexible structures

- Volumes and/or margins of company's products decrease suddenly or gradually
- Capital requirements and/or costs increase due to regulatory changes

- Volumes and/or margins of company's products decrease
- Costs increase
- Loss of talent
- Loss of focus and organisational coherence

Negative impact on financial results, capitalisation and long-term profitability
Loss of clients and business

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's 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 sustainability related risk drivers for Sampo Group are described in more detail in appendix 3 **Sustainability** 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.

Reputational risk

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 refers to the risk of potential damage to the company through deterioration of the reputation amongst customers and other stakeholders.

Reputational risk is related to all activities 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.

Sampo Group business and risk strategy

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 at 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 mitigates 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 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 later sections as well as the parent company's role as a risk manager of group-wide risks and as a source of liquidity.

Sampo's risk management strategy 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 our clients;
- Ensure the overall efficiency, security and continuity of operations;
- 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;
- 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; 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 Group.

Sampo Group risk management system

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Sampo Group risk management system

The purpose of risk management is the creation and protection of value. The risk management system is part of the larger internal control system, and it integrates risk management into the governance of the Group and into its significant activities and functions, including decision making. The risk management system includes the risk management principles and the corresponding policies, in addition to the organisational structures and processes by which risks are being managed.

The central tasks in the risk management process are as follows:

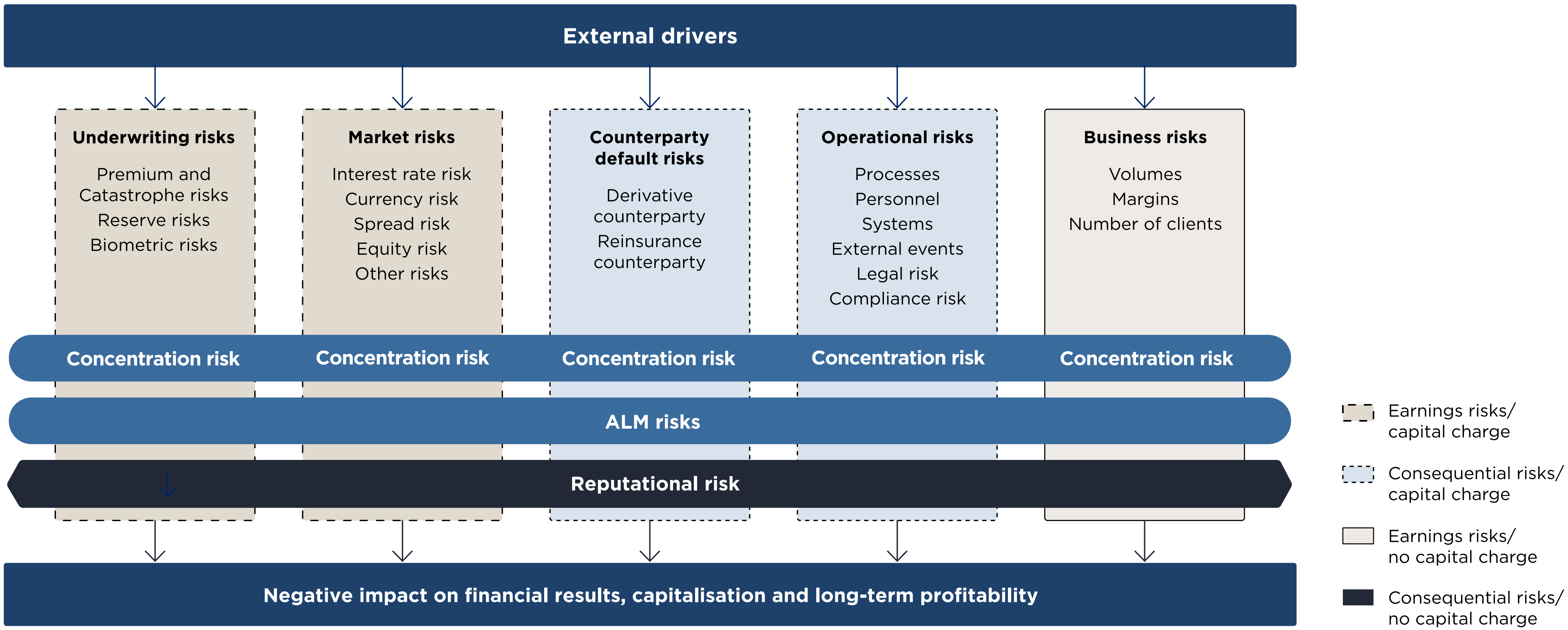
- Identification of risks: The risks involved in business operations and business environment, are monitored continuously together with earnings potential. In particular, when new services are launched or business environment is changing, earnings potential and risks including reputational risks shall be thoroughly analysed.
- Assessment of capital need: The capital need to cover measured risks, risk-based capital, is assessed and analysed regularly by risk types and over risks and business areas. In addition, management considers the size of the buffers over risk-based capital to get actual amount of capital.
- Pricing of risks: Sound pricing of customer transactions and careful risk/return consideration of investments is the prerequisite for achieving the targeted financial performance and profitability over time. In general, the starting points of insurance policy pricing and investment decisions are (i) adequate expected return on allocated capital and (ii) operating costs.
- Managing risk exposures, capital positions and operational processes: The risks of insurance liabilities, investment portfolios and operative processes and capital positions are adjusted to maintain a sound risk to return ratio and return on capital.
- Measuring and reporting of risks: Results, risks, profitability and needed capitalisation are measured, analysed and reported by Finance and Risk Management functions, which are independent from business activities

Classification of risks

In Sampo Group, the risks associated with business activities fall into the categories shown in the picture Classification of risks in Sampo Group.

Business risks and reputational risks have already been discussed in section Sampo Group's structure and business model, and therefore in the following the focus is on the remaining risk categories.

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.

Sustainability approach

Sampo Group has a sustainability programme, which drives Group level sustainability work. The programme consists of five strategic sustainability themes: Business management and practices, Corporate culture, Investment management and operations, Products and services, and Communities. In addition, the Group is committed to protecting the environment and combatting climate change.

Climate-related risks and opportunities at Sampo Group are identified, assessed, and managed primarily in the insurance subsidiaries, where the actual business operations are being carried out.

A more detailed description on sustainability can be found in **Appendix 3.**

Core risk management activities

To create value for all stakeholders in the long run, Sampo Group 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. 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.

Underwriting risks

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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.

Insurance underwriting risks

Insurance underwriting risks are divided into premium and catastrophe risks, reserve risk and biometric risks as illustrated in the graph Insurance underwriting risks.

Insurance underwriting risks

External drivers

Technical and medical innovations, emerging infectious diseases, changes in climate, natural disasters, changes in lifestyles, economic environment, inflation, laws, taxation and regulations

Changes in the timing, frequency or severity of fires, motor accidents, windstorms, floods, thefts, and other insured events

Changes in e.g. longevity, inflation components, latent factors, and precedents

Changes in longevity, mortality, morbidity and disability, or inaccuracy of used models

Premium and catastrophe risks

Changes in expected liability cash flows resulting from:

- Size and/or frequency of future claims related to unexpired contracts being greater than expected
- Timing of future claims payments related to unexpired contracts differs from expected

Reserve risk

Changes in expected liability cash flows resulting from:

- Size of claims payments related to already incurred claims being greater than expected
- Timing of claims payments differs from expected

Biometric risks

Changes in expected liability cash flows resulting from:

- Actual pensions are being paid for a longer time than expected
- Actual mortality, disability, or morbidity rate is greater than expected

Changes in economic value of liabilities and technical provisions

Changes in market interest rates and regulatory discount rates

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.

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.

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 insurance business, catastrophe events include 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.

Sampo Group

With respect to the underwriting businesses carried out in the subsidiary companies, it has been established that If and Topdanmark 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 some overlapping areas in Denmark in If and Topdanmark.

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.

Sampo Group's insurance service result increased in 2023 by 12 per cent to EUR 1,193 million (1,062).

The table Underwriting performance, 31 December 2023 and 31 December 2022 presents the development of insurance revenue, claims expenses, operating expenses and insurance service result for the last two years.

Underwriting performance

Sampo Group, 31 December 2023 and 31 December 2022

	Insurance revenue		Claims expenses		Operating expenses		Insurance service result	
Insurance service result, EURm	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Motor other and MTPL	3,383	3,237	-2,264	-2,135	-621	-600	499	502
Worker's compensation	302	301	-105	-214	-42	-39	155	48
Liability	378	368	-200	-267	-65	-64	114	37
Accident	904	877	-539	-573	-148	-147	217	157
Property	2,225	2,168	-1,705	-1,515	-347	-348	173	305
Marine, aviation, transport	116	121	-66	-96	-22	-23	28	1
Other	104	95	-75	-63	-22	-19	7	13
Total	**7,412**	**7,168**	**-4,953**	**-4,867**	**-1,266**	**-1,239**	**1,193**	**1,062**

Key sensitivities

Effects from instant change on profit or loss in year 2023

EURm	**Shock**	**2023**
UW profit	Discount rate +100 bps	45
UW profit	Discount rate -100 bps	-50
Insurance finance income and expense, net	Discount rate +100 bps	315
Insurance finance income and expense, net	Discount rate -100 bps	-360
Net investment income	Interest rates +100 bps	-335
Net investment income	Interest rates -100 bps	355
Net investment income	Spreads +100 bps	-330
Net investment income	Equities -10%	-220

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 has 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. Technical provisions in non-life insurance according to IFRS have been presented in the following table.

Net liabilities for incurred claims

Sampo Group, 31 December 2023

	Sweden		Norway		Finland		Denmark		Baltics		United Kingdom		Total	
	EURm	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**
Motor	868	9.2	226	1.7	669	10.8	262	2.3	107	4.0	755	2.2	2,886	6.3
Workers' compensation	0	0.0	116	2.9	805	10.4	1,113	7.6	0	0.0	0	0.0	2,033	8.4
Liability	249	4.0	120	1.5	117	3.3	179	2.4	20	2.0	0	0.0	685	2.9
Accident	283	6.4	319	6.1	163	7.0	285	1.9	3	0.3	0	0.0	1,052	5.1
Property	330	1.0	364	0.8	175	0.7	310	1.0	26	0.6	40	1.8	1,245	0.9
Marine, aviation, transport	17	0.7	16	0.7	9	1.1	27	0.6	3	0.7	0	0.0	71	0.7
Other	0	0.0	0	0.0	0	0.0	11	0.8	0	0.0	0	0.0	11	0.8
Total	**1,747**	**6.3**	**1,162**	**2.7**	**1,938**	**8.9**	**2,184**	**4.5**	**158**	**3.1**	**794**	**2.2**	**7,983**	**5.4**

In the table Underwriting solvency capital requirements of insurance sub-groups, 31 December 2023, underwriting risks of the three 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.

Underwriting solvency capital requirements of insurance sub-groups

31 December 2023

Underwriting Risk, EURm	If	Topdanmark	Hastings	Sampo plc	Diversified Sampo Group	Sum of the parts	Delta
Life underwriting	88	0	1	0	89	90	-1
Health underwriting	516	256	0	0	760	773	-13
Non-life underwriting	1,203	263	484	0	1,868	1,950	-81
Sum of sub-risks	**1,808**	**519**	**485**	**0**	**2,718**	**2,812**	**-95**
Diversification	-487	-152	-1	0	-690	-640	-50
Underwriting Risk	**1,321**	**367**	**484**	**0**	**2,027**	**2,172**	**-144**

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.

Topdanmark has a focus 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 144 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 2,027 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.

If

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.

If's insurance service result for the year was improved by 25 per cent from EUR 672.9 million to EUR 842.2 million. The increased result was supported by solid premium development derived from active pricing, portfolio renewals with higher average premiums and high retention level. However, large claims costs became worse than expected, mainly due to weather events including the storm Hans, and harsh winter months. The result benefited from cost ratio development and discount effects as well as prior year gains related to released inflation reserves as the uncertainty around short inflation trends has decreased.

The performance of each business area in 2023 is presented below:

- Business area private: Favoured by positive premium development in all regions and with solid growth, primarily within property and personal insurance, the underwriting performance improved in all countries except Finland. The performance was also strengthened by stable total claims costs as well as continued cost efficiency. Even though new car sales development has been slow during the year, motor represents the absolute largest contributor to private's insurance service result.
- Business area commercial: The underwriting performance was positive in all countries, benefited from high retention as well as repricing in line with assumed inflation which altogether contributed to a strong premium development especially within property. Total claims costs increased in Sweden which made the underwriting performance deteriorate in comparison to previous year. This was however outweighed by stable total claims outcome in the other Nordic countries.
- Business area industrial: In comparison to last year, the underwriting performance improved in all lines of business except property, mostly due to reduced total claims costs in all other business lines but also supported by strong premium development in property, especially in Finland. The premium development was overall strong in all countries except Denmark which was affected by a small number of large policies not being renewed.
- Business area Baltic: 2023 showed solid premium growth in all countries, driven by a growing customer base, and continued pricing activities. The underwriting performance improved significantly for the Baltics although Lithuania suffered from higher large claims than expected, especially within motor. The total claims costs as well as the operating expenses in Estonia and Latvia remained stable.

The two major lines of business in If are motor and property insurance. The table Insurance service result, If, 31 December 2023 and 31 December 2022 presents the development of the insurance revenue, claims, operating expenses, reinsurer's share and the insurance service result per IFRS lines of business for the last two years.

Underwriting performance

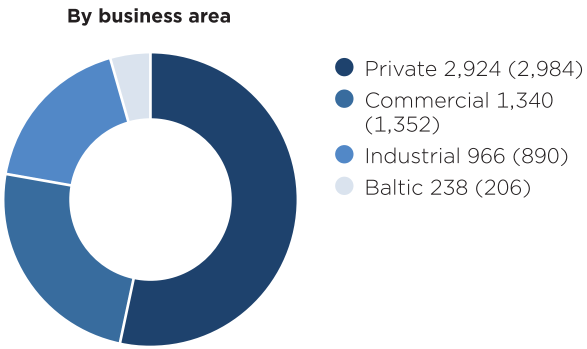
If, 31 December 2023 and 31 December 2022

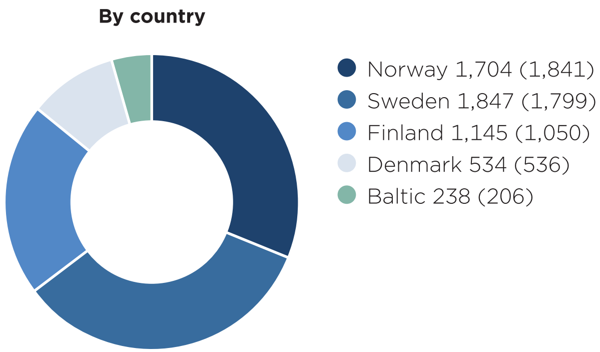
Insurance service result, IFRS, EURm	Insurance revenue 2023	Insurance revenue 2022	Reinsurance premiums expences 2023	Reinsurance premiums expences 2022	Insurance service expence, Claims incurred 2023	Insurance service expence, Claims incurred 2022	Insurance service expence, Operating expences 2023	Insurance service expence, Operating expences 2022	Reinsurers share of claims incurred 2023	Reinsurers share of claims incurred 2022	Insurance service result 2023	Insurance service result 2022
Motor other and MTPL	1,969	2,047	-4	-4	-1,378	-1,440	-334	-347	5	3	258	259
- whereof MTPL	519	550	-1	-1	-285	-375	-113	-115	0	0	120	59
Workers' compensation	189	186	-6	-6	-37	-153	-25	-25	1	7	122	9
Liability	369	359	-63	-59	-172	-240	-51	-52	18	24	101	32
Accident	754	734	-6	-6	-452	-479	-121	-121	4	5	179	133
Property	1,915	1,861	-228	-200	-1,649	-1,265	-226	-236	346	81	158	241
Marine, aviation, transport	133	136	-27	-24	-75	-90	-20	-21	13	-2	24	-2
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total	**5,330**	**5,322**	**-334**	**-299**	**-3,763**	**-3,667**	**-777**	**-801**	**386**	**117**	**842**	**673**

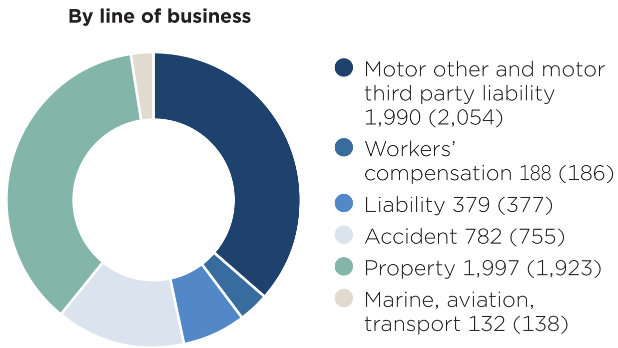
As shown in the graph Breakdown of gross written premiums by business area, country, and line of business, If, 31 December 2023, the If insurance portfolio is well diversified across business areas, countries, and lines of business. The six lines of business are segmented in accordance with the insurance class segmentation used in IFRS.

Breakdown of gross written premiums by business area, country, and line of business

If, 31 December 2023, total EUR 5,468 million (5,432)







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

Premium and catastrophe risk and their management and control

The main factors affecting If's premium risk are claims volatility, claims inflation, and pricing methodology.

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

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

An analysis of how changes in the combined ratio, insurance revenue (net of reinsurance premium expense) and claims incurred affect the result before tax is presented in the table Sensitivity analysis, premium risk, If, 31 December 2023 and 31 December 2022.

Sensitivity analysis, premium risk

If, 31 December 2023 and 31 December 2022

Key Figures	Level 2023 (Gross)	Level 2023 (Net)	Change in current level	Effect on result before tax (Gross) 2023	Effect on result before tax (Gross) 2022	Effect on result before tax (Net) 2023	Effect on result before tax (Net) 2022
Combined ratio, business area Private	83.5 %	83.1 %	+/- 1 percentage point	+/- 28.7	+/- 29.5	+/- 28.4	+/- 29.3
Combined ratio, business area Commercial	82.1 %	81.9 %	+/- 1 percentage point	+/- 13.2	+/- 13.4	+/- 13.1	+/- 13.2
Combined ratio, business area Industrial	96.5 %	87.3 %	+/- 1 percentage point	+/- 9.2	+/- 8.5	+/- 6.3	+/- 5.9
Combined ratio, business area Baltics	85.6 %	85.9 %	+/- 1 percentage point	+/- 2.3	+/- 1.9	+/- 2.2	+/- 1.9
Insurance revenue (net of reinsurance premium expenses EURm)	5,330	4,996	+/- 1 per cent	+/- 53.3	+/- 53.3	+/- 49.9	+/- 50.2
Claims incurred (EURm)	3,763	3,377	+/- 1 per cent	+/- 37.6	+/- 36.7	+/- 33.7	+/- 35.5

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 sets general principles, restrictions, and directions for the underwriting activities. The Underwriting Policy is supplemented by guidelines outlining in greater detail how to conduct underwriting within each business area.

The Reinsurance Policy stipulates guidelines for the purchase of reinsurance. The optimal choice of reinsurance program is evaluated by comparing the expected cost with the benefit of the reinsurance, the impact on result volatility and capital requirements. The main tool for this evaluation is If's internal model in which small claims, large claims and natural catastrophes are modelled.

The Reinsurance Policy includes limitations on permitted reinsurers and their rating for each line of business. In addition, limits relating to concentration risk and exposure to reinsurance risk are included. The reinsurers are continuously assessed and evaluated through in-house financial and qualitative pre-defined analyses.

A group-wide reinsurance program is in place in If since 2003. In 2023, retention levels were between SEK 100 million (approximately EUR 9.0 million) and SEK 300 million (approximately EUR 27.0 million) per risk and SEK 300 million (approximately EUR 27.0 million) per event.

Reserve risk and its management and control

If's main reserve risks are claims inflation and increased retirement age.

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 they decrease, or expire, at retirement. An increase in life expectancy will likewise increase the duration and present value of annuities.

Valuation of the liability for incurred claims always includes a degree of uncertainty since it is based on estimates of the size and the frequency of future claims payments. The uncertainty in the valuation is normally greater for new portfolios for which complete run-off statistics are not yet available, and for portfolios including claims that take a long time to settle. Workers' compensation, motor third party liability (MTPL), personal accident and liability insurance are products with the latter characteristics.

The value of the net liability for incurred claims is in addition to risk factors relating to reserve risk also impacted by changes in discount rates and exchange rates. These market risks are described in sections for interest rate risk and currency risk. The reserve risk differs from interest rate risk since it relates to the size of future cash flows, while the interest rate risk only impacts the present value of future cash flows.

The duration of the provisions, and thus the sensitivity to changes in discount rates, varies with each product portfolio. The weighted average duration for 2023 across the product portfolios was 6.2 (6.0) years.

