RISK MANAGEMENT

2014

SAMPO GROUP

Risk Management

Sampo Group's Operations and Risks

Sampo Group is engaged in three business areas. Non-life insurance and life insurance are conducted by subsidiaries If P&C Insurance Holding Ltd and Mandatum Life Insurance Company Ltd that are wholly owned by parent company Sampo plc. In addition to the insurance subsidiaries, Group's parent company Sampo plc held, as at 31 December 2014, an equity stake of 21.25 percent in Nordea Bank AB (publ) through which Sampo Group is engaged in banking business and exposed to respective risks. Nordea is Sampo plc's associated company and thus has a material effect on the Group's profits and risks. However, Nordea operates independently and the company's risk management is therefore not covered in Sampo Group's Annual Report.

As a Nordic insurance group If P&C underwrites policies that cover various risks of individuals and corporations on a geographically diverse area. If P&C mainly underwrites risks in the Nordic and Baltic countries but it underwrites also policies for Nordic clients' activities outside the Nordic countries. In addition to geographical diversification, the business is well-diversified over lines of business. Mandatum Life operates in Finland and in the Baltic countries and offers savings and pension policies with life risk features as well as policies covering mortality, morbidity and disability risks.

There are virtually no overlaps between the subsidiaries' insurance businesses' risks and therefore the subsidiaries' underwriting activities can be managed and developed as separate units supported only by limited group wide coordination. Investment activities, on the other hand, are centralized to manage risks at group level as well. The persons responsible for managing the subsidiaries' investments report directly to Sampo Group's Chief Investment Officer. Also the IT systems used in investment activities are the same throughout the Group facilitating consistent analysis and reporting of investment risks as well as assessment of risks at group level. Furthermore, the same basic principles are primarily followed in the investment activities of both subsidiaries, although the risk level of If P&C's investment portfolio is held significantly lower than the risk level of Mandatum Life's investment portfolio due to different features of their insurance liabilities.

Sampo plc is a holding company and it has no business operations of its own, with the exception of the management of its own capital structure and liquidity position. The parent company's liquidity position varies significantly throughout the calendar year as the dividend distributions of the subsidiaries and the parent company often take place at different points in time. In addition, the issues and repayments of the parent company's debt securities create fluctuations in cash flows.

Risks

In Sampo Group the risks associated with business activities fall by definition into three main categories: strategic risks associated with external drivers affecting the business environment, reputational risk associated with the company's business practices or associations and risks inherent in business operations. The first two risk classes are only briefly described in this Risk management report and focus is on the third risk class.

External Drivers and Strategic Risks

Strategic risk is the risk of losses due to changes in the competitive environment or lack of internal operational flexibility. Unexpected changes in general business environment can cause larger than expected fluctuations in financial results and in the long run they can endanger the existence of Sampo Group's business models. External drivers behind such changes are various, including for instance general economic development, development of the institutional environment and technological innovations. As a result of these external drivers, business models of the industry can change, new competitors may appear and customer demand and behavior can change.

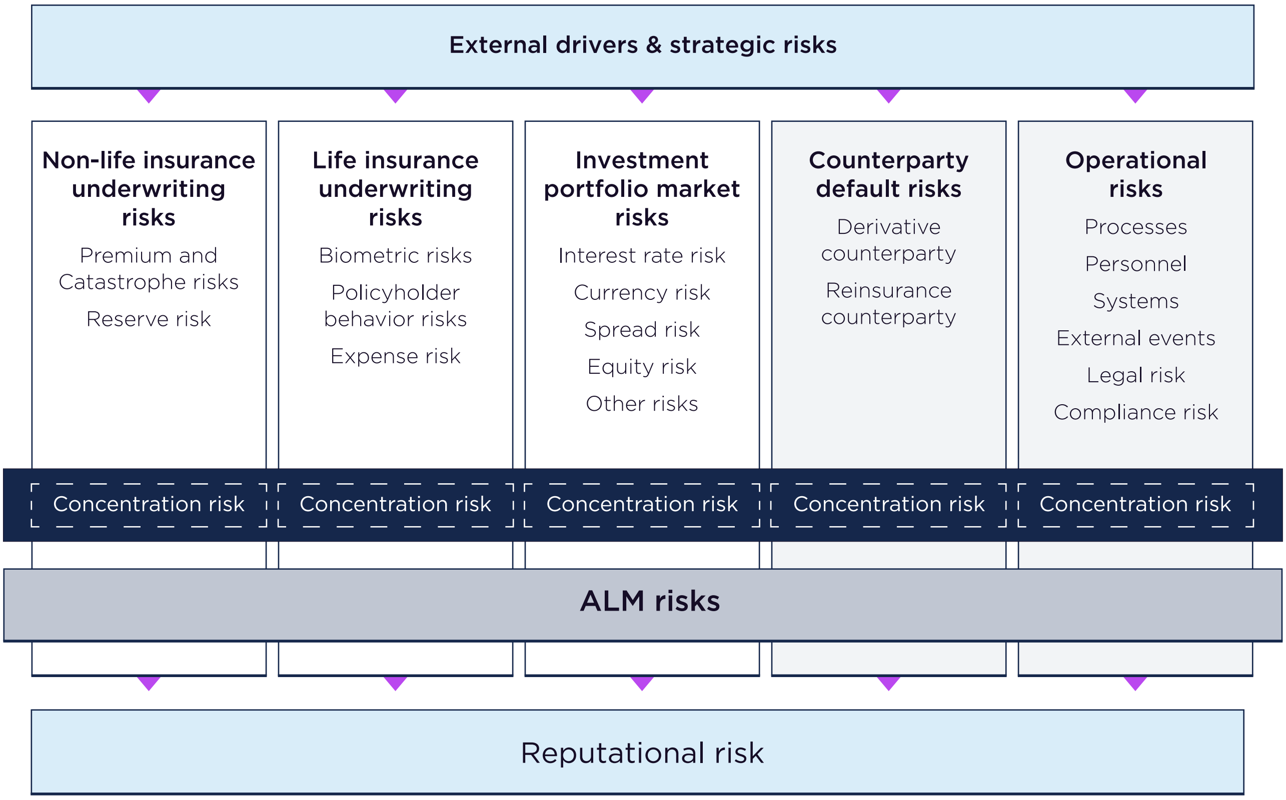
Due to the predominantly external nature of the drivers of and development in the competitive environment strategic risks are the responsibility of the executive level senior management. Proactive strategic decision-making is the central tool in managing strategic risks related to competitive advantage. Also, maintenance of internal operational flexibility to be able to adjust the business model and cost structure when needed is an efficient tool in managing strategic risks. Although strategic risks are not covered by the economic capital model in Sampo Group they may, however, have an effect on the amount 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 materialized operational or compliance risk and realizes often as a deterioration of reputation amongst customers and other stakeholders. However, reputational risk is related to all other activities as well as shown in the figure Classification of Risks in Sampo Group. Because the roots of reputational risk are various, the tools to prevent it must be diverse and embedded in the corporate culture.

Hence, corporate culture, which is based on core values ethicality, loyalty, openness and entrepreneurship, is seen as an essential tool in preventing reputational risk in Sampo Group. These core values are reflected in Sampo Group's Corporate Governance system and in how Sampo deals with core stakeholders (i.e. customers, personnel, investors, other co-operation partners, tax authorities and supervisory authorities) and other parties, who may have interest in Sampo's business.

Classification of Risks in Sampo Group



Risks Inherent in Business Operations

In its underwriting and investment operations, Sampo Group is consciously taking certain risks in order to generate earnings. These earnings risks are selected carefully and managed actively. Underwriting risks are priced reflecting their inherent risk levels and the expected return of investments is compared to the related risks. Furthermore, earnings 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 unit.

Some risks, such as counterparty default risks and operational risks are indirect consequences of Sampo's business activities. They are one-sided risks, with no earnings potential related to them. Accordingly, the risk management objective is to mitigate these risks efficiently. Management of consequential risks is the responsibility of the business areas and the investment unit and the capital need for these risks is measured by independent risk management functions. It has to be noted that the categorization 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 linked to various activities simultaneously. In order to manage these risks efficiently Sampo Group companies have to have a detailed understanding of expected cash flows and their variance within company's all activities. In addition, a thorough understanding of how the market consistent 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 the senior management because of their complexity and relevance to risks and earnings in the long run.

In general concentration risks arise when the company's risk exposures are not diversified enough, and as a result for instance an individual claim or financial market event could threaten the solvency or the financial position of the company.

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

Concentration risk may materialize indirectly also when profitability and capital position react similarly to general economic development or to structural changes in institutional environment in different areas of business. This kind of indirect concentration risk can be seen as part of strategic risk.

Business Model and Risk Management

Sampo Group companies operate in business areas where a specific feature of value creation is pricing of risks and active management of risk portfolios in addition to sound client services.

To create value for stakeholders, Sampo Group companies must, in addition to financial flexibility (adequate capital and liquidity), have intellectual capital (comprehensive proprietary actuarial data and analytical tools in place to convert this data to information), human capital (skillful and motivated employees) and social and relationship capital (good relationships with society and clients to understand their changing needs).

At company level, management is using these capitals when implementing the following core activities related to risk pricing, risk taking and active management of risk portfolios.

Appropriate selection and pricing of underwriting risks

- Underwriting risks are selected carefully and priced reflecting their inherent risk levels.
- Insurance products are developed proactively.

Effective management of insurance exposures

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

Careful selection and execution of investment transactions

- Risk return ratios of separate investments are analyzed carefully.
- Transactions are executed effectively.

Effective mitigation of consequential risks

- Counterparty default risks are mitigated by selecting counterparties carefully, using collaterals and assuring adequate diversification.
- High quality and cost efficient business processes are maintained, continuity of operations is planned and recovery is ensured.

Effective management of investment portfolios and balance sheet

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

At group level the risk management focus is on group wide capitalization and liquidity. It is essential to identify potential risk concentrations and to have a thorough understanding of how reported profits of companies would behave under different scenarios in general. These concentrations and correlations may have an effect on group level capitalization and liquidity buffers as well as on group level management actions.

When the above-mentioned core activities are successfully implemented, a balance between earnings, risks and capitalization can be achieved on a company and group level and shareholder value can be created.

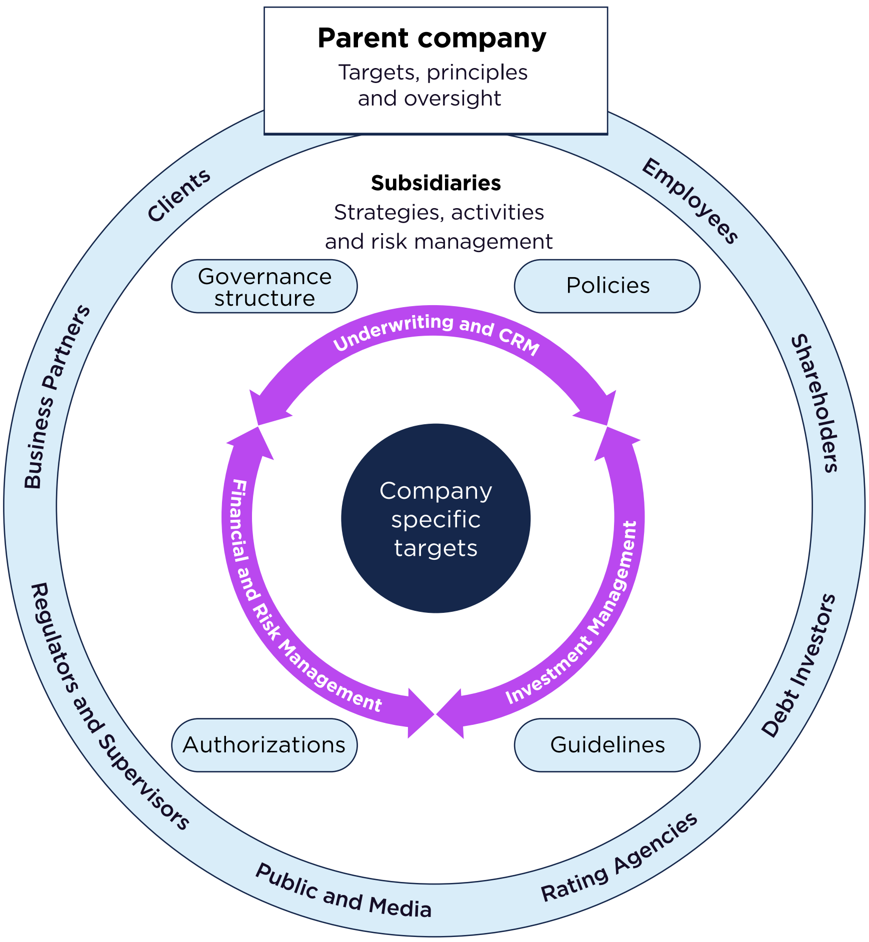
Sampo Group Steering Principles and Risk Management Process

Sampo Group's legal structure is straightforward and simple. The simplicity and transparency of the legal structure together with a limited amount of intercompany exposures within Sampo Group (i.e. direct or indirect claims between different companies excluding normal business transactions with Nordea) and diligently managed capitalization of subsidiaries effectively prevent any risks related to complex structures as well as protect the Group companies from contagion risks. Further information on Sampo Group's structure is available at www.sampo.com/structure.

The subsidiaries do not normally invest in Sampo plc's debt instruments, but Sampo plc as a parent company invests in capital instruments issued by subsidiaries and associated companies. However, it has not been deemed necessary to prohibit investments in intra-group assets and, thus, subsidiaries are also allowed to invest in the parent company's debt instruments and sell assets to each other at market prices, especially when this is justified by business opportunities. Thus, during possible market stresses these options are available to a certain extent as well. Moreover, in Mandatum Life there may be investments in Sampo plc's debt instruments related to unit-linked policies.

When Sampo Group is organizing its business activities, clear responsibilities and simple and flat operational structures are the profound principles. The responsibilities and operational structures are described in the following paragraphs as illustrated in the following figure.

Sampo Group's Steering Structure



Parent Company's Guidance

The Group's parent company Sampo plc steers the subsidiaries by setting targets for their capitalization and return on equity (RoE) and by defining main preconditions for the subsidiaries' operations in the form of the group wide principles.

Target Setting: The Board of Directors of the parent company decides on the subsidiaries' return on equity targets which are currently 17.5 per cent for both If P&C and Mandatum Life. In addition, If P&C has a long-term target of maintaining the combined ratio below 95 per cent.

Capitalization: The basis for capitalization is the internally estimated amount of economic capital which reflects the capital employed in the company's measurable risks. In addition, the perceived riskiness of the company's business environment is taken into account in assessing capitalization. Capitalization is also affected by rating targets of which If P&C's single A rating by Standard & Poor's (S&P) is the most important one.

These aspects, together with the regulatory capital requirement, are the main aspects when parent company is assessing the adequate level of capitalization for each subsidiary and the amount 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 Sampo plc which capitalizes the subsidiaries if needed.

The Board of Directors of the parent company decides on the main guidelines governing the subsidiaries' business activities and risk management. Of these guidelines the most significant are Code of Conduct, Risk Management Principles, Remuneration Principles and Compliance Principles. In addition to these guidelines, for example Disclosure Policy is followed in order to prevent reputational and compliance risks.

Moreover, the external regulatory environment and expectations of different stakeholders on Sampo Group's operations impact Sampo plc's Board of Directors' decisions in general and thereby also the guidance given by the parent company. Further information on Sampo Group's stakeholders is available at Code of Conduct at www.sampo.com/steeringsystem.

Subsidiaries' Activities and Risk Management

Subsidiaries can organize their activities independently taking into account the specific characteristics of their operations and the guidance from parent company relating to targets, capitalization and the group wide principles. The stakeholders' expectations and external regulations affect the subsidiaries' activities directly as well.

Sampo Group's subsidiaries decide independently on the governance structure of their operations. 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 plc.

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

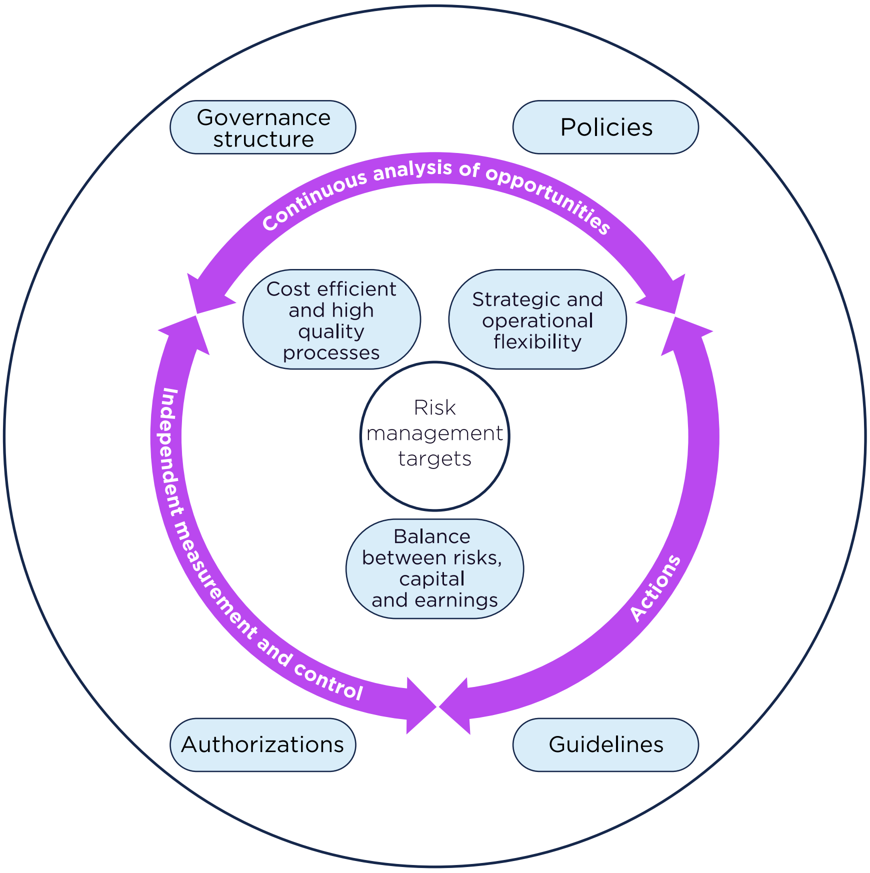
At operative level, the subsidiaries are focusing on effective execution of insurance operations and financial and risk management activities. Investments are managed according to the Investment Policies which are approved by the Board of Directors of the respective subsidiaries. Parent company led, day-to-day management of investments facilitates simultaneously effective execution of subsidiaries' investment policies and group wide oversight of investment portfolios.

The risk management process consists of continuous activities that are partly a responsibility of the personnel involved in business activities and partly a responsibility of independent risk management specialists. Although the responsibilities of business lines and independent risk management are clearly segregated, these functions are in a continuous dialogue.

Parties independent of business activities are responsible for the risk management governance framework, risk policies, risk limits and authorizations which form the structure that sets the limits for business and investment units' risk taking and principles for risk monitoring. These structures are one prerequisite for the risk management process and they reflect capital adequacy targets and risk appetite in general.

The figure Company Level Risk Management System illustrates the (i) prerequisites, (ii) tasks and (iii) targets of company level risk management.