A large part of the exposure relates to lines of business MTPL and workers' compensation, where a part of the liability for these lines includes annuities. In 2023 the proportion of liability for incurred claims related to MTPL and workers' compensation was 52 (54) per cent.

In the tables Net liability for incurred claims by line of business and major geographical area, If, 31 December 2023 and 31 December 2022, the size and duration of If's IFRS net liability for incurred claims are presented by line of business and major geographical area.

Net liabilities for incurred claims by line of business and major geographical area

If, 31 December 2023

	Sweden		Norway		Finland		Denmark		Baltics		Total	
	EURm	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**
Motor other and MTPL	868	9.2	226	1.7	669	10.8	103	3.0	107	4.0	1,972	8.2
- whereof MTPL	774	10.2	159	2.3	647	11.1	89	3.1	93	4.5	1,762	9.2
Workers' compensation	0	0.0	116	2.9	805	10.4	300	8.2	0	0.0	1,220	9.1
Liability	249	4.0	120	1.5	117	3.3	74	2.9	20	2.0	580	3.1
Accident	283	6.4	319	6.1	163	7.0	80	1.7	3	0.3	847	5.9
Property	330	1.0	364	0.8	175	0.7	101	0.4	26	0.6	996	0.8
Marine, aviation, transport	17	0.7	16	0.7	9	1.1	26	0.6	3	0.7	70	0.7
Total	**1,747**	**6.3**	**1,162**	**2.7**	**1,938**	**8.9**	**681**	**4.7**	**158**	**3.1**	**5,686**	**6.2**

Net liabilities for incurred claims by line of business and major geographical area

If, 31 December 2022

	Sweden		Norway		Finland		Denmark		Baltics		Total	
	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration
Motor other and MTPL	845	8.2	270	1.7	642	11.4	106	2.9	94	4.2	1,957	7.9
- whereof MTPL	761	9.0	209	2.1	621	11.7	94	3.0	82	4.8	1,767	8.7
Workers' compensation	0	0.0	140	3.0	846	10.5	279	7.7	0	0.0	1,264	9.0
Liability	245	4.0	113	1.4	108	2.7	70	2.7	21	2.2	557	3.0
Accident	291	5.3	310	5.2	146	6.8	82	1.7	2	0.2	831	5.2
Property	261	1.0	356	0.8	161	0.7	98	0.4	26	0.6	902	0.8
Marine, aviation, transport	16	0.7	17	0.7	10	1.1	26	0.3	2	0.8	70	0.6
Total	**1,657**	**5.8**	**1,206**	**2.5**	**1,913**	**9.2**	**661**	**4.3**	**144**	**3.2**	**5,582**	**6.0**

A sensitivity analysis of the reserve risk is presented in the table below as well as the interest rate risk relating to insurance contracts. The effects represent the immediate impact on the liability's values as a result of changes in the different risk factors as per December 31 each year. The sensitivity analysis is calculated before tax. Change in the liability for incurred claims, net will result in a corresponding change in result before income taxes. The effect in the income statement is presented in either the insurance service result or the net financial result.

Sensitivity analysis, reserve risk

If, 31 December 2023 and 31 December 2022

Insurance liabilities item	Risk factor	Change in risk parameter	Country	Effect EURm 2023 Gross	Effect EURm 2023 Net	Effect EURm 2022 Gross	Effect EURm 2022 Net
Discounted estimated future cash flows	Inflation increase	Increase by 1 percentage point	Sweden	124.5	120.1	114.9	112.1
			Denmark	33.6	33.0	30.6	29.9
			Finland	25.5	25.2	27.6	27.4
			Norway	21.5	20.2	20.3	19.9
Annuities and reated INBR	Decrease in mortality	Life expectancy increase by 1 year	Sweden	15.1	15.1	12.8	12.8
			Denmark	1.0	1.0	0.8	0.8
			Finland	49.2	49.2	46.4	46.4
			Norway	0.2	0.2	0.1	0.1
Discounted liability for incurred claims	Decrease in discount rate	Decrease by 1 percentage point to liquid part of yield curve	Sweden	87.0	82.6	79.0	76.4
			Denmark	33.5	32.9	29.8	29.2
			Finland	171.6	171.3	172.8	172.6
			Norway	31.4	30.1	29.0	28.6

The IFRS Insurance liabilities 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 23** in the Financial Statements (**www.sampo.com/year2023**).

The Boards of Directors decide on the guidelines governing the calculation of insurance liabilities. The Chief Actuary is responsible for developing and presenting guidelines on how the insurance liabilities are to be calculated and for assessing whether the level of total liability is sufficient. 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 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 insurance liabilities.

The calculation of liabilities for incurred claims 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 actuarial estimates are based on historical claims data and exposures that are available at the closing date. Factors that are considered include loss development trends, the level of unpaid claims, changes in legislation, case law and economic conditions. When estimating the liability, established actuarial methods are generally used, combined with projections of the number of claims and average claims costs.

Topdanmark

Underwriting performance and risks

The premiums and underwriting performance by Solvency II lines of business are presented in the table Underwriting Performance, Topdanmark, 31 December 2023 and 31 December 2022.

Underwriting performance

Topdanmark, 31 December 2023 and 31 December 2022

	Insurance revenue		Claims expenses		Operating expenses		Insurance service result	
Insurance service result, EURm	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Motor other and MTPL	322	325	229	219	51	47	42	59
- whereof MTPL	61	60	74	77	14	12	-27	-30
Workers' compensation	119	121	69	68	17	15	33	39
Liability	72	68	46	51	14	13	13	5
Accident	156	149	91	100	27	26	39	23
Property	506	487	349	301	100	96	57	90
Marine, aviation, transport	9	9	4	5	2	2	4	3
Other	104	95	75	63	13	11	16	21
Total	**1,288**	**1,253**	**862**	**806**	**224**	**209**	**202**	**239**

Insurance revenue increased by 2.7 per cent corresponding to an organic growth of 2.1 per cent when adjusting for the acquisition of Oona Health. 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 private segment accounted for a 3.6 per cent increase with the inclusion of Oona Health (and 2.2 per cent excluding Oona), and the SME segment accounted for a 1.9 per cent increase. Growth was slightly lower than last year, but this was as expected and primarily caused by lower indexation on workers' compensation, and the loss of a distribution agreement for credit card-based travel insurance. In addition, competition remains at a high level in Denmark.

In order to secure a good and safe process for Topdanmark's customers when purchasing a new home and to support Nordea's strategic focus on the homeowner segment, Topdanmark and the real estate company Danbolig A/S have launched a new strategic partnership in January 2024. The partnership will provide customers with house-and change of ownership insurances.

The combined ratio was 87.6 per cent in 2023 before run-off gains and 85.6 per cent respectively after run-off gains. In the Private segment the combined ratio was 84.5 per cent before run-off gains and 82.6 per cent respectively after run-off gains. In the SME segment the combined ratio was 90.6 per cent before run-off gains and 88.5 per cent respectively after run-off gains.

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:

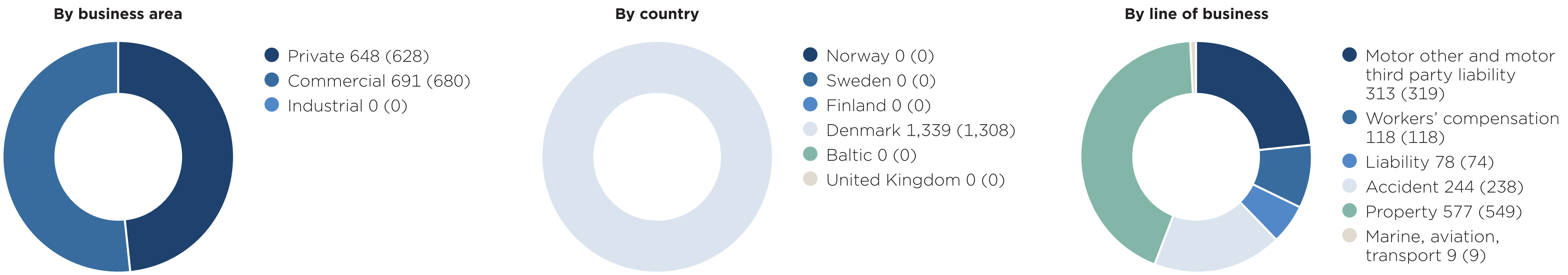
- Automation, digitalisation and fraud
- Risk and pricing
- Procurement and cost efficiency

In 2023, Topdanmark has delivered gross savings of EUR 58 million. In 2024, Topdanmark will continue the efforts to become more efficient, and gross efficiency gains are expected to reach EUR 72 million. The efficiency programme continues to target EUR 87 million (DKK 650 million) in gross efficiency gains by 2025. Please refer to the Annual Report 2023 for the full details of the programme.

As shown in the graph Breakdown of gross written premiums by business area, country and line of business, Topdanmark, 31 December 2023, Topdanmark's insurance portfolio is diversified across Business areas and lines of business.

Breakdown of gross written premiums by business area, country, and line of business

Topdanmark, 31 December 2023, total EUR 1,339 million (1,308)



Premium and catastrophe risk and their management and control

The main underwriting risk that influences the performance is the risk of catastrophe events. However, 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 150 million plus reinstatement for each event, while the biggest retention on fire is DKK 30 million with a maximum capacity of DKK 1,245 billion. In workers' compensation risks are covered up to DKK 1 billion with a retention of DKK 50 million.

Nearly all insurance risks in Topdanmark Forsikring are measured by a partial internal model instead of the Solvency II standard 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.

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 overview 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.

The insurance risk scenarios are presented in the table Sensitivity analysis, premium risk, Topdanmark, 31 December 2023 and 31 December 2022.

Sensitivity analysis, premium risk

Topdanmark, 31 December 2023 and 31 December 2022

				Effect on result before tax (Gross)		Effect on result before tax (Net)	
Key figures	**Current level 2023 (Gross)**	**Current level 2023 (Net)**	**Change in current level**	**2023**	**2022**	**2023**	**2022**
Combined ratio, business area Private	82.6%	81.5%	+/- 1 percentage point	+/- 7.6	+/- 6.4	+/- 6.4	+/- 6.3
Combined ratio, business area Commercial	88.5%	85.2%	+/- 1 percentage point	+/- 7	+/- 6.9	+/- 6.4	+/- 6.2
Insurance revenue (net of insurance premium expense, EURm)		1,460	+/- 1 per cent			+/- 13.8	+/- 12.5
Claims incurred (EURm)	953	912	+/- 1 per cent	+/- 9.5	+/- 8.5	+/- 9.1	+/- 8.1

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, other property, motor other and health products registered via Oona A/S. 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.

Net liability for incurred claims by line of business

Topdanmark, 31 December 2023 and 31 December 2022

	2023		2022	
	EURm	**Duration**	**EURm**	**Duration**
Motor other and MTPL	159	1.8	156	1.1
- whereof MTPL	133	2.3	133	2.3
Workers' compensation	813	7.4	773	7.0
Liability	105	2.0	99	2.3
Accident	179	2.1	173	1.7
Property	209	1.3	167	1.5
Marine, aviation, transport	1	1.0	2	1.2
Travel insurance	4	0.8	4	0.9
Income protection	23	0.9	21	0.9
Other	11	0.8	0	0.0
Total	**1,503**	**4.4**	**1,395**	**4.2**

Due to the longer period of claims settlement, the risk profile of the long-tail lines of business are generally more uncertain than that of 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.

The Reserve Forum holds meetings every quarter. 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.

Sensitivity analysis, reserve risk

Topdanmark, 31 December 2023 and 31 December 2022

Insurance liabilities item	Risk factor	Change in risk parameter	Country	Effect EURm 2023	Effect EURm 2023 Net	Effect EURm 2022	Effect EURm 2022 Net
Discounted estimated future cash flows	Inflation increase	Increase by 1 percentage point	Denmark	50.7	50.7	46.5	46.5
Annuities and reated INBR	Decrease in mortality	Life expectancy increase by 1 year	Denmark	0.9	0.9	0.9	0.9
Discounted insurance liabilities, net	Decrease in discount rate	Decrease by 1 percentage point	Denmark	62.4	61.7	57.3	56.6

Hastings

Hastings provides motor, home insurance products, and is a provider of regulated consumer credit in the current for of personal loans. To the United Kingdom (UK) market the motor and home insurance products are provided through 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

Net liability for incurred claims by line of business

Hastings, 31 December 2023 and 31 December 2022

	31 Dec 2023		31 Dec 2022	
	EURm	**Duration**	**EURm**	**Duration**
Motor	755	2.2	763	2.1
Workers' compensation	0	0	0	0
Liability	0	0	0	0
Accident	0	0	0	0
Property	40	1.8	37	1.2
Marine, aviation, transport	0	0	0	0
Other				
Total	**794**	**2.2**	**800**	**2.1**

Sensitivity analysis, premium risk

Hastings, 31 December 2023 and 31 December 2022

				Effect on pre-tax profit (Gross), EURm		Effect on pre-tax profit (Net), EURm	
Key figure	**Level, 2023 (Gross)**	**Level, 2023 (Net)**	**Change**	**2023**	**2022**	**2023**	**2022**
Operating ratio		90 %	+/- 1 percentage point			+/- 12.5	+/- 9.9
Insurance revenue (net of reinsurance premium expense)	1,719	1,128	+/- 1 per cent	+/- 17.2	+/- 14.1	+/- 11.3	+/- 8.8
Claims incurred	1,135	714	+/- 1 per cent	+/- 11.4	+/- 10.1	+/- 7.1	+/- 4.9

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 cost inflation risk. Robust technical product pricing with strong governance controls for both Motor and Household products is the principal way Advantage manages insurance risk exposures in order to mitigate the risk of pricing ineffectively.

Changes to technical rates are constructed based upon the analysis of current and future predicted frequency and severity patterns, new business acquisition and existing case models to ensure an appropriate risk spread and balance. Competitor monitoring also feeds into the development of pricing and product segmentation.

Weekly governance arrangements approve changes to rate plan and review account performance. The Rating Analysis Committee 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.

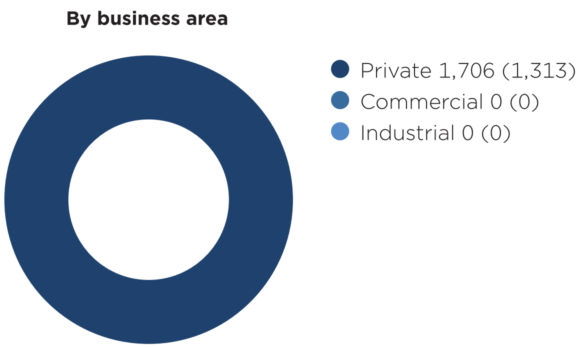
Reserve risk

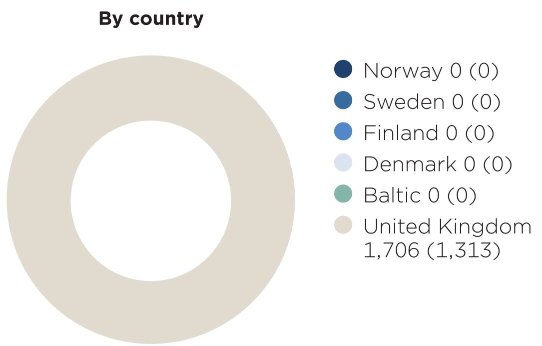
Advantage does not take significant reserve risk and holds an internal risk margin to a 75 per cent confidence level versus internal best estimate. Since reserving is subject to expert judgment the Group Chief Actuary calculates the best estimate, the Hastings Group Senior Actuary verifies the data, 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.

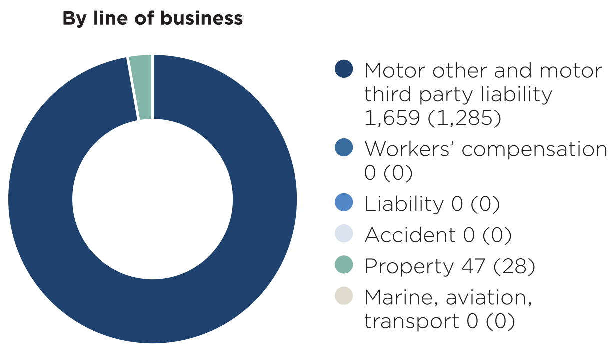
Hastings' Gross Written Premiums (GWP) for 2023 amounted to EUR 1,706 million.

Breakdown of gross written premiums by Hastings

31 December 2023, total EUR 1,706 million (1,313)







Advantage maintained a disciplined approach to pricing despite continued market competition. Live customer policies grew year on year in 2023. This disciplined but agile underwriting and pricing approach led to many selective rate adjustments during 2023.

Underwriting performance

Hastings, 31 December 2023 and 31 December 2022

	Insurance revenue		Claims expenses		Operating expenses		Insurance service result	
Insurance service result, EURm	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Motor other and MTPL	1,096	870	-661	-479	-235	-206	199	185
whereof MTPL	0	0	0	0	0	0	0	0
Worker's compensation	0	0	0	0	0	0	0	0
Liability	0	0	0	0	0	0	0	0
Accident	0	0	0	0	0	0	0	0
Property	32	19	-53	-30	-21	-16	-42	-26
Marine, aviation, transport	0	0	0	0	0	0	0	0
Other								
Total	**1,128**	**889**	**-714**	**-509**	**-256**	**-222**	**157**	**159**

Claims cost inflation had a large influence on the risk profile for 2023. Advantage implemented a number of standard monthly rate increases over the year to mitigate the impact of this. Effective pricing, claims management and frequency experience has resulted in profits and capital 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.

Sensitivity analysis, reserve risk

Hastings, 31 December 2023 and 31 December 2022

Insurance liabilities item	Risk factor	Change in risk parameter	Effect Gross EURm 2023	Effect Net EURm 2023	Effect Gross EURm 2022	Effect Net EURm 2022
Discounted estimated future cash flows	Inflation increase	Increase by 1 percentage point	63.0	10.1	56.3	8.9
Periodic Payment Orders (PPOs)	Decrease in mortality	Life expectancy increase by 1 year	3.1	0.1	3.2	0.1
Discounted insurance liabilities, net	Decrease in discount rate	Decrease by 1 percentage point	37.4	10.2	33.4	9.0

Market risks

Market risks **40**
Balance sheet level market risks or ALM risks **42**
Sampo Group **44**
If **54**
Topdanmark **61**
Hastings **69**

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

External drivers

Economic, social and financial market conditions, laws, taxation and regulations, technical development and innovations

- Changes in issuer's financial position and future prospects
- Changes in market expectation on issuer's financial future
- Volatility of markets in general

- Changes in issuer's financial position and future prospects
- Changes in market expectation on issuer's probability of default or issuer's loss given default
- Volatility of markets in general
- Terms of debt instruments and related collaterals

Equity risk

Fair value changes and credit losses resulting from:

- Increasing risk premiums and respective negative changes in valuations are decreasing the fair value of long positions in equity instruments
- Decreasing risk premiums and respective positive changes in valuations are decreasing the fair value of short positions in equity instruments

Spread risk

Fair value changes and credit losses resulting from:

- Widening credit spreads are decreasing the value of long positions in debt instruments
- Tightening credit spreads are decreasing the value of short positions in debt instruments
- Value of collateral differs from expected
- Ultimately borrower is not able to meet its financial obligations when they fall due

Negative impact on financial results

Balance sheet level market risks or ALM risks

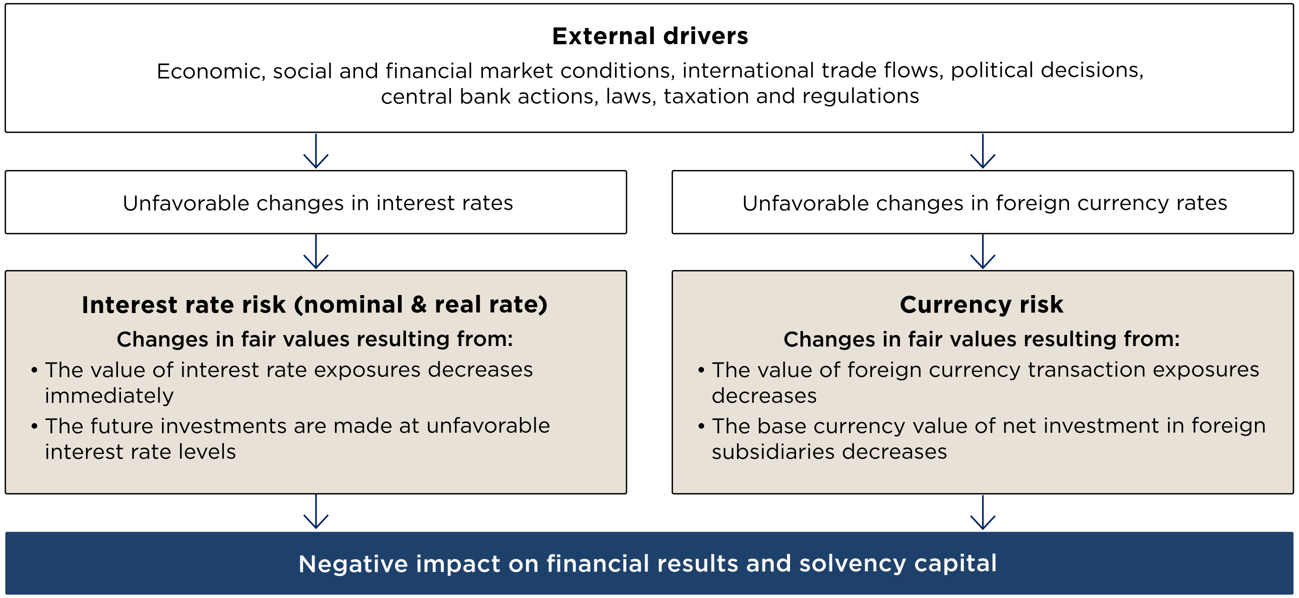
When changes in different market risk variables (interest rates, inflation, foreign exchange rates) cause a change in the fair values of investment assets and derivatives that is of a different size than the respective change in the economic value of the insurance liabilities, the company is exposed 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.

Principles of investment management

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.

Liquidity risks

External drivers

Economic, social and financial market conditions, laws, taxation and regulations, market turbulences, natural disasters and other catastrophic events

- Policyholders' behaviour in general
- Changes in creditworthiness and reputation of the company
- Periodic concentration of large claims and simultaneous reinsurers' insolvency
- Liability structure of the company

- Policyholders' behaviour in general
- Changes in creditworthiness and reputation of the company
- Periodic concentration of large claims and simultaneous reinsurers' insolvency
- Liability structure of the company

- Reinsurers' behaviour in general
- Derivative counterparties' behaviour in general
- Changes in creditworthiness of the company
- Liability structure of the company

Liquidity risk – Insurance liabilities

- Renewal rate of insurance policies is lower than expected
- Claim payments over short-term are clearly higher than expected

Liquidity risk – Investment assets and funding

- Financing is not available at reasonable terms or at all
- Investment assets cannot be sold at reasonable prices or at all

Liquidity risk – Derivatives and reinsurance

- Reinsurance is not available at reasonable terms or at all
- Financial derivatives are not available at reasonable terms or at all

Inability to enter into transactions at reasonable terms or settle financial obligations endangers the ability to manage liquidity positions, risk exposures and capital structure according to strategy

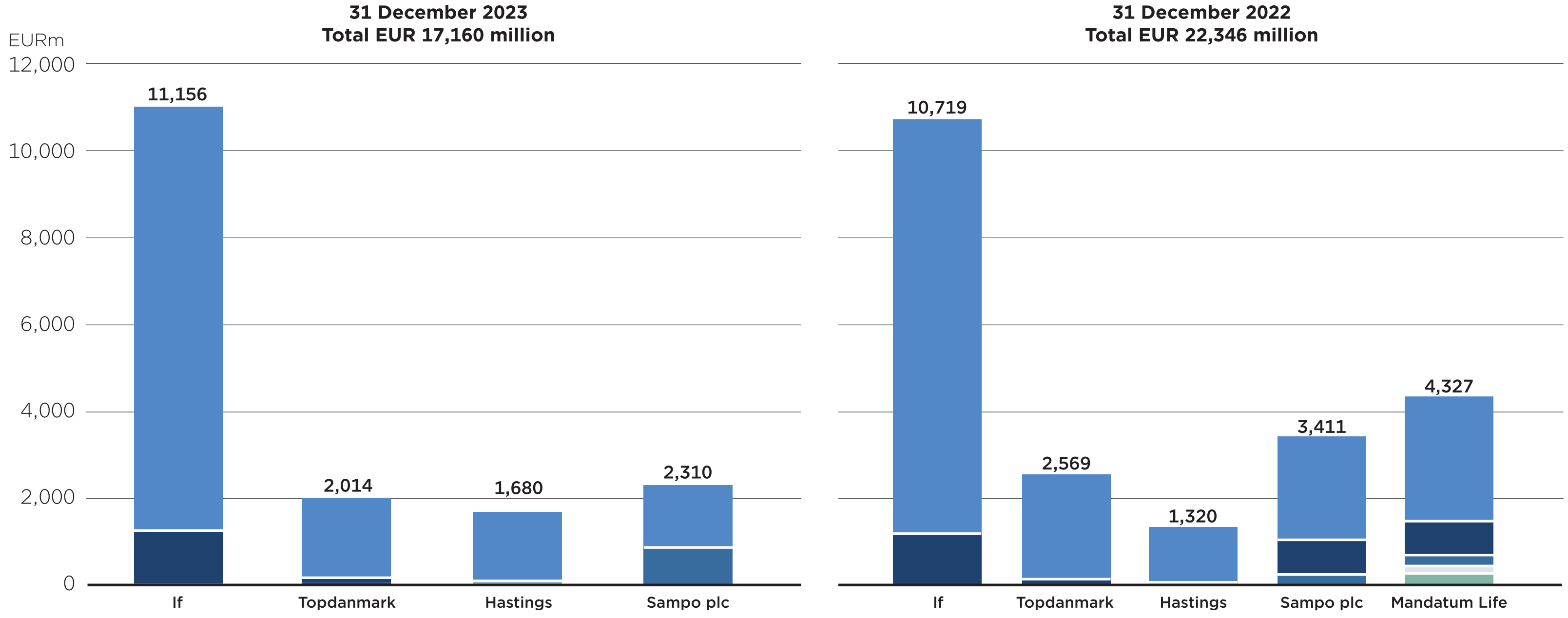
Sampo Group

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, and Hastings differ, and as a result the structures and risks of the investment portfolios and the balance sheets of the three 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, 2014–2023, presented later in this section. 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 2023 was EUR 17,160 million (22,346) as presented in the following graph.

Development of investments

If, Topdanmark, Hastings, and Sampo plc, 31 December 2023 and 31 December 2022



	If 2023	Topdanmark 2023	Hastings 2023	Sampo plc 2023	If 2022	Topdanmark 2022	Hastings 2022	Sampo plc 2022	Mandatum Life 2022
Fixed income	89%	94%	98%	62%	89%	94%	98%	70%	66%
Listed equity	11%	4%	0%	0%	11%	4%	0%	24%	18%
Private equity*	0%	1%	0%	38%	0%	1%	0%	6%	6%
Real estate	0%	0%	0%	0%	0%	0%	0%	0%	4%
Other alternative investments	0%	0%	2%	0%	0%	0%	2%	0%	6%

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

Sampo plc figures do not include intragroup items.

** For 2023 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 three 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 2023.

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

31 December 2023

Market risk, EURm	If	Topdanmark	Hastings	Sampo plc	Diversified Sampo Group	Sum of the parts	Delta
Interest rate	66	5	23	40	79	134	-54
Equity	507	44	6	442	953	998	-45
Property	0	25	1	0	27	27	0
Spread	470	52	43	24	589	589	0
Concentration / Group level	0	2	0	364	171	366	-195
Currency / Group level	591	1	0	111	984	703	281
Sum of sub-risks	**1,633**	**129**	**73**	**981**	**2,803**	**2,817**	**-13**
Diversification	-384	-18	-10	-345	-780	-757	-24
Market risk	**1,249**	**111**	**63**	**636**	**2,023**	**2,060**	**-37**

From the table it can be seen that in If equity, currency and spread risks are the main risk contributors. 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 the concentration risk capital requirement comes from If and 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 2023.

Estimated solvency sensitivities on market risk factors

Sampo Group, 31 December 2023

		Interest rates		Spreads	Equity prices		
	31 Dec 2023	-100 bps	+100 bps	+100 bps	-10%	-20%	-30%
Solvency ratio	177%	172%	182%	171%	178%	177%	174%

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. Solvency sensitivity to spreads is affected by the spread sensitivity of fixed income investments and the Solvency II volatility adjustments ("VA") applied by 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 +1.46 per cent at the end of 2023. The SA is assumed to reach a value of -4.1 per cent in the scenario where equity prices fall by 10 per cent, a value of -9.6 per cent where equity prices fall by 20 per cent and its lower bound of -10 per cent in the scenario where equity prices fall by 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 2023

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 2022
Basic industry	0	0	42	198	31	0	35	307	40	0	0	**346**	-33
Capital goods	0	14	147	143	34	0	140	478	520	0	0	**998**	105
Consumer products	1	40	232	388	23	0	92	776	191	0	0	**967**	-45
Energy	0	19	19	0	0	0	63	100	18	0	0	**119**	-110
Financial institutions	33	1,420	2,339	773	51	0	45	4,661	0	728	67	**5,456**	-1,304
Governments	427	46	0	0	0	0	0	473	0	0	0	**473**	-21
Government guaranteed	46	25	0	0	0	0	0	71	0	0	0	**71**	-17
Health care	0	1	15	125	9	0	46	196	1	0	0	**197**	-20
Insurance	9	10	51	109	7	0	234	420	0	112	0	**532**	117
Media	0	0	0	0	0	0	15	15	0	0	0	**15**	-14
Packaging	0	0	0	0	25	0	0	25	0	0	0	**25**	1
Public sector, other	504	18	0	0	0	0	0	523	0	0	0	**523**	-190
Real estate	0	58	140	221	20	0	184	623	0	14	0	**637**	-122
Services	0	0	41	183	108	0	26	358	0	2	0	**360**	214
Supranationals	197	0	0	0	0	0	0	197	0	0	0	**197**	-30
Technology and electronics	0	12	27	51	0	0	65	155	0	1	0	**156**	4
Telecommunications	0	0	12	213	0	0	24	248	37	0	0	**285**	37
Transportation	0	49	73	15	0	0	80	217	0	0	0	**217**	-55
Utilities	0	0	72	207	60	0	65	404	0	0	0	**404**	-3
Others	0	0	16	17	0	0	31	64	4	22	0	**90**	74
Asset-backed securities	0	0	0	0	0	0	0	0	0	0	0	**0**	0
Covered bonds	3,895	0	32	0	0	0	95	4,022	0	0	0	**4,022**	-292
Funds	0	0	0	11	0	0	40	51	663	516	0	**1,230**	7
Clearing house	0	0	0	0	0	0	0	0	0	0	2	**2**	-33
Total	**5,113**	**1,712**	**3,257**	**2,652**	**368**	**0**	**1,280**	**14,382**	**1,475**	**1,395**	**69**	**17,321**	**-1,731**
Change from 31 Dec 2022	-141	-417	-204	251	-153	3	-208	-870	-1,074	692	-429	**-1,681**	

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.

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 2023.

Fixed income investments in the financial sector

Sampo Group, 31 December 2023

EURm	Covered bonds	Cash and money market securities	Long-term senior debt	Long-term subordinated debt	Total	%
Sweden	1,776	191	566	169	**2,702**	32,1 %
Denmark	1,863	79	315	162	**2,419**	28,7 %
Finland	52	750	275	125	**1,202**	14,3 %
Norway	338	0	384	319	**1,041**	12,4 %
France	0	249	133	5	**388**	4,6 %
United States	0	2	179	0	**181**	2,2 %
Netherlands	0	0	92	21	**113**	1,3 %
Iceland	0	0	60	2	**62**	0,7 %
Switzerland	0	0	52	0	**52**	0,6 %
Canada	0	0	51	0	**51**	0,6 %
Ireland	0	0	47	0	**47**	0,6 %
United Kingdom	0	0	41	0	**41**	0,5 %
Australia	0	0	36	0	**36**	0,4 %
Austria	0	0	20	0	**20**	0,2 %
Germany	0	0	18	0	**18**	0,2 %
Spain	0	0	15	0	**15**	0,2 %
Belgium	0	0	15	0	**15**	0,2 %
New Zealand	0	0	11	0	**11**	0,1 %
Bermuda	0	0	0	7	**7**	0,1 %
Total	**4,028**	**1,271**	**2,310**	**811**	**8,420**	**100,0 %**

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 2023. The public sector has had a relatively minor role in Sampo Group's portfolios and these exposures have been mainly in the Nordic countries.

Fixed income investments in the public sector

Sampo Group, 31 December 2023

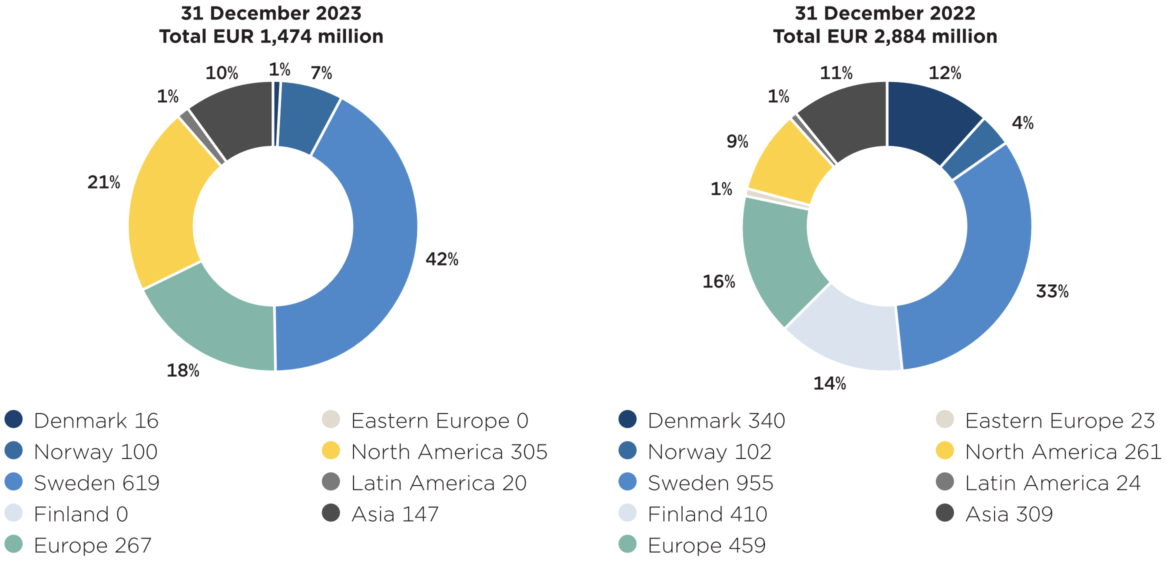
EURm	Governments	Government guaranteed	Public sector, other	Total
Sweden	421	0	131	552
Norway	0	0	391	391
Supranationals	0	6	191	197
United States	46	0	0	46
Germany	0	46	0	46
Finland	0	25	0	25
Denmark	7	0	0	7
Total	**473**	**77**	**713**	**1,264**

The listed equity investments of Sampo Group totalled EUR 1,474 million at the end of year 2023 (2,884). At the end of year 2023, the listed equity exposure of If was EUR 1,244 million (1,169). The proportion of listed equities in If's investment portfolio was 11 per cent. In Topdanmark, the listed equity exposure was EUR 81 million at the end of year 2022 (111). At the end of year 2023 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 50 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 2023 and 31 December 2022.

Breakdown of listed equity investments by geographical regions

Sampo Group, 31 December 2023 and 31 December 2022



For 2023 indirect investment in Nexi S.p.A is included in the listed equity investments breakdown, investments in Saxo Bank A/S and NOBA Holding AB are excluded.

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 2023.

Largest exposures by issuer and asset class

Sampo Group, 31 December 2023

Issuer	Total, EURm	% of total investment assets	Cash & 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	Uncollateralised part of derivatives
Nordea Bank	959	6 %	284	672	0	489	125	57	0	2
Svenska Handelsbanken	814	5 %	108	705	0	622	44	39	0	0
Swedbank	713	4 %	0	713	0	589	99	25	0	0
Nykredit Realkredit A/S	598	3 %	0	598	0	598	0	0	0	0
Realcredit Danmark	592	3 %	0	592	0	592	0	0	0	0
Sweden	552	3 %	0	552	0	0	552	0	0	0
NOBA	471	3 %	0	46	0	0	34	12	425	0
Skandinaviska Enskilda Banken	439	3 %	252	186	0	22	133	31	0	2
Danske Bank	429	2 %	251	176	0	24	133	20	0	1
Norway	391	2 %	0	391	0	0	391	0	0	0
Total top 10 exposures	**5,958**	**35 %**	**896**	**4,631**	**0**	**2,936**	**1,512**	**183**	**425**	**5**
Other	11,202	65 %								
Total investment assets	**17,160**	**100 %**								

Danish covered bond issuers presented as separate issuers

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 2023. Furthermore, the largest direct listed equity exposures are presented in the table Ten largest direct listed equity investments, Sampo Group, 31 December 2023.

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

Sampo Group, 31 December 2023

Ten largest direct high yield and non-rated fixed income investments	Rating	Total, EURm	% of total direct fixed income investments
Saab	NR	56	0,4 %
NOBA	NR	46	0,3 %
ALM Equity	NR	38	0,3 %
Ellevio Holding 1 AB	NR	35	0,2 %
Visma Group Holding	NR	35	0,2 %
Altera Infrastructure Holdings LLC	NR	30	0,2 %
Swedavia	NR	30	0,2 %
Campus Byen A/S	NR	29	0,2 %
Resource Group TRG	NR	27	0,2 %
Huhtamaki	BB+	25	0,2 %
Total top 10 exposures		**351**	**2,4 %**
Other direct fixed income investments		13,980	97,6 %
Total direct fixed income investments		**14,331**	**100,0 %**

Ten largest direct listed equity investments	Total, EURm	% of total direct equity investments
NOBA*	425	19,3 %
Saxo Bank*	302	13,7 %
Volvo	180	8,2 %
Nexi S.p.A.**	149	6,8 %
ABB	86	3,9 %
Autoliv Inc	64	2,9 %
Husqvarna	59	2,7 %
Nederman Holding	56	2,6 %
Veidekke	46	2,1 %
Volvo Cars	38	1,7 %
Total top 10 exposures	**1,405**	**63,8 %**
Other direct equity investments	797	36,2 %
Total direct equity investments	**2,202**	**100,0 %**

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

*** Investment in Nexi S.p.A is managed by HF Evergood partners.*

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.

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 2023 presented earlier. This follows from the duration of insurance liabilities being longer than fixed income asset duration in If. In Topdanmark and Hastings interest rate risk of the balance sheet is limited 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.

If

The total market value of If's investment portfolio at 31 December 2023 was EUR 11,156 million (10,719). A large part of the fixed income portfolio was concentrated to corporate bonds issued by financial institutions and bank account balances amounted to 29.6 per cent of the fixed income portfolio. When including covered bonds, the concentration to financial institutions was 52.0 per cent. The remainder of the fixed income portfolio consists of exposure to other sectors with real estate representing the second largest concentration of 6.3 per cent.

The composition of the If investment portfolios by asset class at year end 2023 and at year end 2022 as well as average maturities of fixed income investments, are shown in the table Investment allocation, If, 31 December 2023 and 31 December 2022.

Investment allocation

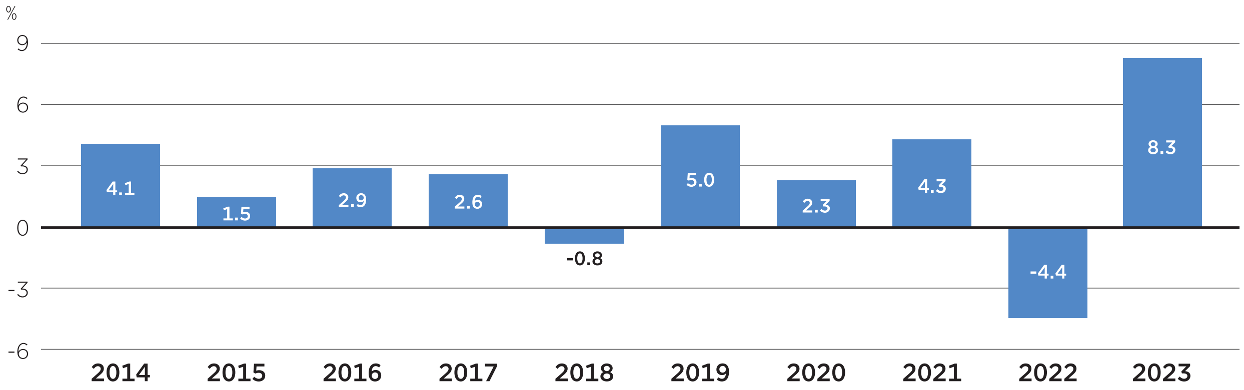
If, 31 December 2023 and 31 December 2022

	2023			2022		
Asset class	**Market value, EURm**	**Weight, %**	**Average maturity, years**	**Market value, EURm**	**Weight, %**	**Average maturity, years**
Fixed income total	**9,905**	**89 %**	**3.1**	**9,541**	**89 %**	**2.9**
Money market securities and cash	240	2 %	0.0	272	3 %	0.0
Government bonds	1,065	10 %	3.7	1,030	10 %	3.5
Credit bonds, funds and loans	8,600	77 %	3.2	8,239	77 %	2.9
Covered bonds	2,181	20 %	2.8	2,505	23 %	3.0
Investment grade bonds and loans	4,327	39 %	3.5	3,649	34 %	2.8
High-yield bonds and loans	1,137	10 %	2.8	1,088	10 %	2.7
Subordinated / Tier 2	490	4 %	3.0	555	5 %	2.9
Subordinated / Tier 1	466	4 %	2.9	442	4 %	3.0
Hedging swaps	0	0 %	-	0	0 %	-
Listed equity total	**1,244**	**11 %**	**-**	**1,169**	**11 %**	**-**
Finland	0	0 %	-	0	0 %	-
Scandinavia	718	6 %	-	630	6 %	-
Global	526	5 %	-	539	5 %	-
Alternative investments total	**5**	**0 %**	**-**	**5**	**0 %**	**-**
Real estate	0	0 %	-	1	0 %	-
Private equity	4	0 %	-	4	0 %	-
Biometric	0	0 %	-	0	0 %	-
Commodities	0	0 %	-	0	0 %	-
Other alternative	0	0 %	-	0	0 %	-
Trading derivatives	**2**	**0 %**	**-**	**4**	**0 %**	**-**
Asset classes total	**11,156**	**100 %**	**-**	**10,719**	**100 %**	**-**
FX Exposure, gross position	**134**	**-**	**-**	**73**	**-**	**-**

The return on If's investments during 2023 amounted to 8.3 per cent, mainly due to excellent equity and strong fixed income performance. The fixed income portfolio contributed positively due to higher general level of interest rates compared to recent past.