Company Level Risk Management System



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

- Risk management governance structure and authorizations (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

The **tasks** included in the risk management process can be classified as follows:

Independent measurement and control

Financial and risk management functions are explicitly responsible for preparing the above prerequisites of risk management. Operationally they are responsible for independent measurement and control, including monitoring of operations in general as well as profitability, risk and capitalization calculations. The following items are examples of these responsibilities:

- Detailed reporting on risks to subsidiaries' and Sampo plc's Risk Committees and the Boards of Directors
- Internal reporting on Economic Capital and Adjusted Solvency Capital at least on a quarterly basis
- Internal reporting on regulatory and rating agency capital charges and capital positions on a quarterly basis
- Disclosure of internal and regulatory capitalization 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. This can be seen as a separate phase in the risk management process as the insurance and investment business units on a daily basis assess different business opportunities and especially their risk return ratios. In financial and risk management functions, on the other hand, considerable amount of time is spent on risk assessment and 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 authorizations, risk policies and other instructions. These actions are the responsibility of business and centralized functions such as the investment unit. Activities related to capitalization and liquidity positions are included in this part of the process. In Sampo Group, proactive actions to manage profitability, risks and capital are seen as the most important phase of the risk and capital management process. Hence, risk policies, limits and decision making authorizations are set up in a way that they, together with profitability targets, facilitate business and investment units to take carefully considered risks. These actions can be seen for example as the following outputs:

- 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 tasks above contributes to the achievement of the three central **targets** of the risk management process:

Balance between risks, capital and earnings

- The risks affecting profitability as well as other material risks are identified, assessed and analyzed.
- Capitalization is adequate in terms of risks inherent in business activities and strategic risks, taking into account the expected profitability of the businesses. Risk bearing capacity is allocated to different business areas in accordance with the strategy.
- Underwriting risks are priced reflecting their inherent risk levels, expected returns of 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 operative processes are cost efficient and of high quality.
- Decision making is based on accurate, adequate and timely information.
- Continuity of operations is ensured and in case of discontinuity events recovery is fast and comprehensive.

Strategic and operational flexibility

- External risk drivers and potential strategic risks are identified and the company is in a good position, in terms of capital structure and management skills, to react to changes in business environment.
- Corporate structure, knowledge and processes in companies facilitate effective implementation of changes.

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

Parent Company's Oversight and Activities

Sampo plc reviews the Group as a business portfolio and is active especially in matters related to the Group's capitalization and risks as well as related to the parent company's capital structure and liquidity.

Parent company Sampo plc reviews the performance of Sampo Group both on company level and on group level based on the reporting provided by the subsidiaries and the associated company Nordea Bank AB. The information on Nordea Bank AB is, however, based on publicly available material and is therefore less detailed. Reporting on the subsidiaries' performance to the Board of Directors and Audit Committee of Sampo plc is based mainly on the reporting produced by the subsidiaries. The reporting concentrates particularly on the balance between risks, capitalization and profitability. The parent company Sampo plc is responsible for reporting on its own activities.

At group level the central focus areas are potential concentrations arising from the Group companies' operations as well as the Group's capitalization and liquidity position. The parent company is also projecting and analyzing the Group companies' profitability, risks and capitalization with uniform scenarios to have company specific forecasts that are additive at group level.

Based on both company and group level information, the Board of Directors of Sampo plc decides on the Group's capitalization as well as sets the guidelines on the parent company's debt structure and liquidity reserve. The underlying objective for Sampo plc is to maintain a prudent debt structure and strong liquidity in order to be able to arrange financing for strategic projects if needed. Strong liquidity and the ability to acquire financing are essential factors in maintaining Sampo Group's strategic flexibility.

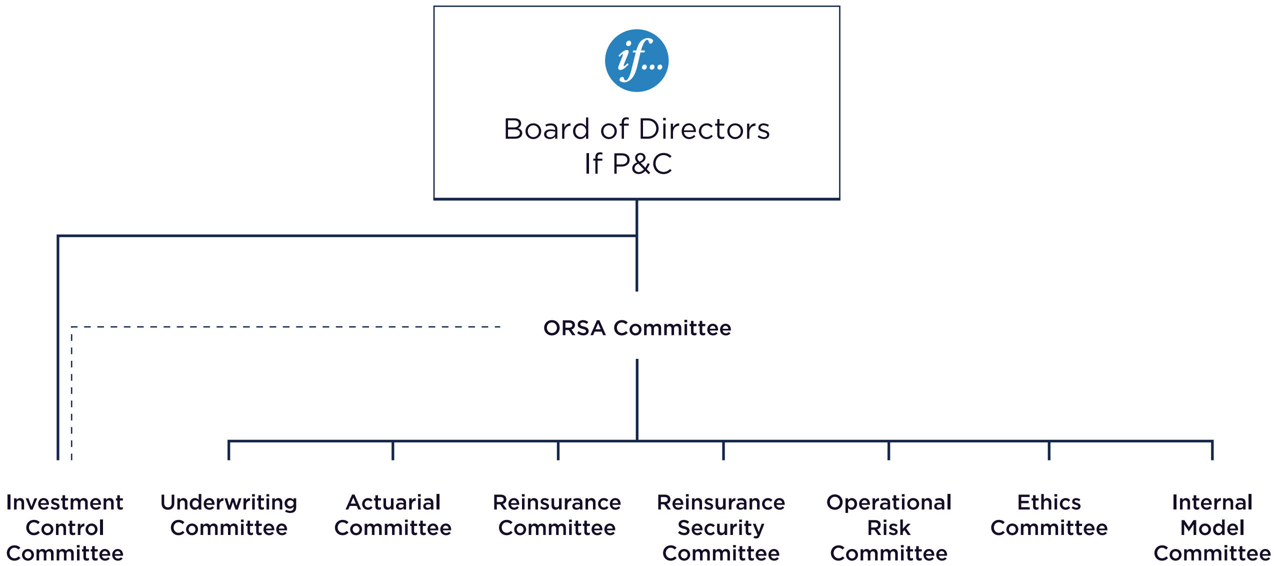
Risk Governance

This section describes Sampo Group's and its subsidiaries' governance framework 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 section.

Risk Governance in If P&C

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, receive risk reports and ensure that the management and follow-up of risks are satisfactory. The reporting lines of different governing bodies in If P&C are described in the figure Risk Governance in If P&C.

Risk Governance in If P&C



The Own Risk and Solvency Assessment Committee (ORSAC) assists the Chief Executive Officers (CEOs) of If P&C in fulfilling their responsibilities pertaining to the risk management process. The ORSAC reviews, discusses and gives input to reporting from If's other committees within the Risk Management System, as well as from functions, experts and the line organization. Furthermore, the ORSAC also monitors that If P&C's short-term and long-term aggregated risk profile is aligned with its risk strategy and capital adequacy requirements. The Risk Control and Reporting unit within the Risk Management department is, on behalf of the Chief Risk Officer (CRO), responsible for coordinating and analyzing the information reported to the ORSAC.

The responsibility to identify, evaluate, control and manage risks lies within the line organization. There are separate committees in place for key risk areas and they have the responsibility to monitor that risks are managed and controlled as decided by the Boards of Directors. The risk committees in If P&C do not have a decision mandate. The duties of these Committees are described later in the respective chapters discussing each relevant risk.

Policies are in place for each risk area specifying restrictions and limits chosen to reflect and secure that the risk level at all times complies with the overall risk appetite and capital adequacy constraints of If P&C. The committees shall also monitor the effectiveness of policies and give input to changes and updates if needed.

In addition to the risk specific committees, there are two other committees included in the Risk Governance structure. Their responsibilities are described as follows:

- The Ethics Committee (EC) discusses and coordinates ethics issues in If P&C. The committee gives recommendations on ethical issues and proposes changes to the Ethics Policy. The Chairman is responsible for the reporting on ethics risk and other issues dealt with by the committee.

- The Internal Model Committee is an advisory and preparatory body to the Boards of Directors and the CEOs. In accordance with the committee instruction its tasks are to identify sources for potential model changes and to give its opinion to the Chairman on the assessment and classification of potential changes and on further validation activities or internal model development. In addition to the tasks above, the committee discusses and analyzes information related to the internal model from other committees as well as monitors the status of internal model use and development activities.

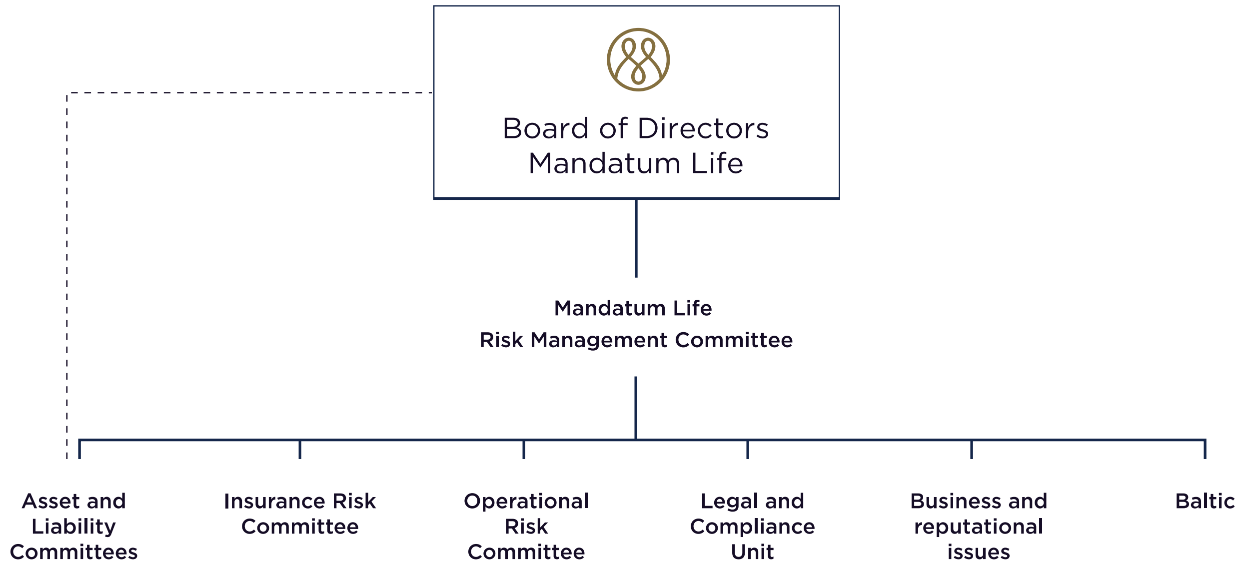
Risk Governance in Mandatum Life

In Mandatum Life the Board of Directors is responsible for risk management and adequacy of internal control. The Board annually approves the Risk Management Plan, Investment Policy and other risk management and internal control instructions.