Annual investment returns at market values

If, 2014–2023



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. If also 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. 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.

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

If, 31 December 2023

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 2022
Basic industry	0	0	36	148	31	0	35	250	40	0	0	289	48
Capital goods	0	0	90	136	34	0	140	401	520	0	0	921	142
Consumer products	0	1	107	334	16	0	78	536	191	0	0	726	54
Energy	0	0	19	0	0	0	63	81	18	0	0	100	-18
Financial institutions	33	700	1,512	672	51	0	41	3,008	0	0	5	3,013	143
Governments	421	46	0	0	0	0	0	466	0	0	0	466	44
Government guaranteed	0	25	0	0	0	0	0	25	0	0	0	25	1
Health care	0	1	15	125	9	0	46	196	1	0	0	197	85
Insurance	0	0	32	106	7	0	131	276	0	0	0	276	-46
Media	0	0	0	0	0	0	15	15	0	0	0	15	-10
Packaging	0	0	0	0	25	0	0	25	0	0	0	25	4
Public sector, other	504	18	0	0	0	0	0	523	0	0	0	523	-30
Real estate	0	58	126	195	20	0	172	572	0	0	0	573	-53
Services	0	0	41	183	108	0	26	358	0	0	0	358	180
Supranationals	17	0	0	0	0	0	0	17	0	0	0	17	17
Technology and electronics	0	12	27	45	0	0	57	141	0	1	0	142	48
Telecom-munications	0	0	2	184	0	0	24	210	37	0	0	247	77
Transportation	0	36	60	0	0	0	80	176	0	0	0	176	-49
Utilities	0	0	45	174	60	0	52	331	0	0	0	331	6
Others	0	0	16	17	0	0	31	64	4	1	0	69	16
Asset-backed securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	2,181	0	0	0	0	0	0	2,181	0	0	0	2,181	-325
Funds	0	0	0	11	0	0	0	11	432	1	0	444	17
Clearing house	0	0	0	0	0	0	0	0	0	0	2	2	-3
Total	**3,156**	**897**	**2,127**	**2,327**	**362**	**0**	**992**	**9,862**	**1,244**	**5**	**7**	**11,118**	**350**
Change from 31 Dec 2022	**-318**	**84**	**71**	**548**	**-60**	**0**	**-51**	**273**	**76**	**0**	**2**	**350**	

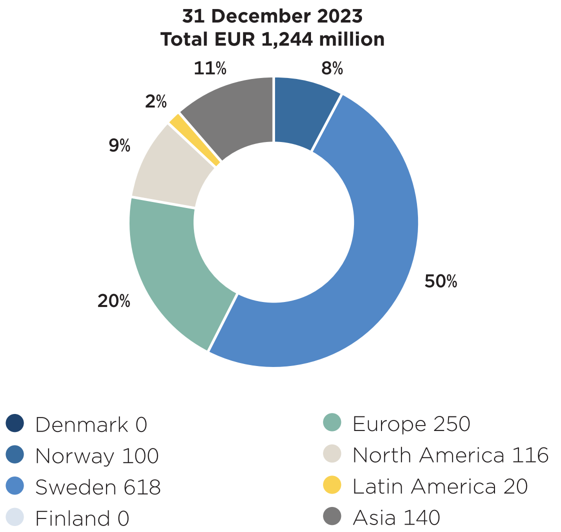
"Exposure by sector, asset class and rating" differs from total assets in the "Table Investment Allocation", because derivatives and collaterals are excluded from "Exposure by sector, assets class and rating" except for OTC derivatives, for which only the counterparty risk is taken into account.

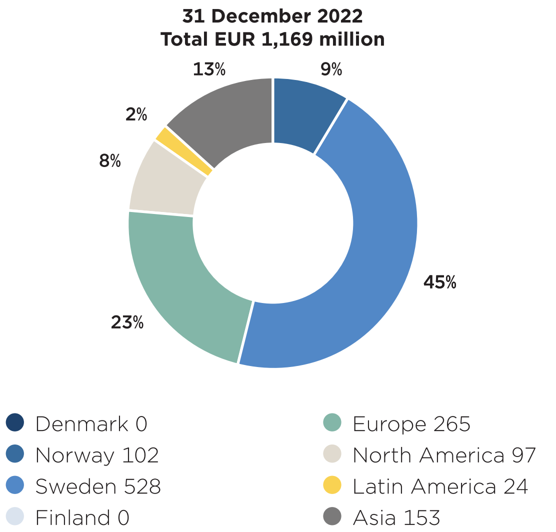
Most of the fixed income exposures are investment grade and the role of corporate and covered bonds issued by Nordic financial institutions is central. A part of the money market securities, cash and investment grade government bonds form a liquidity buffer.

The equity portfolio is actively managed with a long-term investment horizon. The equity risk is reduced by diversifying the investments across industry sectors and geographical areas. 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 2023 and 31 December 2022.

Breakdown of listed equity investments by geographical regions

If, 31 December 2023 and 31 December 2022





Market risks of balance sheet

Asset and liability management risk

If's exposure to ALM risk arises mainly from changes in interest rates, inflation, and currency movements. 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 insurance liabilities may be matched by investing in appropriate fixed income instruments and by using currency and interest rate derivatives.

Interest rate risk

If's exposure to interest rate risk from insurance contracts issued and reinsurance contracts held arises from the net liability for incurred claims, where future claims payments are discounted to a present value and therefore impacted by changes in discount rates. The duration sensitivity to changes in interest rates in the net liability for incurred claims is analysed in the Reserve risk section. For more information see the table Sensitivity analysis, reserve risk, If, 2023 in the section Underwriting Risks.

If's exposure to interest rate risk from financial instruments arises primarily from fixed income investments.

If is negatively affected when interest rates are decreasing, as the duration of insurance liabilities is longer than the duration of investment assets. During 2023 interest rates maintained their higher level compared to recent history and If invested in instruments with somewhat longer maturities. Interest rate sensitivity in terms of the average duration of fixed income investments was 2.4 years on 31 December 2023 (1.9). The respective duration of insurance liabilities was 6.2 years (6.0). However, the fixed income portfolio is significantly larger than the amount of insurance liabilities which mitigates the duration mismatch respectively.

Interest rate risk relating to insurance liabilities is, in accordance with the Investment Policy, considered in the composition of investment assets. The overall interest rate risk is managed by sensitivity limits for instruments sensitive to interest rate changes.

Currency risk

If writes insurance policies that are mostly denominated in the Scandinavian currencies and in euro. Currency risk is reduced by matching insurance liabilities with investment assets in 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 monitored 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 2023 and 31 December 2022. 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 functional currency.

Transaction risk position

If, 31 December 2023

Base currency SEK (in EURm)	EUR	USD	JPY	GBP	SEK	NOK	DKK	Other	Total, net
Insurance operations	-3,255	-180	0	-49	37	-2,233	-1,114	-29	-6,823
Investments	3,091	319	0	24	113	1,869	187	0	5,604
Derivatives	117	-123	5	22	-168	350	916	22	1,141
Transaction risk, net position	-47	15	5	-4	-18	-13	-11	-7	-79
Sensitivity: SEK -10%	**-5**	**2**	**0**	**0**	**-2**	**-1**	**-1**	**-1**	**-8**

Transaction risk position

If, 31 December 2022

Base currency SEK (in EURm)	EUR	USD	JPY	GBP	SEK	NOK	DKK	Other	Total, net
Insurance operations	-3,739	-185	0	-33	-11	-2,318	-1,029	-28	-7,342
Investments	2,304	297	1	11	108	2,071	263	5	5,058
Derivatives	1,370	-113	13	16	-78	229	760	15	2,211
Transaction risk, net position	-66	-1	13	-7	19	-18	-6	-8	-73
Sensitivity: SEK -10%	**-7**	**0**	**1**	**-1**	**2**	**-2**	**-1**	**-1**	**-7**

The transaction risk position in SEK represents exposure in foreign subsidiaries/branches within If with a functional 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 functional currencies than SEK.

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. The Cash Management unit is responsible for liquidity planning. To identify liquidity risk, expected cash flows from investment assets and insurance liabilities are analysed regularly, taking both normal market conditions and stressed conditions into consideration. Liquidity risk is reduced by investing in assets that are traded 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 cash flows from financial instruments, insurance liabilities and reinsurance contracts are presented in the table Cash flows according to contractual maturity, If, 31 December 2023. The average maturity of fixed income investments was 3.2 years (2.9). In the table, financial assets and liabilities are divided into contracts with a contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. The table also shows expected future cash flows for insurance liabilities and reinsurance assets, which by nature are inherently associated with a degree of uncertainty.

Cash flows according to contractual maturity

If, 31 December 2023

EURm	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	Cash flows 2024	2025	2026	2027	2028	2029-2038	2039-
Financial assets	**11,296**	**1,485**	**9,812**	**1,605**	**1,835**	**2,142**	**2,561**	**1,400**	**1,487**	**0**
Financial assets (non-derivatives)	11,275	1,485	9,791	1,585	1,835	2,142	2,561	1,400	1,487	0
Interest rate swaps	2	0	2	2						
FX derivatives	19	0	19	19						
Asset for incurred claims	**527**	**0**	**527**	**328**	**108**	**44**	**19**	**11**	**18**	**1**
Financial liabilities	**-550**	**0**	**-550**	**-402**	**-31**	**-137**	**0**	**0**	**0**	**0**
Financial liabilities (non-derivatives)	-492		-492	-344	-31	-137	0	0	0	0
Interest rate swaps										
FX derivatives	-58	0	-58	-58	0	0	0	0	0	0
Lease liabilities	**-148**	**0**	**-148**	**-27**	**-26**	**-23**	**-20**	**-14**	**-47**	**0**
Liability for incurred claims and other insurance related payables	**-6,443**	**0**	**-6,443**	**-2,483**	**-794**	**-471**	**-339**	**-262**	**-1,301**	**-795**

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

Topdanmark

In general, long-term value creation shall be based mainly on the acceptance of insurance risks. To supplement the profit from insurance activities, Topdanmark accepts a certain level of market risks, 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 fixed income assets to improve the average investment return.

Market risks are kept on an appropriate level in order to limit negative profit and loss effects to very unfavourable financial market scenarios. The investment portfolio shall be managed to ensure that market risks will not endanger the insurance operations even in unfavourable market conditions.

To achieve company level targets, 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 investments 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 for 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 arrangement 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 CLO-portfolio has been sold. The credit exposure is managed through a High Yield ETF (EUR).

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

Investment allocation

Topdanmark, 31 December 2023 and 31 December 2022

	Topdanmark			
	31 Dec 2023		31 Dec 2022	
Asset class	**Market value, EURm**	**Weight, %**	**Market value, EURm**	**Weight,%**
Fixed income total	**1,898**	**94 %**	**2,422**	**94 %**
Money market securities and cash	1	0 %	544	21 %
Government and mortgage bonds	1,766	88 %	1,722	67 %
Credit bonds	43	2 %	39	2 %
Index-linked bonds	88	4 %	91	4 %
CLOs	0	0 %	26	1 %
Listed equity total	**81**	**4 %**	**111**	**4 %**
Denmark	15	1 %	25	1 %
Scandinavia	2	0 %	2	0 %
Global	64	3 %	85	3 %
Alternative investments total	**34**	**2 %**	**35**	**1 %**
Real estate	0	0 %	0	0 %
Unlisted equities and hedge funds	34	2 %	35	1 %
Trading derivatives	**1**	**0 %**	**1**	**0 %**
Asset classes total	**2,014**	**100 %**	**2,569**	**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.

The equity portfolios, excluding associated companies, are well-diversified and without large concentrations.

Investment assets are mostly comprised of government and Danish mortgage bonds. These assets are interest rate sensitive and to a significant extent equivalent to the total interest rate sensitivity of the non-life insurance liabilities. Consequently, the return on government and mortgage bonds should be assessed in connection with return and revaluation of non-life insurance liabilities.

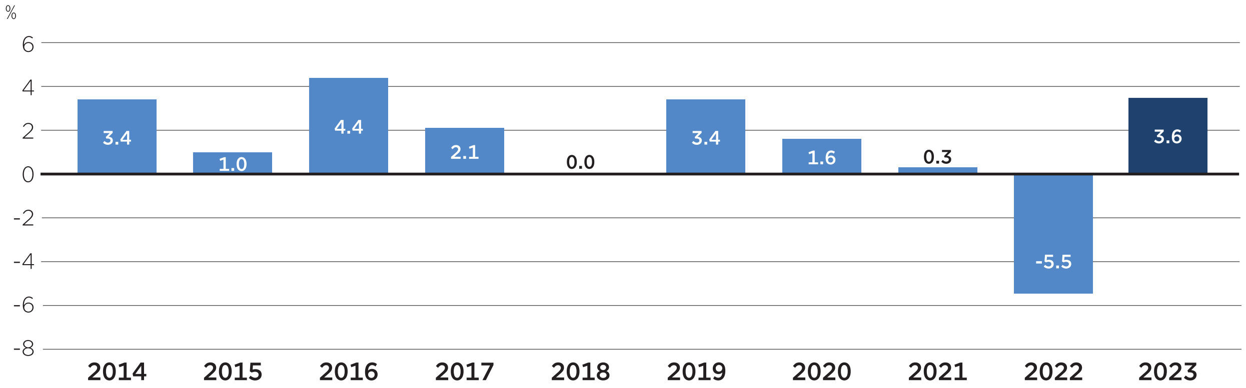
The small allocation to credit bonds is primarily exposed to European issuers.

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

The annual investment return for 2023 compared to earlier years is presented in the graph Annual investment returns at market values, Topdanmark, 2014–2023.

Annual investment returns at market values

Topdanmark, 2014–2023



The return on investments during 2023 was 3.6 per cent. In the end of 2023 declining interest rates resulted in a fragmented Danish mortgage bond market, with low coupon callable bonds exhibiting positive performance in spread terms, while the opposite was the case with higher coupon bonds. The net result was a positive contribution to the return. The positive return on equities was primarily driven by the US market and to a lesser extent Europe and Denmark.

Exposures by sector, asset class and rating

Topdanmark, 31 December 2023

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 2022
Basic industry	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Capital goods	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Consumer products	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Energy	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Financial institutions	0	0	0	0	0	0	5	**5**	**0**	**22**	**64**	**91**	**-468**
Governments	7	0	0	0	0	0	0	**7**	**0**	**0**	**0**	**7**	**7**
Government guaranteed	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Health care	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Insurance	0	0	0	0	0	0	0	**0**	**0**	**112**	**0**	**112**	**102**
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	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Real estate	0	0	0	0	0	0	1	**1**	**0**	**14**	**0**	**14**	**14**
Services	0	0	0	0	0	0	0	**0**	**0**	**2**	**0**	**2**	**0**
Supranationals	6	0	0	0	0	0	0	**6**	**0**	**0**	**0**	**6**	**6**
Technology and electronics	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Telecommunications	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Transportation	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Utilities	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
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	1,715	0	32	0	0	0	95	**1,841**	**0**	**0**	**0**	**1,841**	**32**
Funds	0	0	0	0	0	0	40	**40**	**81**	**0**	**0**	**121**	**-23**
Clearing house	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**-38**
Total	**1,727**	**0**	**32**	**0**	**0**	**0**	**141**	**1,900**	**81**	**149**	**64**	**2,194**	**-368**
Change from 31 Dec 2022	**154**	**0**	**-86**	**0**	**0**	**0**	**-41**	**26**	**-30**	**74**	**-438**	**-368**	

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 is based on the market yield curve.

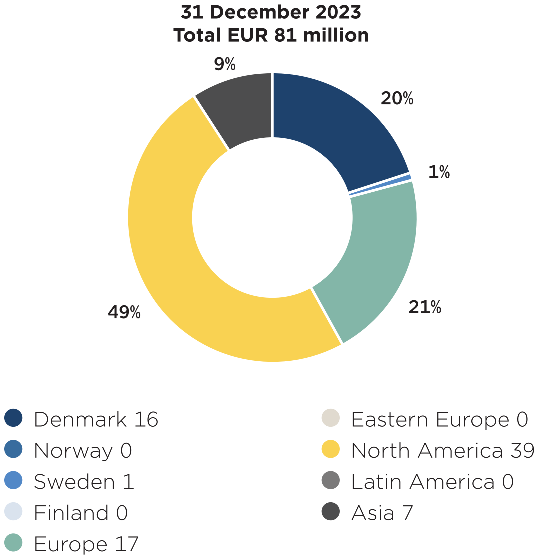
Generally, the interest rate risk is limited and controlled by investing in interest-bearing assets in order to reduce the overall interest rate exposure of the assets and liabilities to the desired level. Therefore, the Danish mortgage bonds and government bonds have a central role in the asset portfolios.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

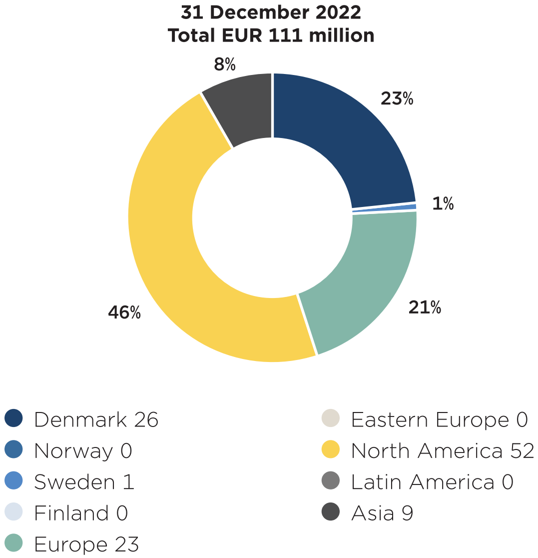
Equity risk

The Danish part of the equity portfolio is 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 both in terms of geographical and company-specific risks. 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, 31 December 2023 and 31 December 2022





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 credit 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 by issuer, issuer type and capital centres, 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 391 (net) million (in EUR 52.5 million) on 31 December 2023.

Concentration risk

Topdanmark's fixed income investments by rating classes are presented in the table Interest-bearing assets by rating, Topdanmark, 31 December 2023 and 31 December 2022.

Interest-bearing assets by rating

Topdanmark, 31 December 2023 and 31 December 2022

Rating class, %	2023	2022
>A+	90.9	66.2
A+, A, A-	1.7	5.2
BBB+, BBB, BBB-	0.0	0.0
<BBB-	7.4	7.7
Money market deposits	0.0	21.0

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 krones. 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 the 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 insurance liabilities. The insurance liabilities are calculated based on the expected future indexation of wages and salaries.

An expected higher future inflation rate would generally be included in the insurance liabilities 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 inflation derivatives to hedge a proportion of the expected cash flows sensitive to future inflation. The inflation sensitivity of capitalisation factors is not hedged.

Market risk sensitivities

The following table is a summary of selected market risk sensitivities.

Market risk sensitivities

Topdanmark, 31 December 2023 and 31 December 2022

EURm after tax	Risk scenario	2023	2022
Effective interest rate	1 percentage point increase	-5.5	-1.0
Interest-bearing assets		-43.6	-34.2
Provisions for claims and benefits etc.		38.1	33.2
Index-linked bonds	5% decrease in value	-3.3	-3.4
Equities	10% decrease in value	-8.5	-9.3
High yield + CLOs < AA	10% decrease in value	-2.8	-4.4
Properties	10% decrease in value	-10.0	-10.1
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, liquidity risk related to customers' payments is very limited. Secondly, the nature of a diversified insurance business means that it is highly unlikely that a liquidity shock could occur. Insurance liabilities are quite stable and on the investment side money market investments are complemented by a large portfolio of liquid listed Danish government and mortgage bonds.

The maturities of cash flows from financial instruments, insurance liabilities and reinsurance contracts are presented in the table Cash flows according to contractual maturity, Topdanmark, 31 December 2023. .

Cash flows according to contractual maturity

Topdanmark, 31 December 2023

EURm	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	Cash flows 2024	2025	2026	2027	2028	2029-2038	2039-
Financial assets	**1,861**		**1,861**	**420**	**424**	**321**	**170**	**166**	**505**	**113**
Financial assets (non-derivatives)	1,859		1,859	420	424	321	170	166	504	113
Interest rate swaps	1		1	0	0	0	0	0	1	0
FX forwards	0		0	0						
Asset for incurred claims	**79**		**79**	**58**	**9**	**4**	**3**	**2**	**4**	
Financial liabilities	**299**	**128**	**172**	**10**	**9**	**102**	**59**	**1**	**21**	**1**
Financial liabilities (non-derivatives)	275	128	148	9	7	101	57			
Interest rate swaps	24		24	1	2	1	1	1	21	1
FX derivatives	0		0	0						
Lease liabilities										
Liability for incurred claims and other insurance related payables	**1,582**		**1,582**	**603**	**249**	**183**	**118**	**87**	**303**	**184**

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.

Hastings

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 only a very limited amount of equity exposure.

The total market value of Hastings' investment portfolio at 31 December 2023 was EUR 1,680 million (1,320). The investment portfolio was dominated by investment grade fixed income investments, which comprised 69 per cent of total investment assets. The rest was invested in money market securities and cash amounting to 27 per cent, and high yield and alternative investments with a combined allocation of 4 per cent.

The composition of the Hastings investment portfolios by asset class at year end 2023 and at year end 2022 as well as average maturities of fixed income investments, are shown in the table Investment allocation, Hastings, 31 December 2023 and 31 December 2022.

2023 saw continued focus on ESG initiatives within Hastings Group; Hastings Group is committed to reducing the environmental impact of its investments and committed to the SBTi and its Net-Zero standard in September 2022, the company's current climate targets will be reviewed as part of the process of defining science-based climate targets for its investments that will be submitted to the SBTi for validation no later than September 2024. Advantage continued to embed the UN principles of Responsible Investment, supporting further integration of ESG considerations into investment processes and completed its first reporting period in September of 2023. The Advantage investment portfolio maintains an ESG rating of AA, exceeding the ESG rating requirement of A defined in the Responsible Investment Framework. Advantage's current climate targets for investments is on track to reduce carbon intensity in the core investment portfolio by 50 per cent by 2030 and be net-zero by 2050. In 2023, the carbon intensity of the portfolio was reduced by more than the targeted 6 per cent annual reduction.

Investment allocation

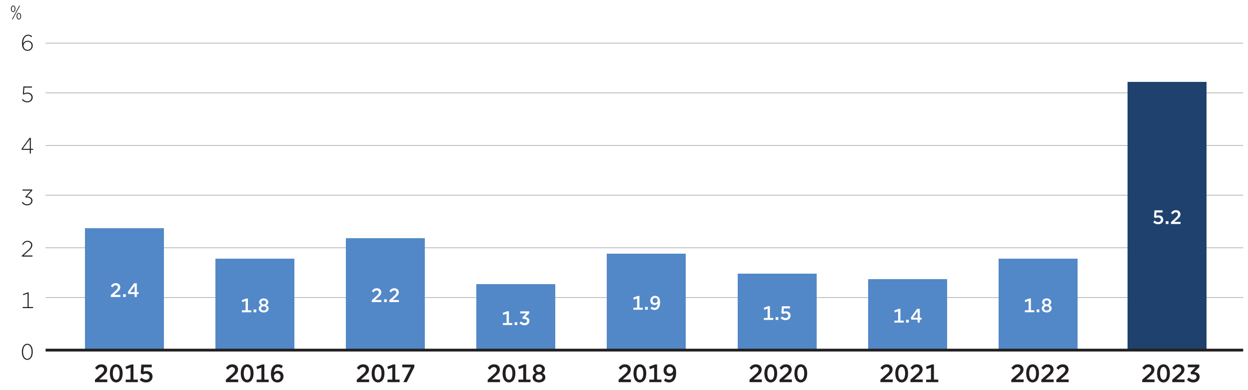
Hastings, 31 December 2023 and 31 December 2022

Asset class	2023 Market value, EURm	2023 Weight, %	2023 Average maturity, years	2022 Market value, EURm	2022 Weight, %	2022 Average maturity, years
Fixed income total	**1,646**	**98%**	**2.2**	**1,287**	**98 %**	**3.3**
Money market securities and cash	448	27 %	0.0	246	19 %	0.0
Government bonds	0	0 %	3.9	71	5 %	0.1
Credit bonds, funds, and loans	1,198	71 %	3.0	970	74 %	4.3
Covered bonds	0	0 %	0.0	0	0 %	0.0
Investment grade bonds and loans	1,164	69 %	5.0	954	72 %	4.4
High-yield bonds and loans	27	2 %	4.9	16	1 %	4.0
Subordinated / Tier 2	7	0 %	—	0	0 %	—
Subordinated / Tier 1	0	0 %	—	0	0 %	—
Hedging swaps	0	0 %	—	0	0 %	—
Listed equity total	**0**	**0 %**	**—**	**0**	**0 %**	**—**
UK	0	0 %	—	0	0 %	—
Global	0	0 %	—	0	0 %	—
Alternative investments total	**34**	**2 %**	**—**	**32**	**2 %**	**—**
Real estate	0	0 %	—	0	0 %	—
Private equity	0	0 %	—	0	0 %	—
Biometric	0	0 %	—	0	0 %	—
Commodities	0	0 %	—	0	0 %	—
Other alternative	34	2 %	—	32	2 %	—
Trading derivatives	**0**	**0 %**	**—**	**0**	**0 %**	**—**
Asset classes total	**1,680**	**100 %**	**—**	**1,320**	**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.

Annual investment returns at market values

Hastings, 2014–2023



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.

Exposures by sector, asset class and rating

Hastings, 31 December 2023

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 2022
Basic industry	0	0	6	2	0	0	0	**9**	**0**	**0**	**0**	**9**	**0**
Capital goods	0	14	32	0	0	0	0	**46**	**0**	**0**	**0**	**46**	**24**
Consumer products	1	39	126	55	6	0	0	**227**	**0**	**0**	**0**	**227**	**64**
Energy	0	19	0	0	0	0	0	**19**	**0**	**0**	**0**	**19**	**-6**
Financial institutions	0	46	364	29	0	0	0	**439**	**0**	**0**	**-2**	**437**	**103**
Governments	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**-71**
Government guaranteed	46	0	0	0	0	0	0	**46**	**0**	**0**	**0**	**46**	**-17**
Health care	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Insurance	9	10	19	3	0	0	0	**41**	**0**	**0**	**0**	**41**	**0**
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	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**-135**
Real estate	0	0	14	26	0	0	0	**40**	**0**	**0**	**0**	**40**	**2**
Services	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Supranationals	173	0	0	0	0	0	0	**173**	**0**	**0**	**0**	**173**	**173**
Technology and electronics	0	0	0	6	0	0	0	**6**	**0**	**0**	**0**	**6**	**3**
Telecommunications	0	0	10	20	0	0	0	**29**	**0**	**0**	**0**	**29**	**7**
Transportation	0	13	13	15	0	0	0	**41**	**0**	**0**	**0**	**41**	**4**
Utilities	0	0	26	23	0	0	0	**50**	**0**	**0**	**0**	**50**	**-4**
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**	**514**	**0**	**514**	**209**
Clearing house	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Total	**229**	**141**	**610**	**179**	**6**	**0**	**0**	**1,165**	**0**	**514**	**-2**	**1,678**	**358**
Change from 31 Dec 2022	**28**	**-48**	**162**	**3**	**6**	**0**	**0**	**151**	**0**	**209**	**-2**	**358**	**358**

Foreign currency risk is insignificant in Hastings.

Interest rate risk

Hastings 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 meetings and includes adherence to tight duration mismatch tolerances which form part of the relevant risk appetite statement.

Liquidity risks

Hastings maintains a short duration and highly liquid portfolio, in line with its low risk appetite. Liquidity Risk is largely managed at Advantage. 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 2023

EURm	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	Cash flows 2024	2025	2026	2027	2028	2029-2038	2039-
Financial assets	**1,869**	**704**	**1,165**	**143**	**341**	**349**	**179**	**154**	**0**	**0**
Financial assets (non-derivatives)	1,869	704	1,165	143	341	349	179	154	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
Asset for incurred claims	1,333	1,333	0	349	236	183	61	96	169	240
Financial liabilities	**187**	**0**	**187**	**73**	**71**	**43**	**0**	**0**	**0**	**0**
Financial liabilities (non-derivatives)	185	0	185	71	71	43	0	0	0	0
Interest rate swaps	2	0	2	2	0	0	0	0	0	0
FX derivatives	0	0	0	0	0	0	0	0	0	0
Lease liabilities	**10**	**0**	**10**	**6**	**3**	**1**	**0**	**0**	**0**	**0**
Liability for incurred claims and other insurance related payables	**2,125**	**2,125**	**0**	**670**	**404**	**302**	**127**	**137**	**211**	**275**

Counterparty risks

Counterparty default risks **75**
If **77**
Topdanmark **79**
Hastings **80**

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.

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.

Counterparty default risks

External drivers

Economic, social and financial market conditions, laws, taxation & regulations, technical development and innovations, natural disasters and other catastrophic events

- Changes in counterparty creditworthiness
- Terms of the instruments and collateral mechanism
- Volatility of underlying instruments and collateral markets

- Changes in counterparty creditworthiness
- Terms of the agreement

Default risk of derivative counterparty

Credit losses resulting from:

- Rapid increase in value of net exposure
- Derivative counterparty is not able to post collateral or pay settlement amounts when they fall due
- Value of collateral differs from expected

Default risk of reinsurance counterparty

Credit losses resulting from:

- Increase in reinsurance recoverables
- Reinsurer is not able to pay reinsurance recoverables when they fall due

Negative impact on financial results

If

In If, the major sources of counterparty risk stem from reinsurance recoverables, 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 distribution of reinsurance recoverables and pooled solutions is presented in the table below. In the table, EUR 206 (151) million is excluded, which mainly relates to captives and statutory pool solutions.

Reinsurance recoverables and pooled solutions

If, 31 December 2023 and 31 December 2022

	31 Dec 2023		31 Dec 2022	
Rating	**Total EURm**	**% of total**	**Total EURm**	**% of total**
AAA	0	0 %	0	0 %
AA+ - A-	450	100 %	134	100 %
BBB+ - BBB-	0	0 %	0	0 %
BB+ - C	0	0 %	0	0 %
D	0	0 %	0	0 %
Non-rated	0	0 %	0	0 %
Total	**450**	**100 %**	**135**	**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 financial strength rating and the maximum exposure limits to individual reinsurers. In addition, internal credit risk analysis plays a central role when counterparties are approved.

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 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.

Reinsurance assets for incurred claims for the ten largest reinsurer counterparties amounted to EUR 272 (144) million, representing 52 (61) per cent of the total reinsurance assets for incurred claims. Out of the ten largest reinsurer counterparties, 59 (32) per cent of the reinsurers had an A rating or higher, while the rest were from non-rated captives.

The total ceded written premium related to treaty and facultative reinsurance agreements amounted to EUR 89 (82) 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.

Topdanmark

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.

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.

Hastings

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 manages the tender of the reinsurance programme, which consists of both non-capitalised Excess of Loss ("XoL") and Quota Share ("QS") protection. Under the 2023 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 16.0 million (approximately EUR 18.4 million) per event loss. In 2023, the Advantage Board reduced the motor QS participation from 35 per cent to 30 per cent, driven principally by a change in risk appetite. Advantage's reinsurance strategy will continue to be reviewed in line with risk appetite.

Reinsurance recoverables

Hastings, 31 December 2023 and 31 December 2022

	2023		2022	
Rating	**Total, EURm**	**% of total**	**Total, EURm**	**% of total**
AAA	0	0 %	0	0 %
AA	1,031	63 %	962	65 %
A	608	37 %	512	35 %
BBB	2	0 %	3	0 %
Less than BBB	0	0 %	0	0 %
Unrated	0	0 %	0	0 %
Total	**1,640**	**100 %**	**1,477**	**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. These tolerances are monitored and mitigated on a continual basis, with line of sight to the Board quarterly, or ad-hoc as needed.

To better protect itself 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

Operational risks **82**
If **84**
Topdanmark **84**
Hastings **85**
Sampo plc **86**

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.

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.

Operational risks

External drivers

Natural disasters, other catastrophic events, epidemics, unauthorised or criminal acts and technological developments

- Competence and integrity of human resources
- Hardware, software and data
- Work processes

- Source data integrity
- Calculation procedures
- Reporting procedures
- Access to data and reports

- Internal events, accidents, failures, misconduct etc.

Operative processes

High cost or low quality of client services or internal processes resulting from:

- Internal processes are not working as expected
- Client services are not working as expected

Data and information

Deficiencies in decision-making and actions and non-compliance in reporting resulting from:

- Inadequate, inaccurate or untimely information and reporting

Resource damages

Discontinuity of operations resulting from:

- Damage to personnel
- Damage to physical property or locations
- Damage to or loss of data

Negative impact on financial results arising from immediate costs or loss of earnings and inability to conduct business activities in accordance with strategy due to loss of reputation and customers

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. The Group companies have their own specific risk sources. Related events that may have negative impacts on processes, personnel or 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.

If

Operational risks occur in all parts of the organisation and are a natural part of doing business. A continuous assessment of the risks is performed to balance the level of risk mitigation, since it is not cost-effective to eliminate all risks. Line organisation managers are risk owners and responsible for continuously managing significant risks within their operations.

If's main operational risk is the risk of a successful cyber-attack. It represents the potential of If being directly or indirectly exposed to cyber-attack. An additional risk is the complexity in If's IT environment with many core systems, including several legacy systems that are challenging to maintain and replace.

If has issued several steering documents that are relevant for the management of operational risks. These include but are not limited to the Operational Risk Policy, Business Continuity, Security Policy and Information Security Policy. There are also processes and instructions in place to manage the risk of external and internal fraud. Policies and other relevant guidelines are reviewed and updated at least annually. Internal training on ethical rules and other relevant guidelines is provided to employees annually.

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 regularly by the line organisation. 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. The results are challenged and aggregated by the Risk Management function.

There is also a system for incident reporting procedures and follow-up. Incident data is used to analyse operational risk and severe incidents are tracked to ensure that proper actions 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 Sampo.com **Information security and cybersecurity**.

Topdanmark

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.

Topdanmark has the 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 Sampo.com **Information security and cybersecurity**.

Hastings

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 Advantage and HISL risk management functions which are reported up to the Hastings Group Risk Committee on a quarterly basis.

Throughout 2023, 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.

HISL carries the majority of the Hastings Group's operational risks, which has remained within appetite throughout the year as a result of its continued investment in the strengthening of controls, governance and capabilities, all underpinned by the Hastings 4Cs culture.

During 2023, effective ongoing operation of a modern, flexible Information Technology infrastructure, which allows a more agile working environment, enabled a continued focus on quality and cost-effective delivery of services to customers. Investments over the year have included an upgrade to the Guidewire Billing centre to V10 and a migration and optimisation of data.

Hastings Group takes its responsibilities connected with the holding and use of both customer and colleague data seriously. Focused and carefully managed evolution in the Hastings remote working strategy for its colleagues and the risks emanating from higher salary inflation and a competitive employment market were successfully navigated during the year. Attrition within Hastings has materially reduced over the course of the year as a result. A comprehensive programme of information security and cyber risk controls, investment in expertise, tools and education was rolled out during the year.

The UK information Commissioners Accountability framework is used to inform ongoing areas of improvement in the management of data protection risk, with positive progress made during the year. The data governance framework was also strengthened along with investment in a new data management system. An appropriate focus has been placed on the ongoing testing against the rapidly increasing number of individuals on sanction lists, along with oversight of controls mitigating more general financial crime risk.

A robust operational resilience framework has operated throughout the year with no breaches in Important Customer Business Services impact tolerances. Phase 2 of the operational resilience programme, designed to meet the FCA's ongoing requirements, remains underway and on track.

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.

Hastings has an information security framework, which 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 Sampo.com **Information security and cybersecurity**.

Sampo plc

Sampo plc's information security and cybersecurity systems are a part of If's IT infrastructure. Sampo plc also follows If's incident management process. In addition, Sampo plc has strong internal controls and additional resources for company-specific purposes. Before any new applications or services are taken into use, or before changes are done to any of Sampo plc's critical systems, a risk assessment process will be conducted. Regular penetration tests, as well as vulnerability scanning of applications and IT infrastructure, are conducted regularly by specialised third-party security testers. Information on cyber threats is updated continuously by internal experts and by specialised third-party security partners, and instructions on IT security are updated frequently on the company intranet.

Further information on information security and cybersecurity in Sampo plc is available in the Sampo.com **Information security and cybersecurity**.

Emerging risks

Emerging risks **88**
If **88**
Topdanmark **89**
Hastings **90**

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.

If

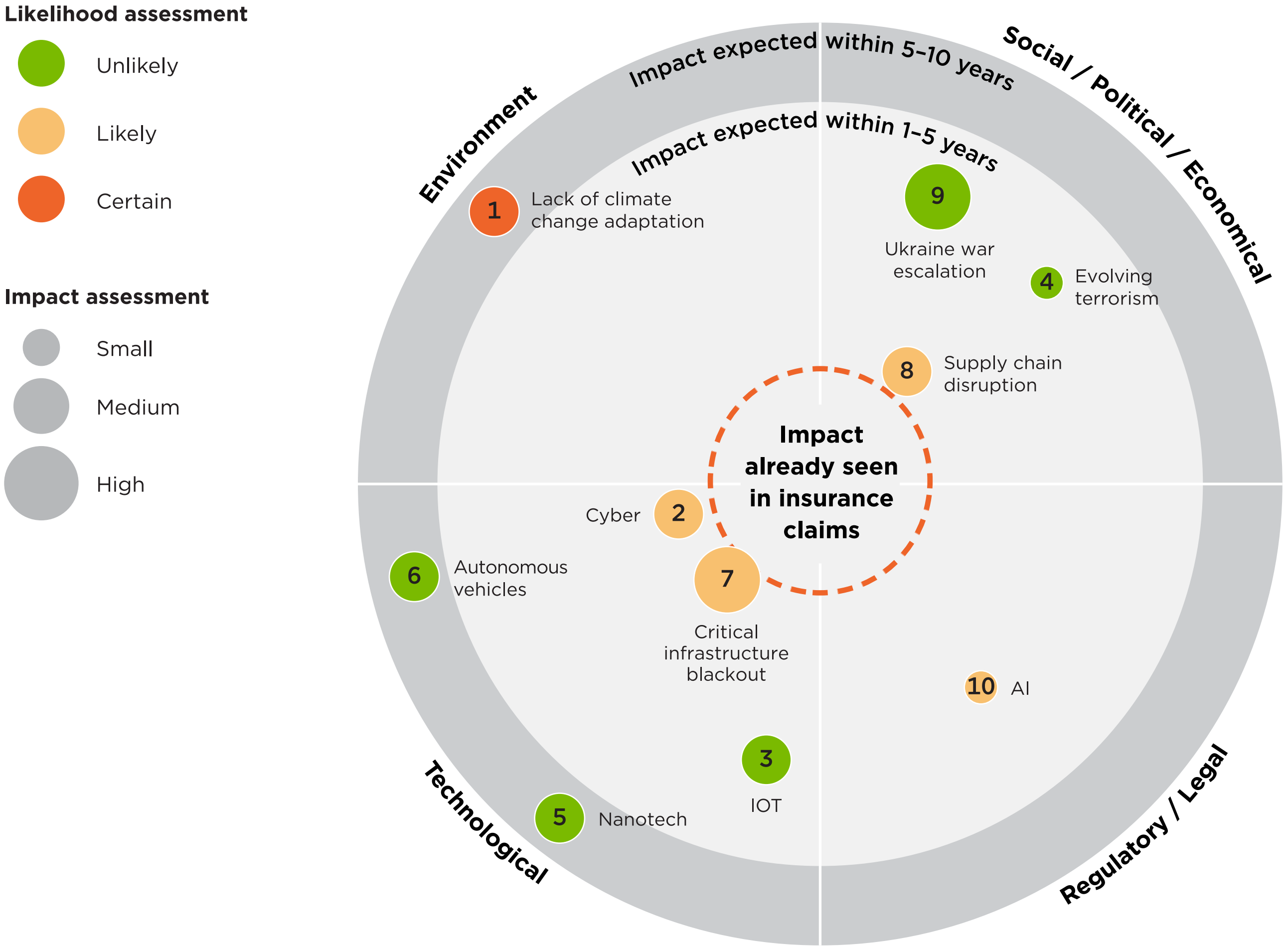
The risks that are under extra observation are lack of adaptation to climate changes, Artificial Intelligence (AI) and PFAS (per- and polyfluoroalkyl substances).