The Managing Director of Mandatum Life has the overall responsibility for the risk management according to Board of Directors' instructions. Managing director is the Chairman of the Risk Management Committee (RMC) that coordinates and monitors all risks in Mandatum Life. Risks are divided into main groups which are insurance, market, operational, legal and compliance risks as well as business and reputation risks. Each risk area has its own specialized committee or unit and a responsible person in the RMC.

The reporting lines of the main governing bodies in Mandatum Life are described in the figure Risk Governance in Mandatum Life. The duties of Asset & Liability, Insurance Risk and Operational Risk Committees are described later in the context of each relevant risk.

Risk Governance in Mandatum Life



In addition to the risk specific committees, the duties related to compliance and risk management of the Baltic subsidiary have been organized as follows:

- The Legal and Compliance Unit is taking care of compliance matters and Head of the Unit is a member of the Risk Management Committee.

- The Baltic subsidiary has its own risk management procedures. All major incidents are also reported to Mandatum Life's Risk Management Committee. The Chairman of the Baltic Subsidiary is a member of the Risk Management Committee.

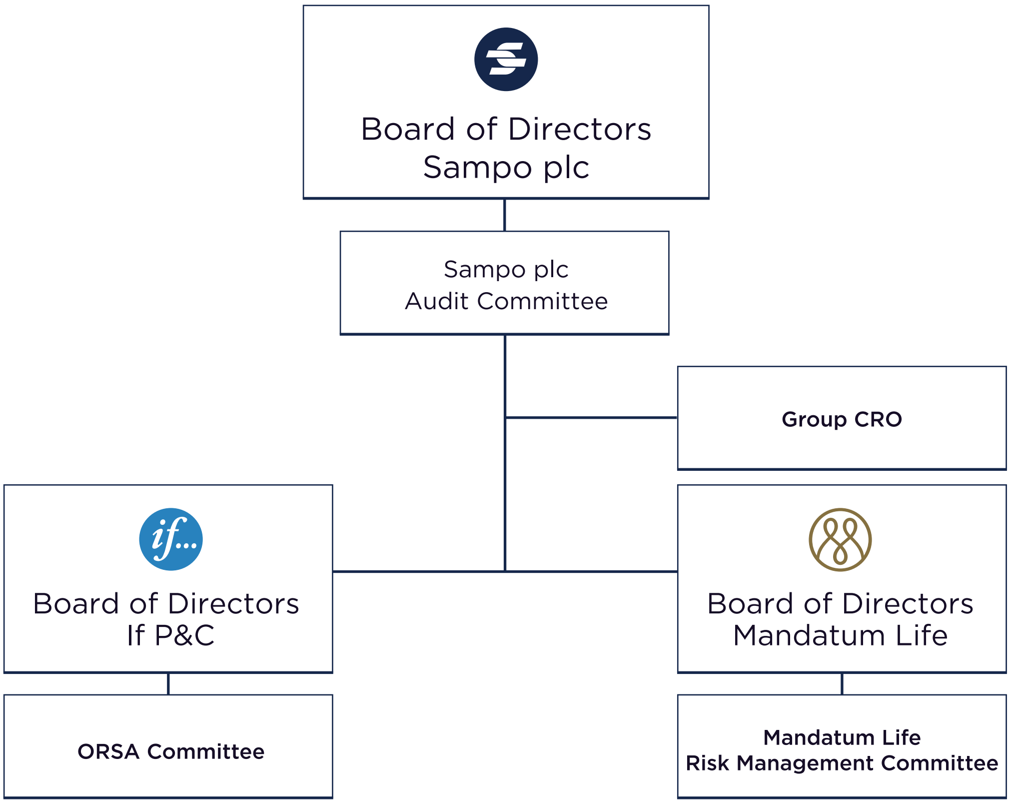
Internal Audit with its audit recommendations has a role to ensure that adequate internal controls are in place and provides Internal Audit's annual review to the Board of Directors.

Risk Governance at Group Level

The Board of Directors of Sampo plc is responsible for ensuring that the Group's risks are properly managed and controlled. The Board of Directors of the parent company defines financial and capitalization targets for the subsidiaries and approves group level principles steering the subsidiaries' activities as described in section Sampo Group Steering Principles and Risk Management Process. The risk exposures and capitalization reports of the subsidiaries are consolidated at group level on a quarterly basis and reported to the Board and to the Audit Committee of Sampo plc.

The reporting lines of different governing bodies at Sampo Group level are described in the figure Risk Governance in Sampo Group.

Risk Governance in Sampo Group



The Audit Committee (AC) 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 are in compliance with these, 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, capitalization and the development of risks and profit. At least three members of the AC must be elected from those 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 Group Chief Risk Officer (CRO) is responsible for the appropriateness of risk management on Sampo Group level. The CRO's responsibility is to monitor Sampo Group's aggregated risk exposure as a whole and coordinate and monitor company specific and group level risk management.

The Boards of Directors of If P&C and Mandatum Life are the ultimate decision making bodies of the respective companies and have the overall responsibility for the risk management process in If P&C and Mandatum Life respectively. The Boards of Directors appoint the If P&C ORSA Committee and the Mandatum Life Risk Management Committee and are responsible for identifying needs to change the policies, principles and instructions related to risk management.

Underwriting Risks

The book value (technical provisions) and economic value of insurance liabilities are dependent on (i) the size and timing of future claims payments including expenses and (ii) the interest rates used to discount these claims payments to current date. In this section the focus is mainly on the first component and hence on the underwriting risk. Discount rate risk and its effect on technical provisions are also described in this section. The interest rate risk affecting the economic value of liabilities is covered later in ALM risk section.

Underwriting risk can be defined in general as a change in value caused by ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. Hence, underwriting risk realizes as a loss or adverse change in the value of insurance liabilities due to pricing and provisioning assumptions on claims payments being different than the actual ones.

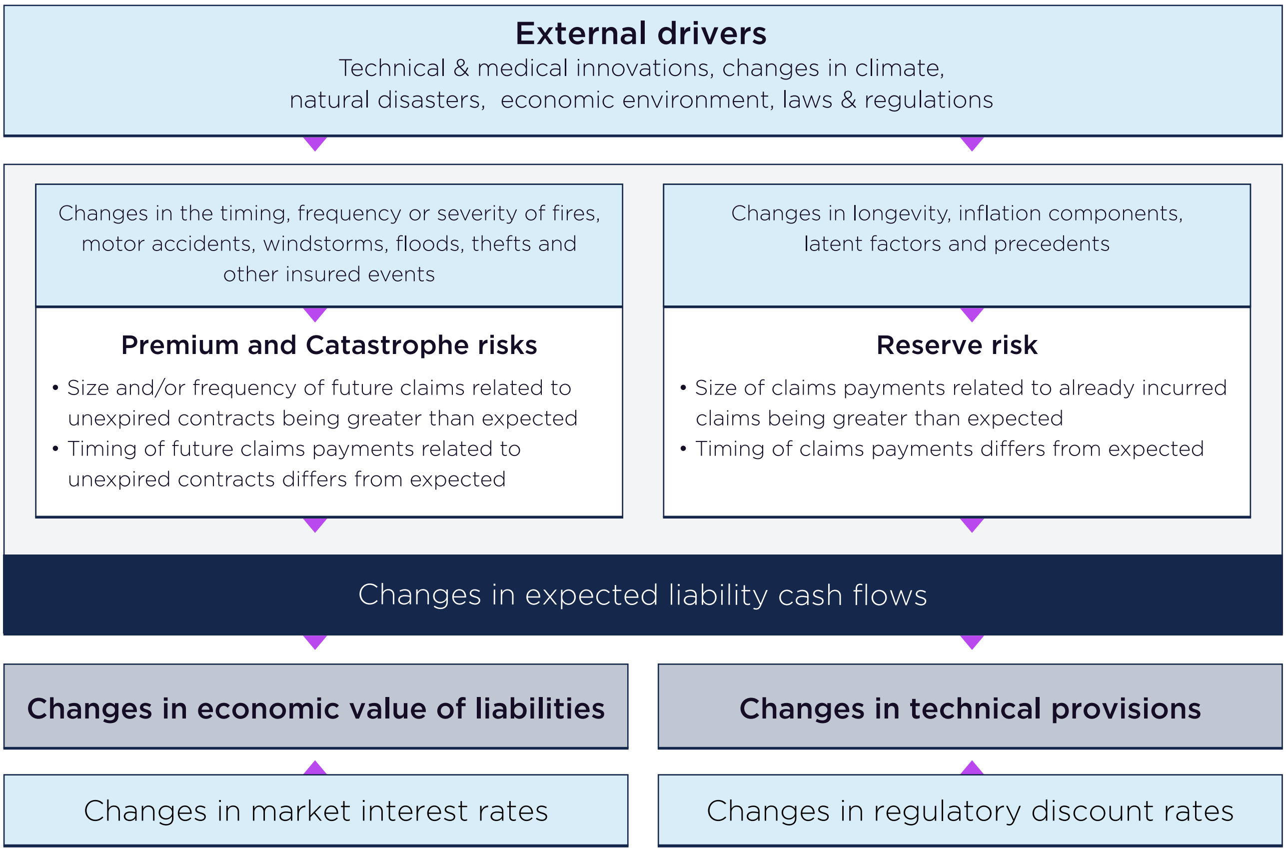
With respect to the underwriting businesses carried out in the subsidiary companies, it has been established that If P&C and Mandatum Life are operating mostly in different lines of business and hence their underwriting risks are different by nature. The most material common risk factor is life expectancy in Finland that is affecting both companies' technical provisions.