The main principle is that each business area is responsible for identifying and taking action with regard to potential emerging risk exposures in its business. Since emerging risks are not considered a stand-alone risk category, they are assessed as an integrated part of the main risk categories. The Emerging risk radar is updated twice a year with input from the business areas and corporate functions as well as with external input, see figure Emerging risk radar, If, 31 December 2023.

For example, climate related risks in the insurance business, such as the risk of weather-related claims are identified, assessed, mitigated, monitored, and reported in the underwriting process. Due to the risk of a potentially large accumulation of emerging risks that could negatively affect the long-term solvency position, an Emerging Risk Core Team has been established, consisting of key people from the various business areas. This group follows and analyses important emerging risk factors and suggests actions.

Emerging risk radar

If, 31 December 2023



Topdanmark

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. If this becomes a reality, the negative effect could be, that various business activities are delayed.

Specific emerging risks are assessed in Topdanmark's ORSA and on the meetings in the risk committee.

For mitigating cyber risks Topdanmark has initiated the Cyber Security Project. It introduces 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.

Hastings

Hastings Group aims to identify its emerging risks through its continual horizon scanning activities.

The horizon scanning and emerging risks process is being rolled out business-wide at Hastings, with departments considering their emerging risks during monthly or quarterly meetings. The findings of these emerging risks forms part of the ORSA report, with risks transitioning to active risk registers as they become current risks.

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 crystalised
- 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

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

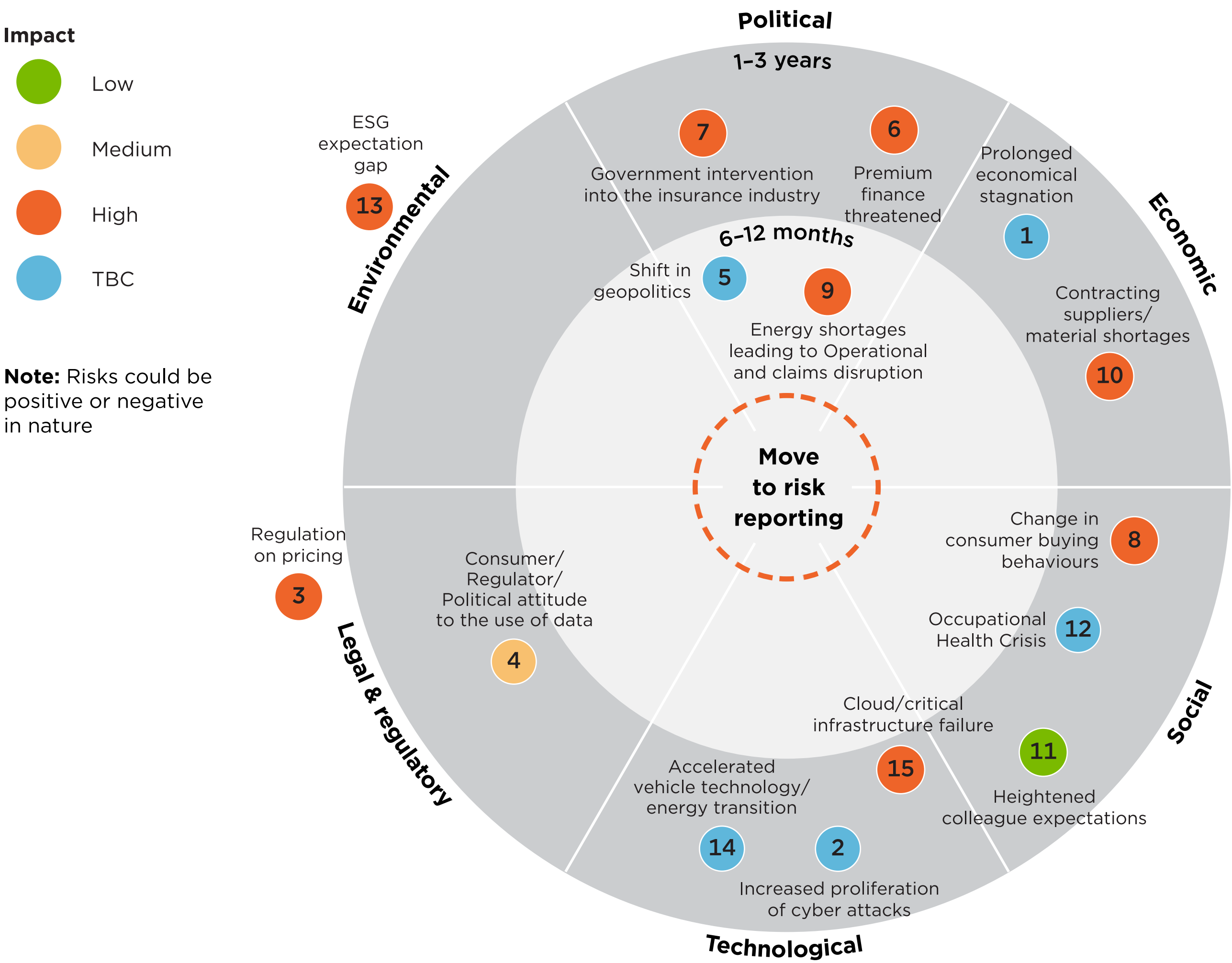
The emerging risks established by this process are then discussed at least half yearly Group Risk & Compliance Committee meetings to allow oversight and scrutiny of their development.

Hastings Group's emerging risks are categorised by the ISO 31000 PESTLE analysis:

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

Emerging Risk Universe

Hastings Group, 2023



Capitalisation

Sampo Group **93**
If **101**
Topdanmark **104**
Hastings **107**

Capitalisation

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.

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.

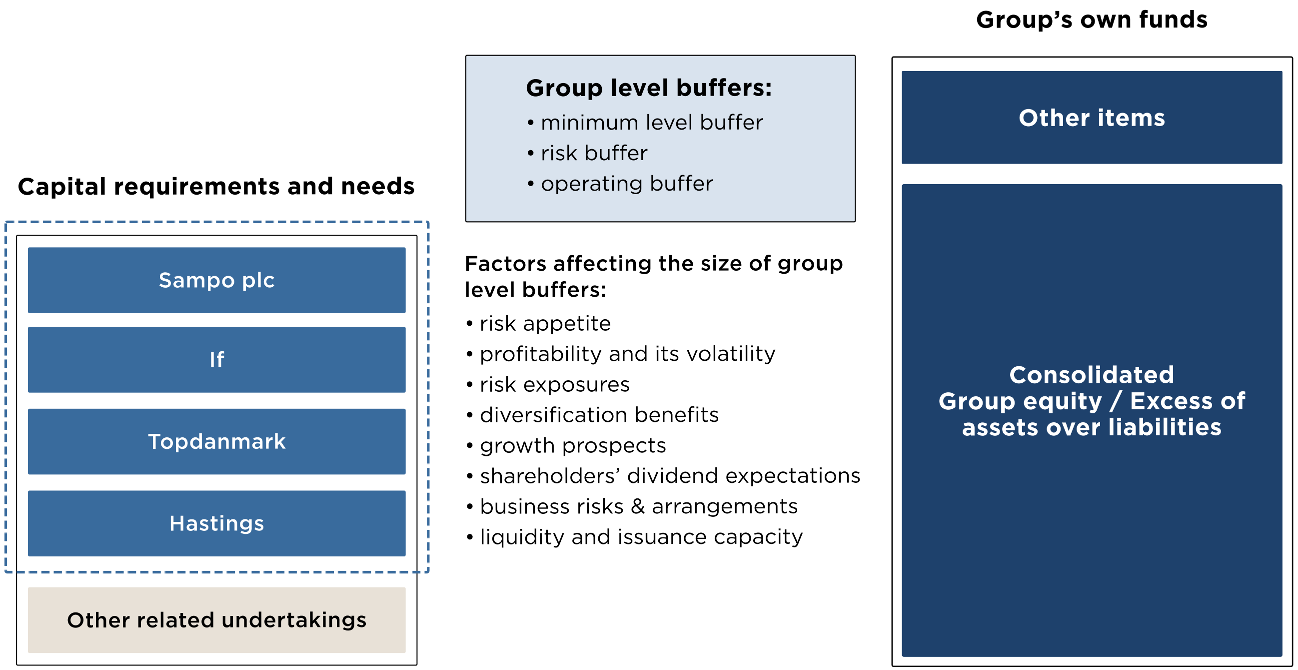
The target range ensures high dividend security but without allowing for excessive buffers. Below target levels Sampo can pay ordinary dividends, but excess capital returns would not be considered. Capital generation is used to enable organic earnings growth and attractive shareholders returns. The group 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 metric. 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



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 equals 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
- valuation differences between IFRS and Solvency II
- 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 own funds are calculated on the basis of the consolidated accounts, defined as method 1 in the Solvency II regulation. Full consolidation of data is generally applied to consolidate the subsidiaries including holding companies, however with certain less material exceptions related to related undertakings, as specified in the regulation.

Sampo Group's capital requirement, the Group SCR, is calculated as follows:

1. The consolidated data is used to calculate a consolidated Solvency Capital Requirement for the subsidiaries of the group, including diversification effects.
2. Sampo plc's share of the capital requirement of other related undertakings, that are not a part of the consolidated SCR, are added to the consolidated Group SCR.

The Group SCR includes diversification only within the consolidated SCR and thus excludes the diversification benefit related to other related undertakings that are, based on the Solvency II regulation, added separately to the Group SCR. The Minimum Consolidated Group SCR ("MCR") is determined by adding up the MCRs of the insurance entities consolidated for the Group SCR calculation.

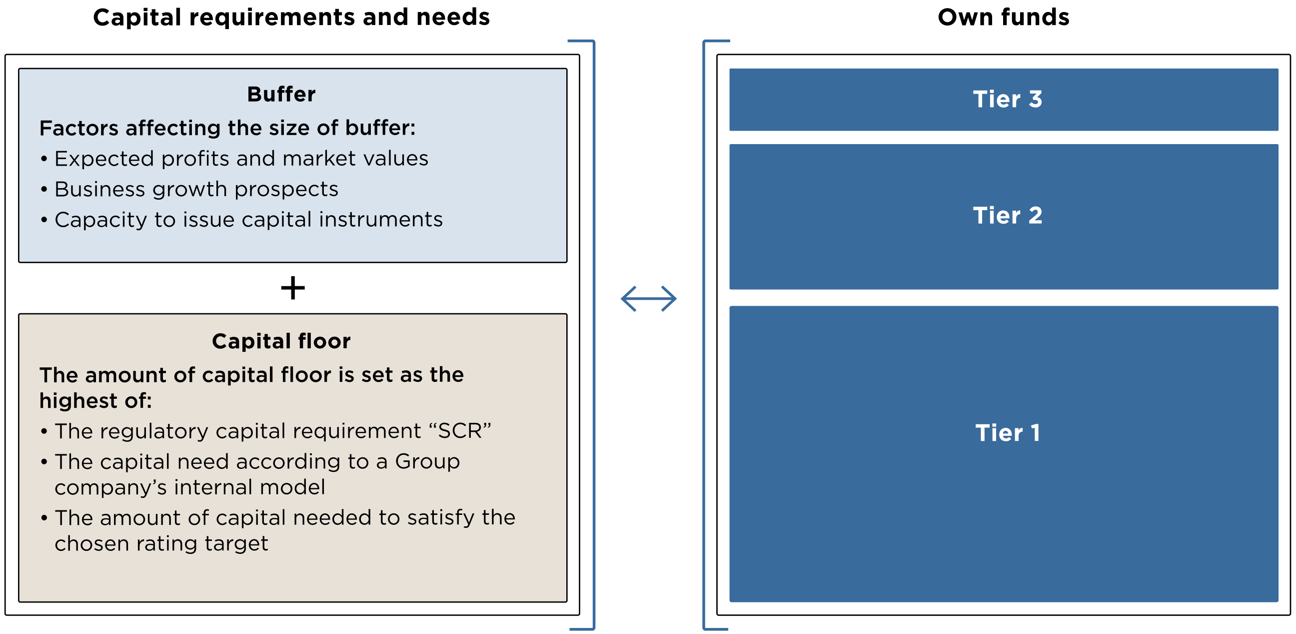
The Group's own funds are calculated based on consolidation and is defined as the excess of assets over liabilities including any subordinated liabilities which may be called up to absorb losses and minus own shares held directly. Assets and liabilities are valued at market value and all intra-group transactions are eliminated. The excess of assets over liabilities is classified into tiers 1 to 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.

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. 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, which is 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.

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.
- 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.

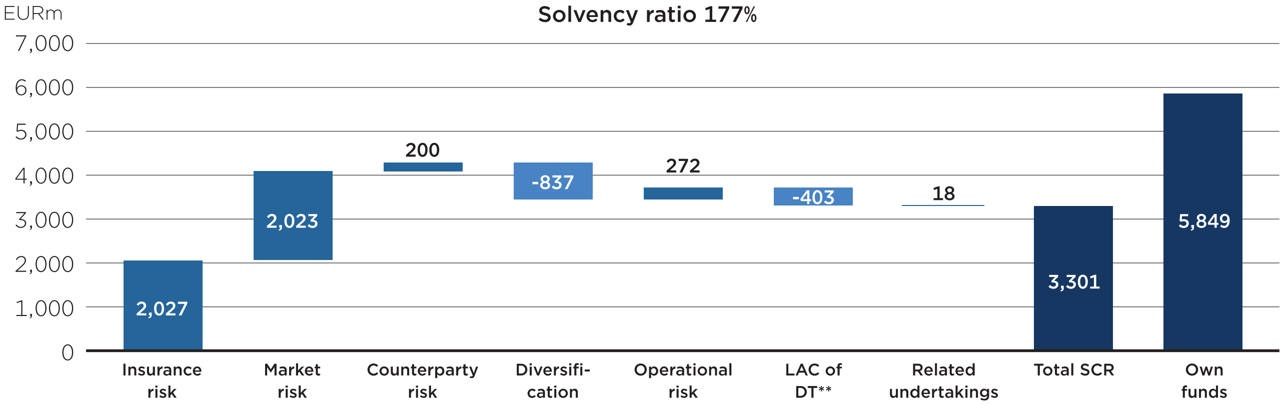
On a sub-group and company level, a target can also be set for the capital structure. In general, Sampo Group is in favour of a strong capital structure and as a result Sampo Group companies currently have, according to Solvency II rules, room for new hybrid capital and subordinated debt instruments in their balance sheets.

Sampo Group

Sampo Group's own funds and SCR are presented in the graph Solvency by Solvency II Rules, Sampo Group, 31 December 2023. Sampo Group's ratio of eligible own funds to Group SCR at the end of 2023 was 177 per cent (210). Sampo Group has been continuously compliant with the regulatory capital requirement during 2023.

Solvency by Solvency II rules

Sampo Group, 31 December 2023



** Loss absorbing capacity of deferred taxes*

The Group SCR decreased by EUR 556 million primarily due to significantly lower market risk resulted by the partial demerger of Mandatum from Sampo Group. Sampo Group's SCR is calculated using Solvency II standard formula, however, Sampo Group has applied for an approval to use a partial internal model to calculate the Group level solvency capital requirement and the application process is currently ongoing. Sampo does not use Hasting's Group Specific Parameters (GSPs) in the Group SCR.

The Group LAC of DT was EUR -403 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 2023 and 31 December 2022 presents Sampo Group's own funds by tiers.

Eligible own funds

Sampo Group, 31 December 2023 and 31 December 2022

EURm	31 Dec 2023	31 Dec 2022
Tier 1 total	**4,272**	**6,367**
Ordinary share capital	98	98
Reconciliation reserve	4,152	6,249
Net effect of other financial sectors	0	0
Tier 1 - restricted	21	20
Tier 2 (Subordinated liabilities)	**1,448**	**1,671**
Tier 3 (Deferred tax assets)	**129**	**45**
Eligible own funds	**5,849**	**8,083**

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 2023 the Group's own funds were EUR 5,849 million (8,083).

The entire ordinary share capital of EUR 98 million and reconciliation reserve of EUR 4,152 million (6,249) fully meet with the requirements for inclusion in Tier 1 unrestricted items. In comparison, IFRS Consolidated Group equity as at 31 December 2023 was EUR 7,687 million (9,543) (see **Appendix 2 Valuation for Solvency II purposes**). All in all, the structure of own funds is solid because Tier 1 items make up approximately 74 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 2023 and 31 December 2022.

Composition of the reconciliation reserve

Sampo Group, 31 December 2023 and 31 December 2022

EURm	31 Dec 2023	31 Dec 2022
Reserves, retained earnings and net income for the year (before SII adjustments)	7,589	9,445
Foreseeable dividends, distributions and charges	-903	-1,892
Own shares (held directly and indirectly)	-54	-181
Other non-available own funds	-88	-373
Net deferred tax assets shown separately in Tier 3	-129	-45
Valuation adjustments according to Solvency II	-2,262	-706
Reconciliation reserve	**4,152**	**6,249**

In the table Eligible own funds, Sampo Group, 31 December 2023 and 31 December 2022 the own funds items included in Sampo Group's Tier 1 restricted and Tier 2 capital, amounting to EUR 21 million and EUR 1,448 million respectively as of 31 December 2023, 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 2023 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 and Topdanmark are shown in the companies' respective tables. Full instrument details are available also in Sampo's webpages **www.sampo.com/investors/debt-instruments-and-ratings**,

There were no new issuances of subordinated debt from Sampo plc, If, Topdanmark or Hastings and no redemptions from Sampo plc, Topdanmark or Hastings during 2023. If called the SEK 1,000 million Tier 1 loan in March 2023 but the loan was already deducted from the Group's own funds as of 31 December 2022 and thus had no effect on the Own funds.

The Group's own funds decreased by EUR 2,227 million over the reporting period. Several developments took place during the year. High profitability in the insurance operations as well as high equity and fixed investment returns increased the own funds whereas lower discount rates towards the end of the year had an opposite effect. During 2023 Sampo bought back its own shares worth EUR 555 million but the buyback programmes as well as EUR 1,337 million dividend for 2022 were already deducted from the own funds at the end of 2022.

In line with its P&C focused strategy Sampo carried out the partial demerger of Sampo plc and listing of Mandatum on 1 October 2023. The demerger decreased the Group's own funds by approximately EUR 2.3 billion based on Q3 2023 solvency.

The proposed dividend of EUR 903 million is deducted from own funds at the year-end. This includes a regular dividend of EUR 1.60 per share (EUR 803 million) in line with the dividend policy and an extra dividend of EUR 0.2 per share (EUR 100 million). As a result of these changes in the own funds and the SCR, the ratio of eligible own funds to Group SCR decreased to 177 per cent (210). 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

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.

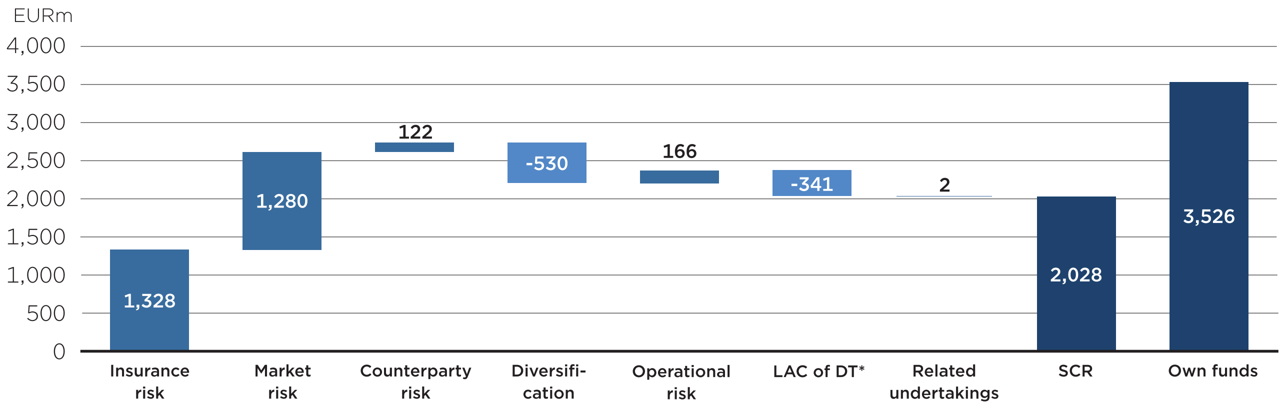
For If, there is no regulatory requirement to calculate SCR or own funds. However, for management purposes Economic Capital ("EC") is calculated by applying internal methods for the main non-life underwriting risks in all geographical areas and for market risks. The SF is applied for other risks. The 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 a single A-rating for If P&C Insurance Ltd (publ) by Standard & Poor's 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 3,526 million (3,894) while the SF SCR was EUR 2,028 million (1,942) at the end of 2023. Hence, the solvency ratio was 174 per cent (200) and the buffer was EUR 1,498 million (1,951). In the graph Solvency, If, 31 December 2023, 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.

Standard formula solvency

If Group, 31 December 2023



The structure of If's own funds is presented in the table Eligible own funds, If, 31 December 2023 and 31 December 2022. At the end of 2023 Tier 1 items cover 88 per cent of own funds. There are no Tier 3 items. The Norwegian Natural Perils Fund forms 66 per cent of Tier 2.

Eligible own funds

If, 31 December 2023 and 31 December 2022

EURm		31 Dec 2023	31 Dec 2022
Tier 1	**Total**	**3,114**	**3,421**
	Ordinary share capital	246	245
	Reconciliation reserve	2,869	3,176
	Subordinated liabilities	0	0
Tier 2	**Total**	**412**	**470**
	Subordinated liabilities	140	135
	Norwegian Natural Peril's Capital	272	335
Tier 3	**Total**	**0**	**3**
	Deferred tax assets	0	3
Eligible own funds		**3,526**	**3,894**

At the end of 2023 subordinated debt amounting to EUR 140 million (135) corresponding to 4.0 per cent (3.5) was included in eligible own funds.

Solvency II compliant subordinated liabilities

If, 31 December 2023

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	134,813,705	17/3/2026	Tier 2	0
			134,813,705			

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.

Deferred taxes and loss-absorbing capacity of deferred taxes

There are no deferred tax assets recognised as Tier 3 at the end of 2023.

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 adjustments[1] 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;
- No new business sales beyond the financial planning horizon are assumed and appropriate haircuts are applied to materialised profits 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

If P&C Insurance Ltd (publ), 31 December 2023

LAC DT (EURm)	339.5
where of justified by reversion of deferred tax liability	245.6
where of justified by reference to probable future taxable economic profit	93.8
where of justified by carry back	0.0

Loss-absorbing capacity of deferred taxes

If Livförsäkring AB, 31 December 2023

LAC DT (EURm)	3.2
where of justified by reversion of deferred tax liability	2.6
where of justified by reference to probable future taxable economic profit	0.6
where of justified by carry back	0.0

[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.*

Topdanmark

Solvency Capital Requirement

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

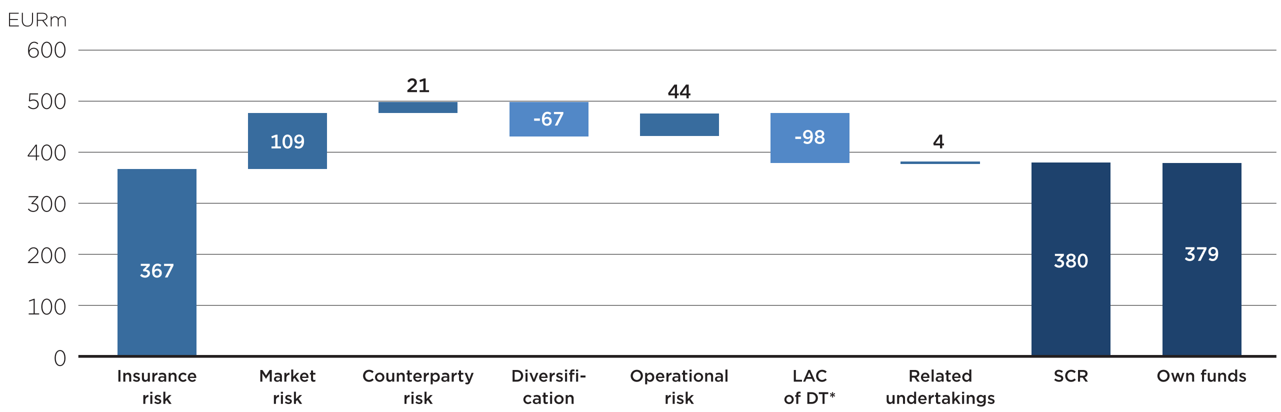
- Topdanmark Forsikring calculates most of its non-life and health risks and the respective Solvency Capital Requirements by a partial internal model approved by the Danish FSA. Other risks are calculated by Solvency II SCR standard formula ("SF"). The SCR partial internal model elements are integrated into the SCR standard formula.
- Oona Health A/S (Dansk Sundhedssikring) calculates its risks and the respective Solvency Capital Requirements by the Solvency II standard formula.
- 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 1,364 million (in EUR 183 million) higher than the now applied SCR.

Topdanmark's standard formula SCR and eligible own funds are shown in the graph Standard Formula Solvency, Topdanmark, 31 December 2023. The figures are presented in a different way compared to Topdanmark's Annual Report. Topdanmark calculates its own SCR using the partial internal model mentioned above, while in Sampo Group solvency Topdanmark's SCR is calculated according to standard formula like all other components in Sampo's SCR.

Standard formula solvency

Topdanmark Group, 31 December 2023



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 Topdanmark group and company 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 2023 and 31 December 2022.

Eligible own funds

Topdanmark, 31 December 2023 and 31 December 2022

		EURm 2023	EURm 2022
Tier 1	**Total**	286	311
	Ordinary share capital	12	12
	Reconciliation reserve	220	246
	Subordinated liabilities	54	54
Tier 2	**Total**	94	94
	Subordinated liabilities	94	94
	Untaxed reserves	0	0
Tier 3	**Total**	0	0
	Deferred tax assets	0	0
Eligible own funds		379	406

Eligible own funds include the following Solvency II compliant subordinated liabilities of Topdanmark as at 31 December 2023. Sampo Group's holdings in these assets are also presented in the following table.

Solvency II compliant subordinated liabilities

Topdanmark, 31 December 2023

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	53,670,383	22.12.2027	Tier 1	250,000,000
Topdanmark Forsikring A/S (Denmark)	10NC5	700,000,000	93,923,171	16.12.2026	Tier 2	700,000,000
			147,593,554			

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 728 million (in EUR 98 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 8 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.

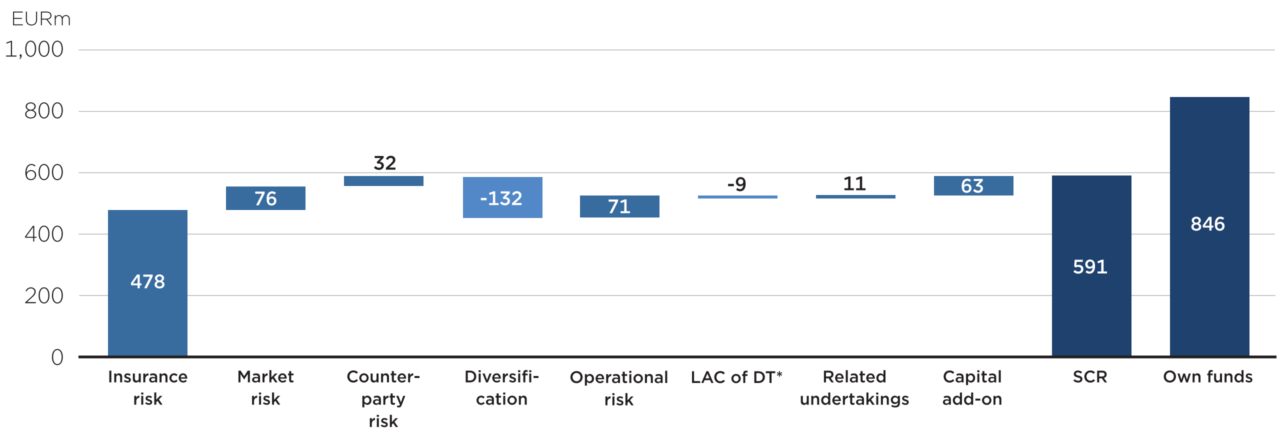
The existing corporation tax rate in Denmark is 26 per cent. The discount rate is 8 per cent after tax, corresponding to the estimated shareholder requirement. A maximum of 60 per cent of the future profit will be used to calculate the loss absorbing capacity of deferred tax if Danish legislation allows this.

Hastings

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.

Standard formula solvency

Hastings Group, 31 December 2023



Eligible own funds

Hastings, 31 December 2023 and 31 December 2022

EURm		2023	2022
Tier 1	**Total**	**804**	**469**
	Ordinary share capital	727	606
	Reconciliation reserve	77	-136
	Subordinated liabilities	0	0
Tier 2	**Total**	**0**	**0**
	Subordinated liabilities	0	0
	Untaxed reserves	0	0
Tier 3	**Total**	**41**	**41**
	Deferred tax assets	41	41
Eligible own funds		**846**	**511**

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 Advantage and the remainder, reflecting the Gibraltar and UK tax jurisdictions respectively.

For Advantage 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 4.7 million at Q4 2023. 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 Advantage 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 2023, the tax value of the pre-tax SCR loss is EUR 63.9 million and the sources of tax capacity sum to EUR 8.6 million (net deferred tax liability EUR 4.7 million as above, current year taxable profits EUR 2.6 million, future taxable profits EUR 1.3 million). The LAC DT credit to the Advantage SCR is therefore EUR 8.6 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 65.9 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 has 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 its contribution to LAC DT, is nil.

The LAC DT at HGH level is therefore the same as at Advantage level, namely EUR 8.6 million at Q4 2023.

The role of Sampo plc

The role of Sampo plc **110**

The role of Sampo plc

As the Group's holding company, 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 (see Capitalisation) 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 a 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 2023, Sampo had long-term strategic holdings of EUR 5,635 million in the subsidiary companies and they were funded mainly by capital of EUR 5,465 million. Sampo plc had outstanding senior debt of EUR 959 million and subordinated debt of EUR 1,490 million. Average remaining maturity of senior debt was 4.8 years and EUR 395 million of it had a maturity longer than five 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 2023 and 31 December 2022.

Balance sheet structure

Sampo plc, 31 December 2023 and 31 December 2022

EURm	31 Dec 2023	31 Dec 2022
Assets total	**7,990**	**9,685**
Liquidity	**1,352**	**2,467**
Investment assets	**979**	**990**
Other investments	2	2
Fixed income	101	27
Equity & private equity	876	961
Subordinated loans	**0**	**100**
Equity holdings	**5,635**	**6,066**
Subsidiaries	5,635	6,066
Associated	0	0
Other assets	**24**	**62**

EURm	31 Dec 2023	31 Dec 2022
Liabilities total	**7,990**	**9,685**
CPs issued	**0**	**0**
Long-term senior debt	**959**	**1,306**
Private placements	2	21
Bonds issued	957	1,285
Subordinated debt	**1,490**	**1,489**
Capital	**5,465**	**6,814**
Undistributable capital	98	98
Distributable capital	5,367	6,716
Other liabilities	**76**	**77**

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 31 (29) per cent.
- Sampo's net debt is EUR 996 (201) million.

Regarding liquidity, Sampo plc held EUR 1,352 (2,467) million 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 (979) 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.

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 than the euro (the Swedish krona, the Danish krone, pound sterling), 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 2023.

Cash flows according to contractual maturity

Sampo plc, 31 December 2023

31 Dec 2023	Carrying amount total			Cash flows						
EURm	**Carrying amount total**	**Carrying amount without contractual maturity**	**Carrying amount with contractual maturity**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029-2038**	**2039-**
Financial assets	**2,325**	**1,623**	**702**	**617**	**14**	**2**	**2**	**30**	**65**	**0**
Financial assets (non-derivatives)	2,325	1,623	702	617	14	2	2	30	65	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
Asset for incurred claims	0	0	0	0	0	0	0	0	0	0
Financial liabilities	**2,527**	**0**	**2,527**	**-72**	**-223**	**-59**	**-59**	**-475**	**-2,032**	**0**
Financial liabilities (non-derivatives)	2,507	0	2,507	-70	-223	-59	-59	-461	-2,032	0
Interest rate swaps	20	0	20	-2	0	0	0	-14	0	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**
Liability for incurred claims and other insurance related payables	**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 2023, the total of company's deferred tax asset from confirmed taxable losses was EUR 53.4 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 2023.

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

Appendices

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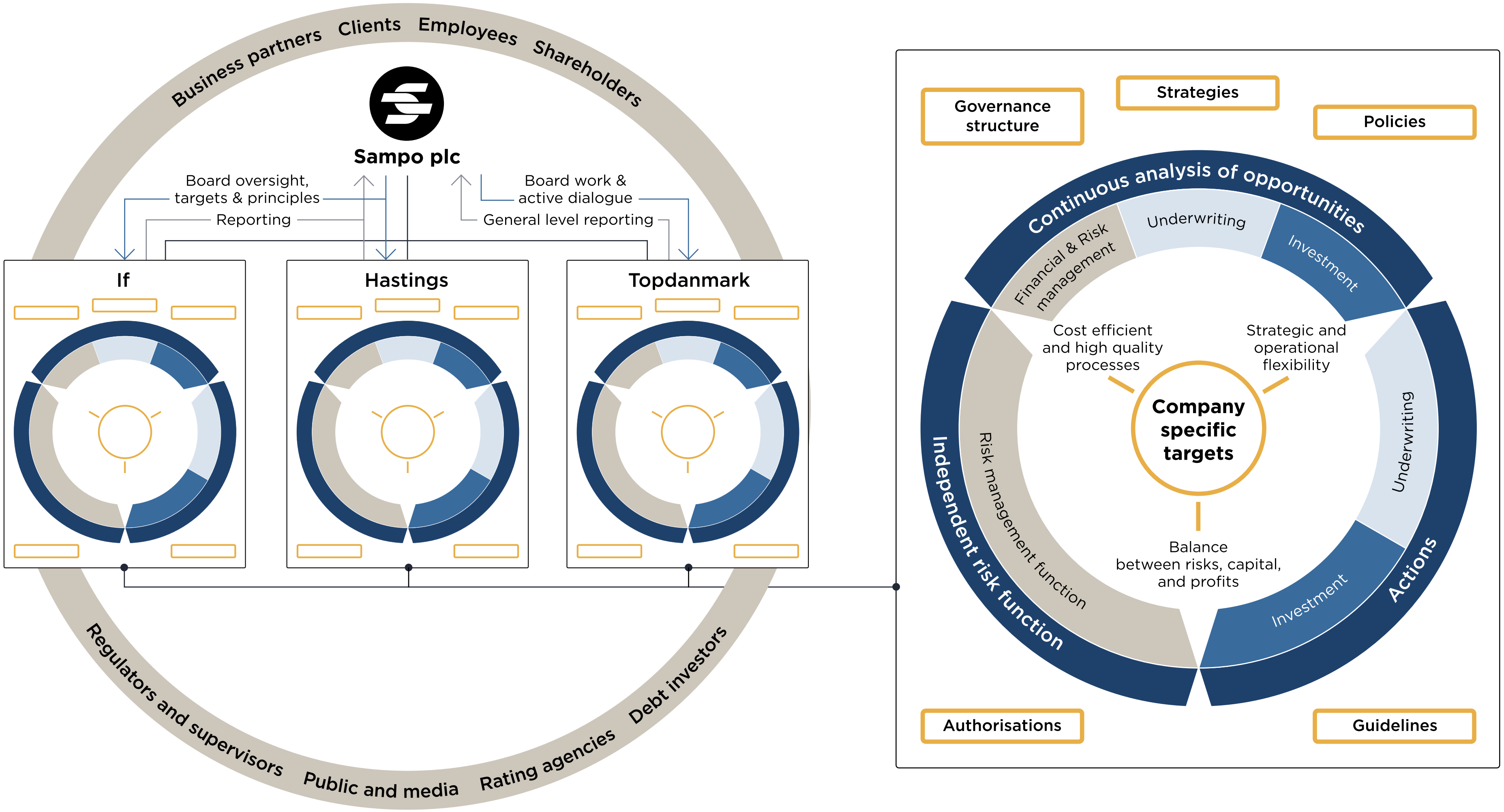
Appendix 3: Sustainability 136

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 **Capitalisation**. 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 whose objectives are described in chapter Sampo Group business and risk strategy.

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
- 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:

Measuring and reporting of risks, capital, and earnings

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/year2023**.

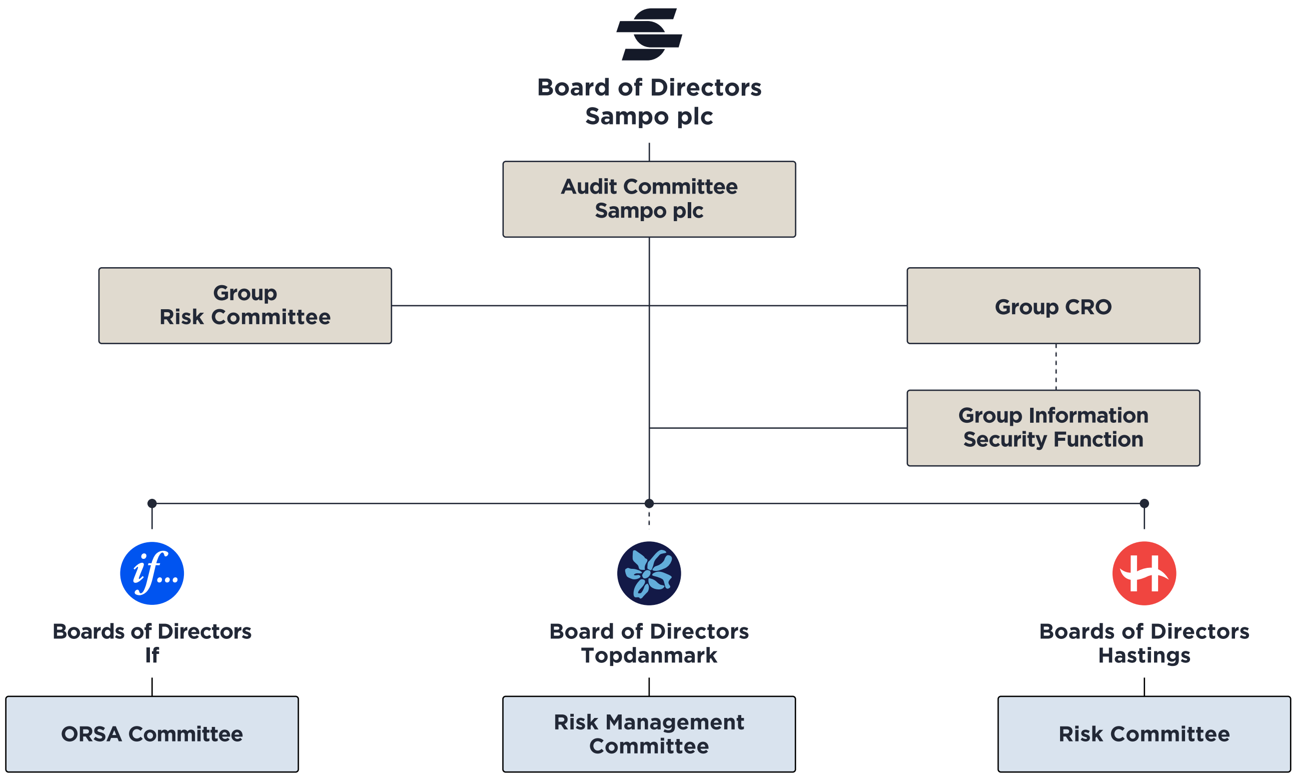
Risk governance at the Group level

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 governance in Sampo Group.

Risk management governance framework

Sampo Group 31 December 2023



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.

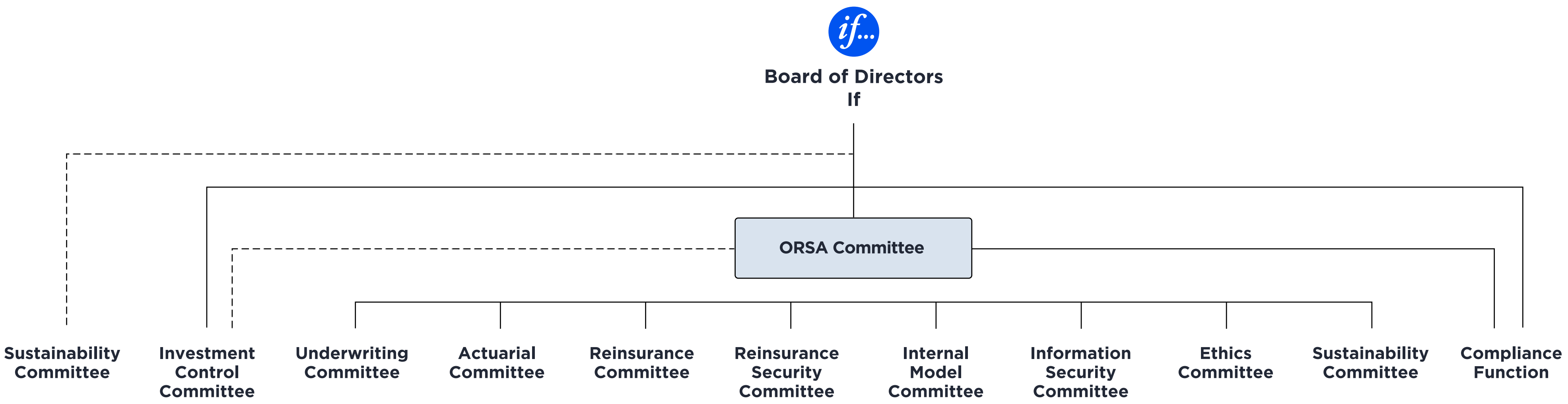
The Group Chief Risk Officer ("CRO") is responsible for assuring the appropriateness of risk management at the Group level. The CRO's responsibility is to monitor Sampo Group's aggregated risk exposures and control and monitor company specific and the Group level risk management. Sampo plc's Risk Management 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, Topdanmark, and Hastings 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 ("ORSA"), 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 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.