Hence, there are no material underwriting risk concentrations under normal course of business and, consequently, business lines as such are contributing diversification benefits rather than concentration of risks. This is why Underwriting risks can be described only at Company level.

Non-life Insurance Underwriting Risks

Underwriting risk is the risk of loss, or of adverse changes in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions. Non-life insurance underwriting risks are often divided into premium and catastrophe risks and reserve risk in order to separate the risks related to future claims of current insurance contracts and already incurred claims.

Non-life Insurance Underwriting Risks



Premium Risk and Catastrophe Risk

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

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

Premium Risk and Catastrophe Risk Management and Control

The Underwriting Committee (UWC) shall give its opinion on and propose actions in respect of various issues related to underwriting risk. The committee shall also consider and propose changes to the Underwriting Policy (UW Policy) that is the principal document for underwriting, and sets general principles, restrictions and directions for the underwriting activities. The Board of Directors of If P&C approves the UW Policy at least once a year. The Chairman of UWC is responsible for the reporting of policy deviations and other issues dealt with by the committee.

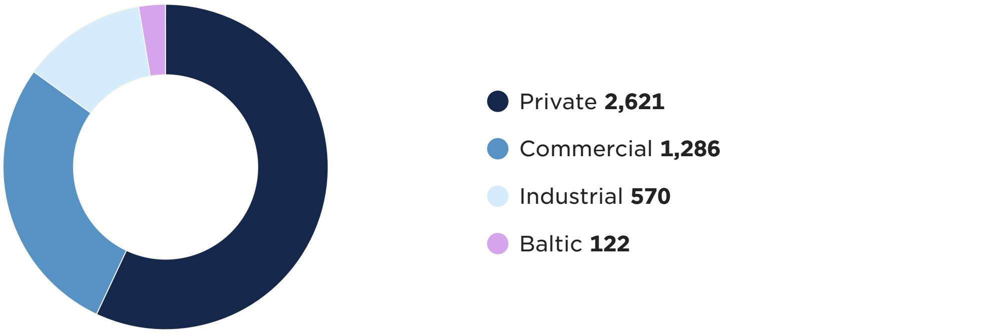
The UW Policy is supplemented with guidelines outlining in greater detail how to conduct underwriting within each business area. These guidelines cover areas such as tariff and rating models for pricing, guidelines in respect of standard conditions and manuscript wordings, as well as authorities and limits. In accordance with the Instructions for the Underwriting Committee, the Committee is responsible for monitoring compliance with the established underwriting principles.

The business areas manage the underwriting risk on a day-to-day basis. A crucial factor affecting the profitability and risk of non-life insurance operations is the ability to accurately estimate future claims and expenses and thereby correctly price insurance contracts. The premiums within the Private business area and the premiums for smaller risks within the Commercial business area are set through tariffs. The underwriting of risks in the Industrial business area and of more complex risks within Commercial is based to a greater extent on principles and individual underwriting than on strict tariffs. In general, pricing is based on statistical analyses of historical claims data and assessments of the future development of claims frequency and claims inflation.

The insurance portfolio is well diversified, given the fact that If P&C has a large customer base and the business is underwritten in different geographical areas and across several lines of business. The degree of diversification is shown in the figure Breakdown of Gross Written Premiums by Business Area, Country and Line of Business, If P&C, 2014.

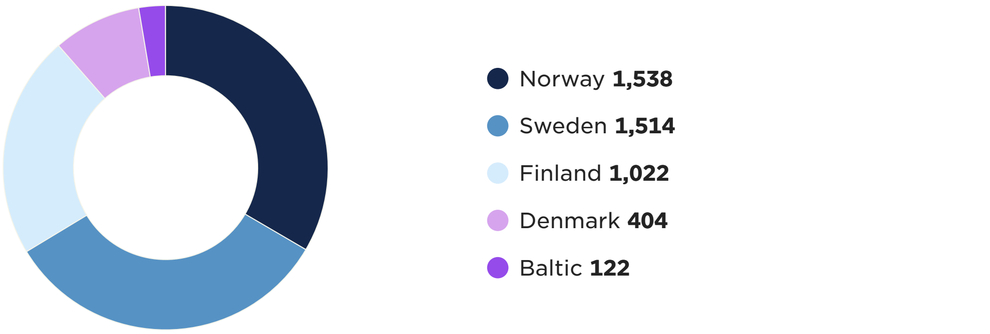
Breakdown of Gross Written Premiums by Business Area

If P&C, 2014, total EURm 4,634



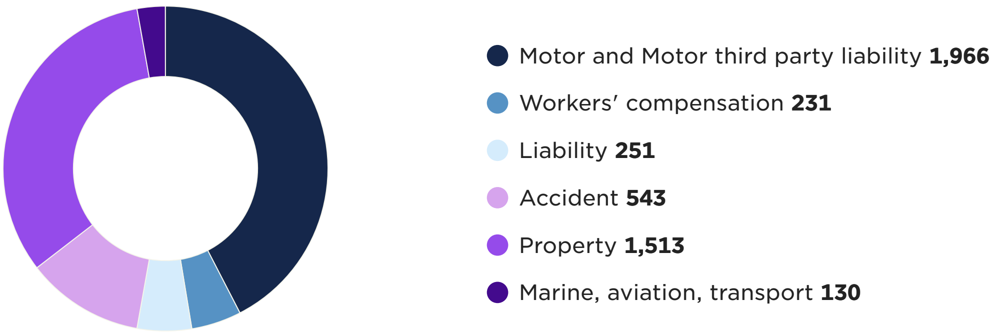
Breakdown of Gross Written Premiums by Country

If P&C, 2014, total EURm 4,634



Breakdown of Gross Written Premiums by Line of Business

If P&C, 2014, total EURm 4,634



The item Other (including group eliminations) is not shown in the breakdowns above but it is included in total gross written premiums. There are minor differences between the figures reported by Sampo Group and If P&C due to differences in foreign exchange rates used in consolidation.

Despite the diversified portfolio, risk concentrations and thereby severe claims may arise through, for example, exposures to natural catastrophes such as storms and floods. The geographical areas most exposed to such events are Denmark, Norway and Sweden. In addition, single large claims could have an impact on the insurance operations' result. The economic impact of natural disasters and single large claims is managed using reinsurance and through diversification.

If P&C's Reinsurance Policy stipulates guidelines for the purchase of reinsurance. The need and optimal choice of reinsurance is analyzed based on statistical models for single large claims, while If P&C cooperates with external advisors for the evaluation of the exposure to natural catastrophes and the probability of occurrence of catastrophe losses. The analysis relies on If P&C's Internal Model, including catastrophe models in which catastrophes are simulated based on historical meteorological data, supplemented by statistical models as well as internal and external expert opinions. Different reinsurance structures are evaluated by looking at the expected costs versus the benefits of reinsurance, their impact on result volatility and decreased capital requirement.

A group wide reinsurance program has been in place in If P&C since 2003. In 2014, retention levels were between SEK 100 million (approximately EUR 10.6 million) and SEK 250 million (approximately EUR 26.6 million) per risk and SEK 250 million (approximately EUR 26.6 million) per event.

Sensitivity of underwriting result and hence underwriting risk is presented by changes in certain key figures in the table Sensitivity Test of Underwriting Result, If P&C, 31 December 2014 and 31 December 2013.

Sensitivity Test of Underwriting Result

If P&C, 31 December 2014 and 31 December 2013

			Effect on pretax profit, EURm	
Key figure	**Current level (2014)**	**Change in current level**	**2014**	**2013**
Combined ratio, business area Private	87.4%	+/- 1 percentage point	+/- 26	+/- 26
Combined ratio, business area Commercial	88.6%	+/- 1 percentage point	+/- 13	+/- 13
Combined ratio, business area Industrial	89.0%	+/- 1 percentage point	+/- 5	+/- 5
Combined ratio, business area Baltics	86.8%	+/- 1 percentage point	+/- 1	+/- 1
Net premiums earned	4,457	+/- 1 per cent	+/- 45	+/- 45
Net claims incurred	3,162	+/- 1 per cent	+/- 29	+/- 32
Ceded written premiums	170	+/- 10 per cent	+/- 17	+/- 21

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 sufficient to cover the cost for already incurred claims and there is a loss or adverse changes in the value of insurance liabilities.

In financial accounting the technical provisions includes, in addition to the above described provisions for claims outstanding, the provisions for unearned premiums. The technical provisions for unearned premiums is intended to cover anticipated claims costs and operating expenses during the remaining term of insurance contracts in force.

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.

Technical provisions and 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 complete run-off statistics are not yet available, and for portfolios including claims that take a long time to settle. Workers' Compensation (WC), Motor Third Party Liability (MTPL), Personal Accident and Liability insurance, are products with the latter characteristics.

Reserve Risk Management and Control

The Board of Directors of If P&C decides on the guidelines governing the calculation of technical provisions. If P&C's Chief Actuary is responsible for developing and presenting guidelines on how the technical provisions are to be calculated and for assessing whether the level of the total provisions is sufficient. At group level the Chief Actuary issues a quarterly report on the adequacy of technical provisions, which is submitted to the Boards of Directors, CEO, CFO and the ORSAC of If P&C.

The Actuarial Committee (AC) is a preparatory and advisory body for If P&C's Chief Actuary. The committee shall secure a comprehensive view over reserve risk, discuss and give recommendations on policies and guidelines for calculation of technical provisions, as well as consider and propose changes to the Risk Data Policy.

The actuaries continuously monitor the level of provisions to ensure that they comply with established guidelines. The actuaries also develop methods and systems to support these processes.

The actuarial estimates are based on existing exposures and historical claims data that are available at the balance sheet date. Factors that are monitored include loss development trends, the level of unpaid claims, changes in legislation, case law and economic conditions. When setting provisions, the Chain Ladder and Bornhuetter-Fergusson methods are generally used, combined with projections of the number of claims and the average claim costs.

The anticipated inflation trend is taken into account when calculating all provisions and is of the utmost importance for claims settled over a long period of time, such as Motor Third Party Liability (MTPL) and Workers' Compensation (WC). The anticipated inflation is based on external assessments of the inflation trend in various areas, such as the consumer price index and payroll index, combined with If P&C's own estimation of costs for various types of claims. For lines of business such as MTPL and WC, legislation differs significantly between countries. Some of the Finnish, Swedish and Danish technical provisions for these lines include annuities that are sensitive to changes in mortality assumptions and discount rates. The proportion of technical provisions that are related to MTPL and WC was 68 per cent.

Technical provisions and the economic durations broken down by line of business and major geographical area is shown in the table Technical Provisions by Line of Business and Major Geographical Area, If P&C, 31 December 2014.

Technical Provisions by Line of Business and Major Geographical Area

If P&C, 31 December 2014

	Sweden		Norway		Finland		Denmark		Total	
Total	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**	**EURm**	**Duration**
Motor other and MTPL	2,514	7.3	656	1.9	940	10.9	143	1.5	4,253	7.1
Workers' compensation	0	-	328	5.2	1,135	11.5	251	6.8	1,715	9.8
Liability	282	2.8	152	2.8	128	2.8	63	2.0	625	2.7
Accident	264	4.6	338	2.4	163	3.9	82	1.2	847	3.3
Property	426	1.1	498	0.9	204	1.0	103	0.7	1,231	1.0
Marine, aviation, transport	26	1.2	46	0.7	8	0.7	15	0.8	95	0.8
Total	**3,513**	**5.8**	**2,018**	**2.3**	**2,579**	**9.5**	**657**	**3.4**	**8,767**	**5.9**

The sensitivity of If P&C's technical provisions to an increase in inflation, an increase in life expectancy and a decrease in the discount rate is presented in the table Sensitivities of Technical Provisions, If P&C, 2014.

Sensitivities of Technical Provisions

If P&C, 2014

Technical provision item	Risk factor	Change in risk parameter	Country	Effect EURm
Nominal provisions	Inflation increase	Increase by 1%-point	Sweden	194.5
			Denmark	9.5
			Norway	51.6
			Finland	31.3
Annuities and estimated share of claims provisions to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	31.5
			Denmark	1.7
			Finland	53.7
Discounted provisions (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1%-point	Sweden	63.8
			Denmark	11.4
			Finland	248.3

From 2014 onwards the estimated share of claims provision to future annuities are included in the life expectancy increase sensitivity.

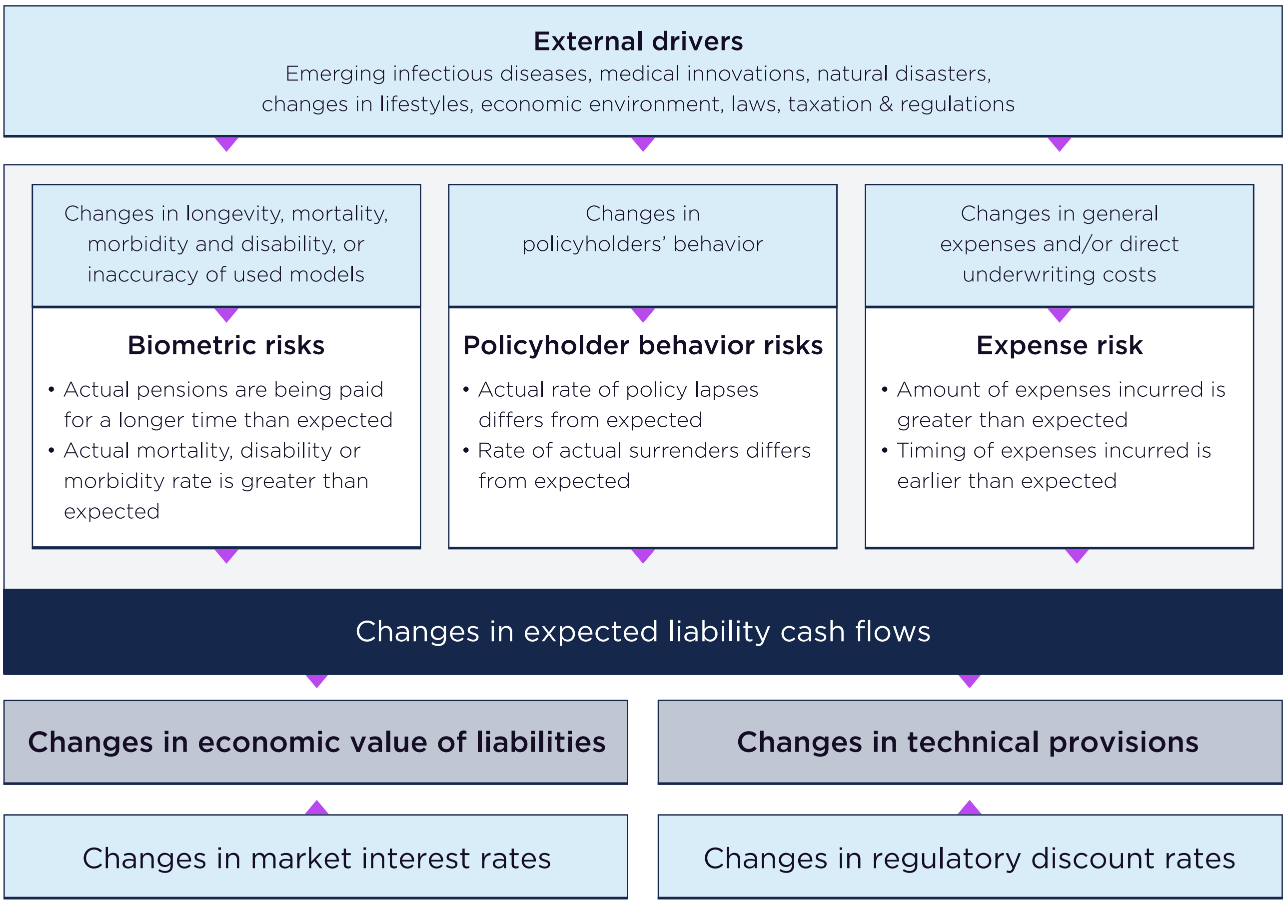
If P&C's technical provisions are further analyzed by claims years. The outputs of this analysis are illustrated both before and after reinsurance in the claims cost trend tables. These are disclosed in the Note 27 to the Financial Statements.

Life Insurance Underwriting Risks

Life insurance risks encompass underwriting risk and discount rate risk in technical provisions. Underwriting risk includes biometric, policyholder behavior and expense risks.

On the 30th of December, 2014 Mandatum Life received from Suomi Mutual its with-profit group pension portfolio. Portfolio comprises approximately 2,300 policies and 34,000 members. Amount of transferred assets and liabilities were EUR 1,337 million. Technical provisions include longevity reserve (EUR 87 million) and expense reserve (EUR 22 million). Due to the special features of the received portfolio, the remaining technical provisions (EUR 1,228 million) and related assets have been segregated (segregated group pension portfolio or segregated assets) from the rest of Mandatum Life's balance sheet. Unless otherwise stated the technical provision information and insurance risk descriptions at the end of 2014 include the segregated group pension portfolio. The segregated group pension portfolio did not have an effect on the 2014 risk result.

Life Insurance Underwriting Risks



Biometric Risks

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

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

Long duration of policies and restriction of Mandatum Life's right to increase tariffs increases biometric risks. If the premiums turn out to be inadequate and cannot be increased, technical provisions have to be supplemented with an amount corresponding to the increase in expected losses.

The table Claim Ratios After Reinsurance, Mandatum Life, 2014 and 2013 shows the insurance risk result in Mandatum Life's Finnish life insurance policies. The ratio of the actual claims costs to the assumed was 79 per cent in 2014 (79 per cent in 2013). Sensitivity of the insurance risk result can also be assessed on the basis of the information in the table. For instance the increase of mortality by 100 per cent would increase the amount of benefit payments from EUR 16.5 million to EUR 33 million.

Claim Ratios After Reinsurance

Mandatum Life, 2014 and 2013

	2014			2013		
EURm	**Risk income**	**Claim expense**	**Claim ratio**	**Risk income**	**Claim expense**	**Claim ratio**
Life insurance	**45.3**	**27.5**	**61%**	**47.4**	**27.1**	**57%**
Mortality	27.2	16.5	61%	29.8	16.1	54%
Morbidity and disability	18.1	11.0	61%	17.6	11.0	62%
Pension	**63.1**	**58.5**	**93%**	**57.5**	**55.5**	**97%**
Individual pension	9.6	10.2	107%	9.1	9.8	108%
Group pension	53.5	48.3	90%	48.4	45.7	94%
Mortality (longevity)	49.4	45.6	92%	43.9	43.3	99%
Disability	4.1	2.7	66%	4.5	2.4	52%
Mandatum Life	**108.4**	**86.0**	**79%**	**104.8**	**82.6**	**79%**

Longevity risk is the most critical biometric risk in Mandatum Life. Most of the longevity risk arises from the with profit group pension portfolio. With profit group pension policies have mostly been closed for new members for years and due to this the average age of members is relatively high, i.e. for the segregated group pension portfolio around 67 years and for the other group pension portfolios around 69 years. In the unit-linked group pension and individual pension portfolio the longevity risk is less significant because most of these policies are fixed term annuities including death cover compensating the longevity risk.