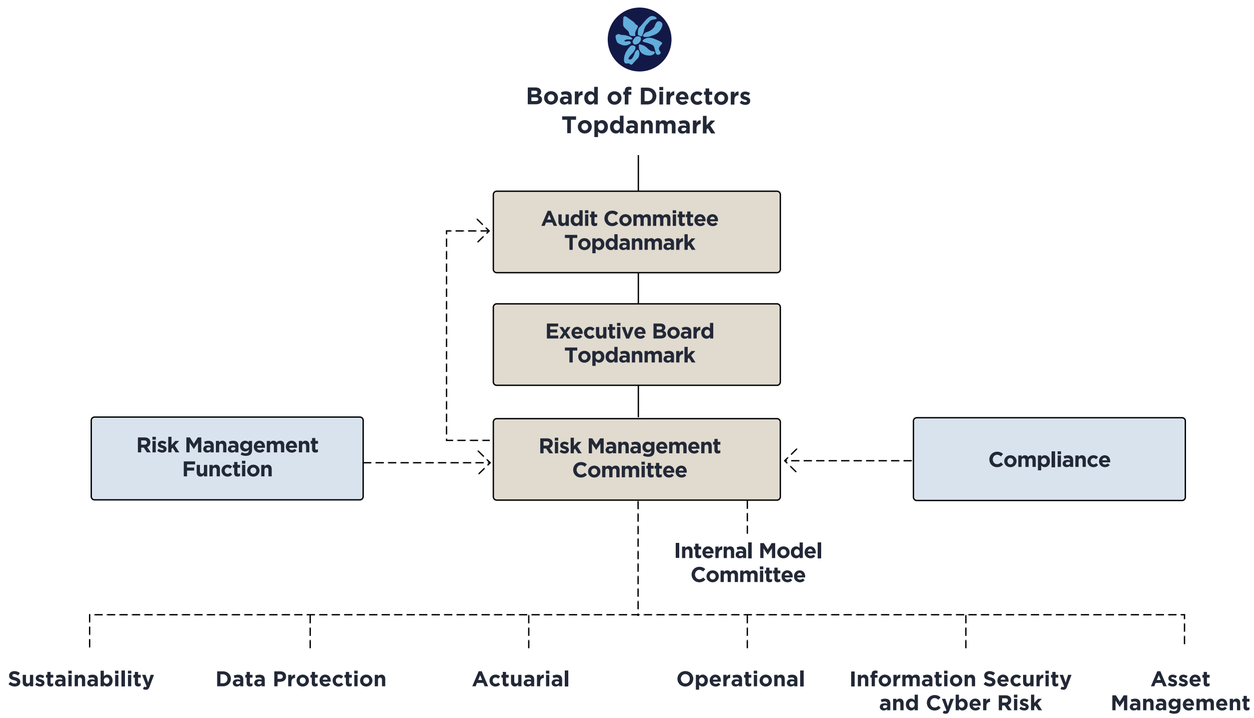
The responsibility to identify, evaluate, control, and manage risks lies within the line organisation. Topdanmark's Risk Management Function consolidates the risk picture, manages the ORSA and produces Solvency Capital Requirement and capital plans. It reports to the Risk Management Committee, which provides assessment and counseling on the 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.

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.

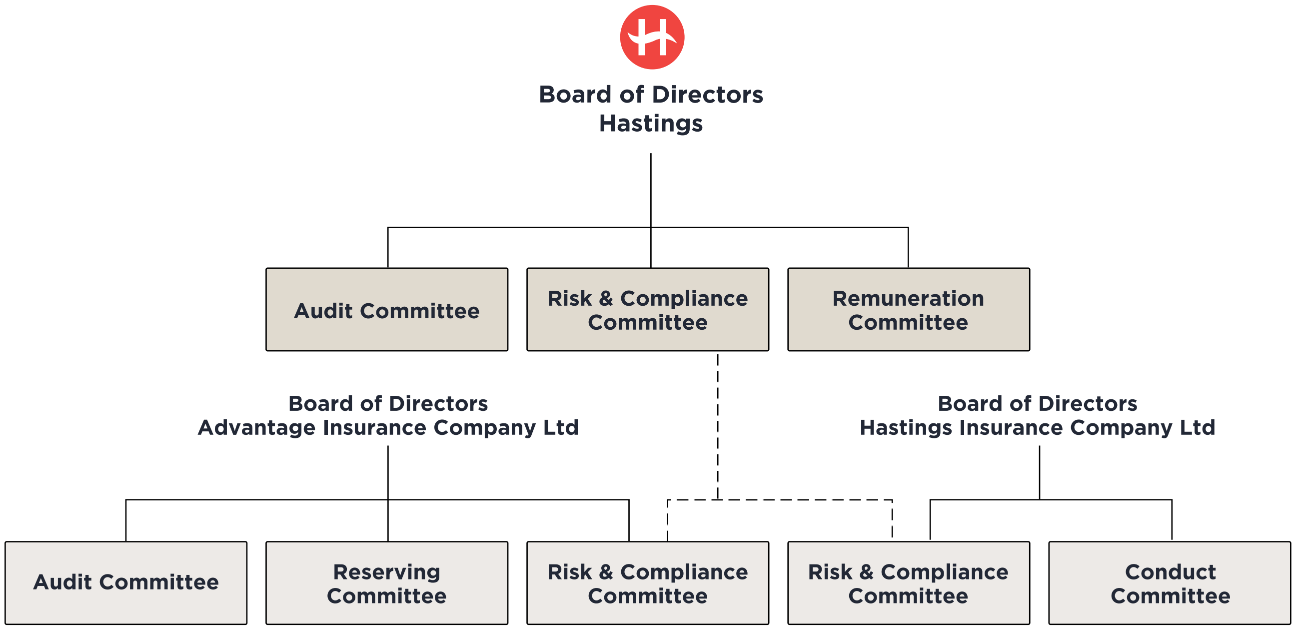
The Risk Management Function collects information about specific risks from the decentral risk management units, who are responsible for reporting the SCR for their respective areas (Actuarial, Asset Management, Finance, and Oona A/S). Based on this, the total SCR is calculated in the Risk Management 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. A third Economy Partner is representing the CIO and the fourth the COO.

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.

Risk governance in Hastings



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 HISL and Advantage 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.

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.

Advantage 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 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.

Appendix 2: 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 material accounting principles" are presented in Sampo Group's note's to the financial statements (**www.sampo.com/year2023**). 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 2023. 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 2023

Assets, EURm	IFRS value*	Solvency II value	Adjustment
Goodwill, intangible assets and deferred acquisition cost	3,636	0	-3,636
Deferred tax assets	3	129	126
Property, plant & equipment held for own use	319	308	-11
Investments (other than unit-linked)	15,860	15,861	1
Property other than for own use	0	0	0
Holdings in related undertakings	12	12	0
Equities	1,542	1,542	0
Bonds	13,094	13,095	1
Collective investments undertakings	1,134	1,134	0
Derivatives	38	38	0
Deposits other than cash equivalents	40	40	0
Asset held for unit-linked contracts	0	0	0
Loans and mortgages	357	528	171
Reinsurance recoverables	2,282	2,253	-29
Non-life and health similar to non-life	2,282	2,161	-121
Life and health similar to life	0	92	91
Insurance and intermediaries receivables	275	504	228
Reinsurance receivables	92	130	38
Receivables (trade, not insurance)	149	119	-30
Own shares (held directly)	0	54	54
Cash and cash equivalents	1,081	1,081	0
Any other assets, not elsewhere shown	170	185	15
Total assets	**24,225**	**21,152**	**-3,073**

Liabilities, EURm	IFRS value	Solvency II value	Adjustment
Technical provisions – non-life	9,638	8,913	-726
Technical provisions – life	2,077	2,247	170
Technical provisions – unit-linked	0	0	0
Provisions other than technical provisions, Pension benefit obligations	59	59	0
Deferred tax liabilities	567	359	-208
Derivatives	117	117	0
Financial liabilities other than owed to credit institutions	1,337	1,299	-37
Insurance and intermediaries payables	273	177	-96
Reinsurance payables	69	281	212
Payables (trade, not insurance)	395	462	66
Subordinated liabilities	1,663	1,469	-194
Any other liabilities, not elsewhere shown	343	344	1
Total liabilities	**16,538**	**15,727**	**-811**
Excess of assets over liabilities	**7,687**	**5,425**	**-2,262**

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.

According to the Solvency II balance sheet the excess of assets over liabilities for the Group per 31 December 2023 was EUR 2 262 million less than the respective IFRS figure. On the asset side the main difference is due the treatment of intangible assets. On the liability side, there are material differences related to technical provisions due to different profit recognition and discounting. 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 126 million. The difference is mainly due to elimination of certain assets (intangible assets, etc.).

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. Due to the demerger of Mandatum on 1 October 2023, Sampo recognised the loan receivable from Mandatum plc in order to allocate Sampo plc's general liabilities. Valuation of this receivable on the Solvency II balance sheet is based on the fair values of the liabilities as of the demerger date and the development of interest rates after that.

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. 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 IFRS accounts the MMP provision public sector is recognised as other assets / liabilities.

EUR 54 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.

Differences in valuation principles IFRS and Solvency II:

- The main difference in the valuation between Solvency II technical provisions and IFRS insurance liabilities is due to expected profit not considered in Solvency II unearned premium reserve. This is the biggest explanatory factor why IFRS insurance liabilities are greater than Solvency II technical provisions.
- The liability for remaining coverage (IFRS) is not discounted which is the main reason for the difference in discounting effect between IFRS and Solvency II.
- Another difference is related also to discounting, where the interest rate curves applied differs in the different regimes, whereas the IFRS curve includes an illiquidity premium.
- A risk adjustment item is added to the IFRS reserve. In Solvency II a risk margin is included in the technical provision.

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 **Underwriting Risks**.

Sampo Group's insurance companies present the differences between IFRS insurance liabilities 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 insurance liabilities and Solvency II technical provisions are summarised in the table Technical provisions in IFRS and Solvency II, If, 31 December 2023.

IFRS insurance liabilities and Solvency II technical provisions

If, 31 December 2023

SII LoB	IFRS VALUE Insurance liabilities	Reinsurance assets	Insurance liabilities, net	SOLVENCY II VALUE Best estimate	Risk margin	Provision gross	Share of reinsurance	Technical provision	SII value of IFRS value
Total, EURm	**7,134**	**563**	**6,571**	**6,708**	**219**	**6,927**	**568**	**6,360**	**97 %**
Health similar to life	**854**	**0**	**854**	**866**	**21**	**886**	**0**	**886**	**104 %**
Income protection insurance (annuities)	62	0	62	65	3	69	0	69	111 %
Medical expense insurance (annuities)	2	0	2	2	0	2	0	2	103 %
Workers' compensation insurance (annuities)	791	0	791	799	18	816	0	816	103 %
Health similar to non-life	**1,314**	**23**	**1,291**	**1,256**	**67**	**1,323**	**23**	**1,300**	**101 %**
Income protection insurance	**623**	**0**	**623**	**586**	**31**	**617**	**0**	**617**	**99 %**
Medical expense insurance	235	1	234	218	11	230	1	229	98 %
Workers' compensation insurance	456	23	434	452	25	477	22	455	105 %
Life excluding health	**867**	**0**	**867**	**878**	**19**	**898**	**0**	**898**	**104 %**
Fire and other damage to property insurance (annuities)	4	0	4	4	0	4	0	4	107 %
Other life insurance	12	0	12	-3	1	-3	0	-3	(21)%
Motor vehicle liability insurance (annuities)	833	0	833	859	17	877	0	876	105 %
General liability insurance (annuities)	18	0	18	18	1	19	0	19	108 %
Non-life excluding health	**4,099**	**540**	**3,558**	**3,708**	**112**	**3,820**	**544**	**3,276**	**92 %**
Fire and other damage to property insurance	1,743	419	1,324	1,582	35	1,617	430	1,187	90 %
Marine, aviation and transport insurance	99	13	86	93	4	97	15	81	94 %
Other motor insurance	523	5	518	374	9	383	5	378	73 %
Motor vehicle liability insurance	984	1	984	958	33	991	1	990	101 %
General liability insurance	748	102	646	702	31	733	93	639	99 %

Different principles are used for calculating the technical provisions in Solvency II and in insurance liabilities in the IFRS financial statements:

- The largest revaluation is due to expected profit not considered in Solvency II unearned premium reserve, amounting to EUR 492.9 million.
- The Solvency II risk margin exceeds the risk adjustment included in IFRS Insurance liabilities by EUR 60.5 million.
- Scope differences in application of the two regulatory regimes related to netting of expected premium payments within unearned premium reserve added EUR 162.0 million to the Solvency II value.
- The basic risk-free rates used for both Solvency II and IFRS 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. The Solvency II rates do not include volatility adjustment whereas the IFRS rates include an illiquidity premium. The latter gives rise to a difference of EUR 121.9 million.

Further information regarding the reinsurance recoverables can be found in section Counterparty risks.

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 2023.

The calculation of best estimate liabilities is basically the same with Risk Margin/Risk Adjustment as the only exception.

The IFRS risk margin is a confidence level model with CoC (Cost of Capital) as the calculation engine for the chosen level.

In IFRS the profit margin is included in the insurance liabilities, while in Solvency II it forms part of the own funds after a provision for tax.

Best estimate insurance liabilities are discounted using the Solvency II interest rate curve for DKK excluding VA.

IFRS insurance liabilities and Solvency II technical provisions

Topdanmark, 31 December 2023

	IFRS VALUE			SOLVENCY II VALUE					
SII LoB	**Insurance liabilities**	**Reinsurance assets**	**Insurance liabilities, net**	**Best estimate**	**Risk margin**	**Provision gross**	**Share of reinsurance**	**Technical provision**	**SII value of IFRS value**
Total, EURm	**1,855**	**79**	**1,777**	**1,706**	**18**	**1,724**	**56**	**1,668**	**94 %**
Health similar to life	**356**	**0**	**356**	**361**	**1**	**362**		**362**	**102 %**
Income protection insurance (annuities)	10	0	10	9		9		9	84 %
Workers' compensation insurance (annuities)	345		345	353	1	353		353	102 %
Health similar to non-life	**690**	**0**	**690**	**702**	**12**	**714**	**0**	**714**	**103 %**
Income protection insurance	202	0	202	176	2	178	0	178	88 %
Medical expense insurance	21		21	84	1	85		85	403 %
Workers' compensation insurance	467		467	442	9	452	0	452	97 %
Non-life excluding health	**809**	**79**	**731**	**642**	**6**	**648**	**56**	**592**	**81 %**
Fire and other damage to property insurance	371	52	319	268	2	269	36	233	73 %
Marine, aviation and transport insurance	0	0	0	-1	0	-1	0	-1	(347)%
Other motor insurance	95	0	95	49	0	50	0	50	52 %
Motor vehicle liability insurance	148	0	148	153	2	155	0	155	105 %
General liability insurance	160	27	133	144	2	146	20	125	94 %
Assistance	11		11	6	0	6		6	57 %
Other	23		23	23	0	23		23	98 %

Technical provisions according to Solvency II in Hastings

Reserving accuracy is one of Hastings' principal risks and, therefore, is subject to stringent controls. In 2023, Advantage 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.

IFRS insurance liabilities and Solvency II technical provisions

Hastings, 31 December 2023

	IFRS VALUE			SOLVENCY II VALUE					
SII LoB	**Insurance liabilities**	**Reinsurance assets**	**Insurance liabilities, net**	**Best estimate**	**Risk margin**	**Provision gross**	**Share of reinsurance**	**Technical provision**	**SII value of IFRS value**
Non-life excluding health, EURm	**2,726**	**-1,640**	**1,086**	**2,343**	**35**	**2,378**	**1,538**	**840**	**77 %**
Fire and other damage to property insurance	92	-3	88	66	1	67	4	64	72 %
Marine, aviation and transport insurance	0	0	0	0	0	0	0	0	— %
Other motor insurance	0	0	0	0	0	0	0	0	— %
Motor vehicle liability insurance	2,634	-1,637	998	2,277	34	2,310	1,534	776	78 %
General liability insurance	0	0	0	0	0	0	0	0	— %

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.

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 Advantage 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.

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 same valuation method is used for subordinated liabilities. In total this decreased the amount of financial liabilities in Solvency II balance sheet by EUR 232 million.

Solvency II valuation decreased deferred tax liabilities by EUR 283 million. The difference is mainly due to differences in the calculation of technical provisions.

According to IFRS 17, the recognition of a liability as an insurance contract in the IFRS accounts depends on the existence of significant underwriting risk. Because there is no material underwriting risk prevalent, the Medical Malpractice Pool (MMP) public sector in Finland is not recognised as an insurance contract in the IFRS accounts. It is instead treated as a service contract with its components recognised in other assets and other liabilities. According to Solvency II, this liability should be recognised as an insurance obligation. All receivables and liabilities related to the MMP public sector are reclassified as forming a part of the Solvency II technical provisions best estimate. Under this treatment, the receivables balances are netted against the liabilities in the technical provisions, as the receivables are premium cash inflows and thus included in the best estimate.

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/year2023**).

There are no major financial leasing arrangements in Sampo Group.

Appendix 3: Sustainability

Sustainability as a business risk driver

Issues related to sustainability are changing the preferences and values of the Sampo Group's 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 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's 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 wants 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 strives 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, which is 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 takes 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. Sampo Group uses 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 aims 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 manages 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 Sampo Group. 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.

Sampo Group helps its corporate and private customers to manage physical climate 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.

Sampo Group's 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 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 climate change scenario analysis, Sampo has analysed the investment portfolio's exposure to systemic economic and financial climate change risks in four different climate scenarios over the period from 2024 to 2060. The analysis is based on the investment allocation as of 31 March 2023. In addition to this, the impact on the insurance results has also been analysed based on the impact on macroeconomic variables in the four different scenarios together with assumptions on effects on claims for natural catastrophes, including repricing consequences.

The four scenarios analysed are the following:

- Net-Zero: This scenario describes an easy and smooth transition where political and social organisations act quickly and predictably to achieve net-zero $CO2$ emissions by 2050;
- Net-Zero Financial Crisis: In this scenario, the transition to a greener economy happens in a disorderly manner. Sudden divestments to align portfolios to the Paris Agreement goals in 2025 have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock;
- Limited Action: In this scenario policymakers implemented limited NDCs and fall short of meeting the Paris Agreement goals. The global warming reaches 2.8°C and this causes high physical impact; and
- High Warming: In this scenario the world fails to meet the Paris Agreement goals and global warming reaches 4.2°C above pre-industrial levels by 2100. Physical climate cause large reductions in economic productivity and an increased impacts from extreme weather events. This scenario focuses on physical risk as a green transition does not happen.

According to the modelled results Sampo's current investment portfolio is relatively resilient to climate change risk in all four 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 Financial Crisis 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 scenarios.

The impact on the insurance results in the High Warming scenario compared to the Net-Zero scenarios from macroeconomic effects leads to a relatively limited impact, mainly due to offsetting effects stemming from how different economies are affected in the Nordic region. The impact on natural catastrophe claims in isolation is however assumed to be more material and is modelled as a gradual increase in the share of the overall claims cost, but the overall effect on the insurance results is highly dependent on assumptions on repricing of the business as a consequence of gradually increased natural catastrophes. The quicker the repricing is, as a consequence of an increased claims trend as it is observed, the lower the impact. This illustrates the importance of repricing the business in a timely manner to correct for potentially increased claims costs due to natural catastrophes, as with any trend in claims costs. The scenario analysis hence shows that although the direct impact from macroeconomic impacts is relatively limited, increased claims cost could materially influence the insurance results and appropriate repricing of the insurance contracts will be particularly important in such a scenario. With the insurance contracts almost exclusively being renewed on a yearly basis, the resilience towards trends in claims is considered high in general given the underwriting and profitability focus.

Further information on sustainability in Sampo Group is available in the **Sustainability Report 2023** published at the turn of March–April 2024 (**www.sampo.com/year2023**).

2023

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