The annual longevity risk result and longevity trend is analyzed regularly. For the segregated group pension portfolio the assumed life expectancy related to the technical provisions was revised in 2014 and for the other group pension portfolios in 2002 and 2007. In total these changes increased the 2014 technical provision by EUR 108 million (EUR 23 million in 2013) including EUR 87 million longevity reserve for segregated group pension portfolio. The cumulative longevity risk result has been positive since these revisions. The longevity risk result of group pension for the year 2014 was EUR 3.8 million (EUR 0.6 million in 2013). The segregated group pension portfolio did not yet have an effect on the 2014 risk result.

Mortality risk result in life insurance is positive. A possible pandemic is seen as the most significant risk that could adversely affect the mortality risk result.

The insurance risk result of other biometric risks has been profitable in total, although the different risk results differ considerably. In a longer term, disability and morbidity risks are mitigated by the company's right to raise insurance premiums for existing policies in case the claims experience deteriorates.

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

Policyholder Behavior and Expense Risks

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

Behaviour of Policyholders is a major risk as well and ability to keep lapse and surrender rates in a low level is a crucial success factor especially for the expense result of unit-linked business.

From ALM point of view surrender and lapse risks are less significant because in Mandatum Life, around 90 per cent of with profit technical provisions consist of pension policies in which surrender is possible only in exceptional cases. For ALM risk, surrender risk is therefore only relevant in individual life and capital redemption policies of which the related technical provisions amounts to only 4 per cent (EUR 222 million) of the total with profit technical provisions. Furthermore, the supplements to technical provisions are not paid out at surrender which also reduces the surrender risk related to the with profit policies. Surrender and lapse risks are taken into account when the company is analyzing its ALM risk.

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

Policy terms and tariffs cannot usually be changed materially during the lifetime of the insurance, which increases the expense risk. The main challenge is to keep the expenses related to insurance administrative processes and complex IT infrastructure at a competitive level. In year 2014, expense result was EUR 19 million (EUR 14 million in 2013). Mandatum Life does not defer insurance acquisition costs.

Discount Rate Risk in Technical Provisions

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

The guaranteed interest for the segregated group pension policies is mainly 3.5 per cent. The technical provision corresponding this portfolio has been supplemented with a discount rate reserve of EUR 241 million, resulting in a discount rate of 1.0 per cent for the technical provision. Reserve for future bonuses has important role in risk management of segregated group pension portfolio. The reserve amounts to EUR 181 million and approximately EUR 150 million of it can be used to cover possible investment losses or to finance possible changes in discount rate of segregated technical provisions.

In most of the other with profit policies, the guaranteed interest rate is 3.5 per cent. In individual policies sold in Finland before 1999, the guaranteed interest rate is 4.5 per cent, which is also the statutory maximum discount rate of these policies. With respect to these policies, the maximum discount rate used when discounting technical provisions has been decreased to 3.5 per cent. As a result, technical provisions have been supplemented with EUR 69 million in 2014 (EUR 75 million in 2013). In addition, EUR 50 million has been reserved to lower the interest rate of with profit liabilities to 2.0 per cent in 2015 and EUR 17 million for the year 2016 to lower the interest rate of with profit liabilities to 3.0 per cent, i.e. Mandatum Life has set up an extra reserve of EUR 135 million as part of technical provisions.

The provisions related to each product type and guaranteed interest rates are shown in the table Analysis of the Change in Provisions before Reinsurance, Mandatum Life, 2014. The table also shows the change in each category during 2014.

Analysis of the Change in Provisions before Reinsurance

Mandatum Life, 2014

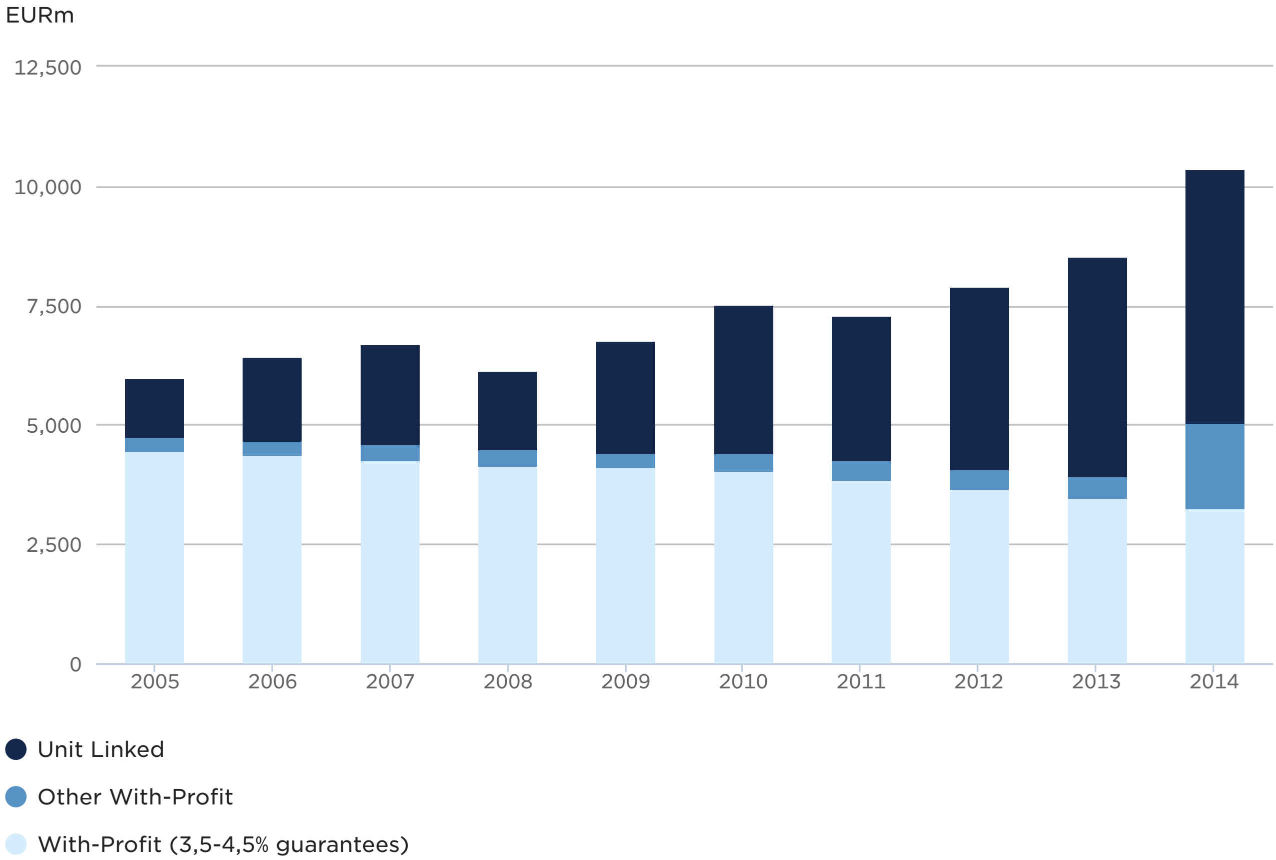
EURm	Liability 2013	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	Other	Liability 2014	Share %
Mandatum Life parent company									
Unit-linked total	**4,475**	**923**	**-459**	**-57**	**0**	**0**	**277**	**5,159**	**50**
Individual pension insurance	1,014	76	-10	-14	0	0	83	1,149	11
Individual life	1,530	346	-159	-16	0	0	125	1,826	18
Capital redemption operations	1,489	437	-287	-21	0	0	58	1,677	16
Group pension	442	65	-4	-7	0	0	10	507	5
With profit and others total	**3,910**	**146**	**-395**	**-35**	**131**	**0**	**1,205**	**5,047**	**49**
Group pension	**2,311**	**57**	**-188**	**-7**	**77**	**0**	**-3**	**2,248**	**22**
Guaranteed rate 3.5%	2,190	36	-175	-5	74	0	-11	2,109	20
Guaranteed rate 2.5% or 0.0%	121	21	-13	-2	3	0	8	139	1
Group pension insurance, segregated portfolio	**0**	**0**	**0**	**0**	**0**	**0**	**1,228**	**1,228**	**12**
Guaranteed rate 3.5%	0	0	0	0	0	0	805	805	8
Reserve for decreased discount rate (3,5% -> 1,0%)	0	0	0	0	0	0	241	241	2
Future bonus reserves	0	0	0	0	0	0	181	181	2
Individual pension insurance	**1,141**	**17**	**-162**	**-6**	**45**	**0**	**3**	**1,038**	**10**
Guaranteed rate 4.5%	945	11	-134	-5	40	0	-21	836	8
Guaranteed rate 3.5%	153	4	-18	-1	5	0	7	150	1
Guaranteed rate 2.5% or 0.0%	43	2	-11	0	1	0	17	52	1
Individual life insurance	**233**	**32**	**-29**	**-10**	**8**	**0**	**-16**	**218**	**2**
Guaranteed rate 4.5%	68	5	-6	-1	3	0	-3	67	1
Guaranteed rate 3.5%	109	12	-13	-3	4	0	-8	100	1
Guaranteed rate 2.5% or 0.0%	56	15	-11	-6	1	0	-5	51	0
Capital redemption operations	**4**	**1**	**0**	**0**	**0**	**0**	**0**	**4**	**0**
Guaranteed rate 3.5%	0	0	0	0	0	0	0	0	0
Guaranteed rate 2.5% or 0.0%	4	1	0	0	0	0	0	4	0
Future bonus reserves	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reserve for decreased discount rate	**146**	**0**	**0**	**0**	**0**	**0**	**-11**	**135**	**1**
Longevity reserve	**23**	**0**	**0**	**0**	**0**	**0**	**85**	**108**	**1**
Assumed reinsurance	**6**	**4**	**-1**	**0**	**0**	**0**	**-6**	**2**	**0**
Other liabilities	**45**	**35**	**-14**	**-12**	**0**	**0**	**11**	**66**	**1**
Mandatum Life parent company total	**8,385**	**1,070**	**-854**	**-92**	**131**	**0**	**1,567**	**10,207**	**98**
Subsidiary Mandatum Life Insurance Baltic SE	**159**	**41**	**-28**	**-3**	**1**	**0**	**1**	**170**	**2**
Unit-linked	142	37	-26	-2	0	0	2	153	1
Others	18	3	-2	-1	1	0	-1	17	0
Mandatum Life group total	**8,544**	**1,110**	**-882**	**-95**	**131**	**0**	**1,568**	**10,377**	**100**

Unit linked business has been Mandatum Life's main focus area since year 2001. Since that the trend of unit linked technical provisions have been upward and annual average change in technical provisions has been an increase of 25 per cent per annum. Due to the nature of unit linked business, volatility between years is relatively high.

In contrast, the trend of with profit technical provisions has been downward since 2005 if the impact of the the segregated group pension portfolio on the technical provisions in 2014 is excluded. Especially the parts of technical provisions with the highest 4.5 per cent and 3.5 per cent guarantees have decreased. Technical provisions with highest guarantees fell by EUR 203 million. Taking into account all transferred group pension liabilities (EUR 1,337 million) from Suomi mutual, with profit technical provisions increased to EUR 5,065 million (EUR 3,927 million in 2013). The development of the structure and amount of Mandatum Life's technical provisions is shown in the figure Development of With Profit and Unit-linked Technical Provisions, Mandatum Life, 2005–2014.

Development of With Profit and Unit-linked Technical Provisions

Mandatum Life, 2005-2014



The table Expected Maturity of Insurance and Investment Contracts before Reinsurance, Mandatum Life, 31 December 2014 shows the expected maturity and duration of insurance and investment contracts of Mandatum Life. The sensitivity of technical provisions to changes in discount rates can be assessed on the basis of the durations shown in the table.

Expected Maturity of Insurance and Investment Contracts before Reinsurance

Mandatum Life, 31 December 2014

EURm	Duration	2015-2016	2017-2018	2019-2023	2024-2028	2029-2033	2034-2038	2039-
Mandatum Life parent company								
Unit-linked total	**8.8**	**902**	**804**	**1405**	**921**	**742**	**325**	**388**
Individual pension insurance	11.8	88	134	280	236	191	139	166
Individual life	8.1	365	295	502	323	272	105	88
Capital redemption operations *)	6.8	417	325	496	268	212	33	55
Group pension	12.0	33	50	127	95	69	49	80
With profit and others total	**10.0**	**1,032**	**832**	**1,585**	**1,115**	**787**	**541**	**805**
Group pension	**11.2**	**371**	**347**	**728**	**551**	**411**	**300**	**472**
Guaranteed rate 3.5%	11.2	349	333	701	530	394	287	448
Guaranteed rate 2.5% or 0.0%	11.3	22	15	27	20	16	13	24
Group pension insurance, segregated portfolio	**11.1**	**175**	**164**	**358**	**287**	**218**	**155**	**210**
Individual pension insurance	**7.1**	**274**	**245**	**385**	**201**	**103**	**48**	**66**
Guaranteed rate 4.5%	7.2	221	195	320	171	84	37	56
Guaranteed rate 3.5%	6.9	39	38	49	25	16	8	7
Guaranteed rate 2.5% or 0.0%	5.9	14	13	16	5	3	2	2
Individual life insurance	**9.3**	**58**	**49**	**68**	**46**	**33**	**24**	**36**
Guaranteed rate 4.5%	8.6	22	15	22	14	11	8	9
Guaranteed rate 3.5%	10.8	21	19	33	23	17	13	24
Guaranteed rate 2.5% or 0.0%	6.8	15	15	13	8	5	3	3
Capital redemption operations *)	**8.7**	**0**	**0**	**2**	**1**	**0**	**0**	**0**
Guaranteed rate 3.5%	0.0	0	0	0	0	0	0	0
Guaranteed rate 2.5% or 0.0%	8.7	0	0	2	1	0	0	0
Future bonus reserves	**1.0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reserve for decreased discount rate	**3.9**	**81**	**12**	**20**	**11**	**6**	**2**	**3**
Longevity reserve	**11.8**	**11**	**10**	**23**	**19**	**16**	**12**	**17**
Assumed reinsurance	**0.5**	**2**	**0**	**0**	**0**	**0**	**0**	**0**
Other liabilities	**0.9**	**60**	**3**	**2**	**0**	**0**	**0**	**0**
Mandatum Life parent company total	**9.4**	**1,934**	**1,635**	**2,991**	**2,036**	**1,530**	**866**	**1,193**
Subsidiary SE Sampo Life Insurance Baltic		**16**	**22**	**35**	**20**	**35**	**17**	**49**
Unit-linked		12	18	28	18	34	16	49
Others		3	4	6	2	1	0	0
Mandatum Life group total		**1,950**	**1,658**	**3,025**	**2,056**	**1,565**	**883**	**1,243**

**) Investment contracts*

Life Insurance Risk Management

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

The Insurance Risk Committee is responsible for maintaining the Underwriting Policy and monitoring the functioning of the risk selection and claims processes. The Committee also reports all deviations from the Underwriting Policy to the RMC. The Insurance Risk Committee is chaired by the Chief

Actuary who is responsible for ensuring that the principles for pricing policies and for the calculation of technical provisions are adequate and in line with the risk selection and claims processes.

Reinsurance is used to limit the amount of individual mortality and disability risks. The Board of Directors annually approves the Reinsurance Policy and determines the maximum amount of risk to be retained on the company's own account, which for Mandatum Life is EUR 1.5 million per insured. To mitigate the effects of possible catastrophes, Mandatum Life participates in the catastrophe reinsurance bought jointly by Finnish life insurance companies.

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

Technical provisions are analyzed and the possible supplement needs are assessed regularly. Assumptions related to technical provisions are reviewed annually. Adequacy of technical provisions is tested quarterly. Tariffs for new policies are set and the Underwriting Policy and assumptions used in calculating technical provisions are updated based on adequacy tests and risk result analysis. Tariffs and prices, as well as the reinsurance principles and reserving principles are reviewed and approved annually by the Board of Directors of Mandatum Life.

Investment Portfolio 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 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 equity prices.

The risks caused by changes in interest rates, foreign exchange rates and inflation together with general trend of credit spreads and equity prices are defined as general market risks and managed by allocation limits and other risk limits. When the risk is related to debt and equity instruments issued by a specific issuer, it can be defined as issuer specific market risk that is managed by issuer specific limits. Furthermore, market risks include also risk of worsening market liquidity in terms of widening bid-ask spreads and the risk of unexpected changes in repayment schedules of assets. In both cases the market values of financial instruments in investment portfolios may change.

In Sampo Group, performance and market risks related to investment portfolios are mostly straightforward to analyse and manage. The realization of risks is transparently reflected in the financial statements, because Sampo Group is applying mark-to-market procedures to most of its investments and only seldom there are instruments that require mark-to-model procedures.

In addition to investment portfolio market risks, also the companies' balance sheets are exposed to market and liquidity risks. These balance sheet level risks are defined as ALM risks and they are covered later in the section ALM risks. The ALM risks at balance sheet level are taken carefully into account when investment portfolio allocations are designed and related limits and restrictions are defined.

Principles of Investment Portfolio Management

Investments (excluding Mandatum Life's investments covering unit-linked policies) are managed according to the subsidiaries' Investment Policies that are based on the features of insurance liabilities and solvency.

The investment portfolios are reported on fair value basis. These fair values are determined either on the basis of direct market quotes or by using various valuation models. More information on the valuation methods of the investment assets is presented in Note 17 in the Sampo Group Financial Statements.

Sampo Group's Chief Investment Officer is responsible for managing investments within the limitations of the Investment Policies prepared by the Group companies and approved by the Group companies' Boards of Directors. The insurance subsidiaries and the parent company have a common group wide infrastructure for investment management as well as for performance and risk reporting which facilitates simultaneous company level and group level reporting.

Sampo Group has a thorough understanding of the Nordic markets and issuers and consequently Sampo Group's direct investments are mainly made in Nordic securities. Mandatum Life's direct investments are mainly denominated in euro and in companies geographically located in Finland and selectively in other countries, whereas, If P&C has the major part of its direct investments denominated in the Scandinavian currencies and in the respective countries. Through effective differentiation in asset selection concentration risk is proactively managed.

When investing in non-Nordic securities, funds or other assets, third party managed investments are mainly used. These investments are primarily used as a tool in tactical asset allocation when seeking return and secondarily in order to increase diversification.

The external asset managers and funds managed by them are selected for both companies by the same members of Sampo Group's Investment Unit. The funds are mostly allocated to areas outside the Nordic countries. Consequently, the risk of unidentified or unwanted concentrations is relatively low.

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

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

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

Mandatum Life has two ALCOs, of which the other controls the segregated assets and liabilities and the other controls the rest of Mandatum Life's with profit assets and liabilities. The ALCOs control that the investment activities are conducted within the limits defined in the Investment Policy approved by the Board and monitors the adequacy of liquidity, profitability and solvency capital in relation to the risks in the balance sheet. The ALCOs prepare proposals of Investment Policy to the Board of Directors and report to the Board.

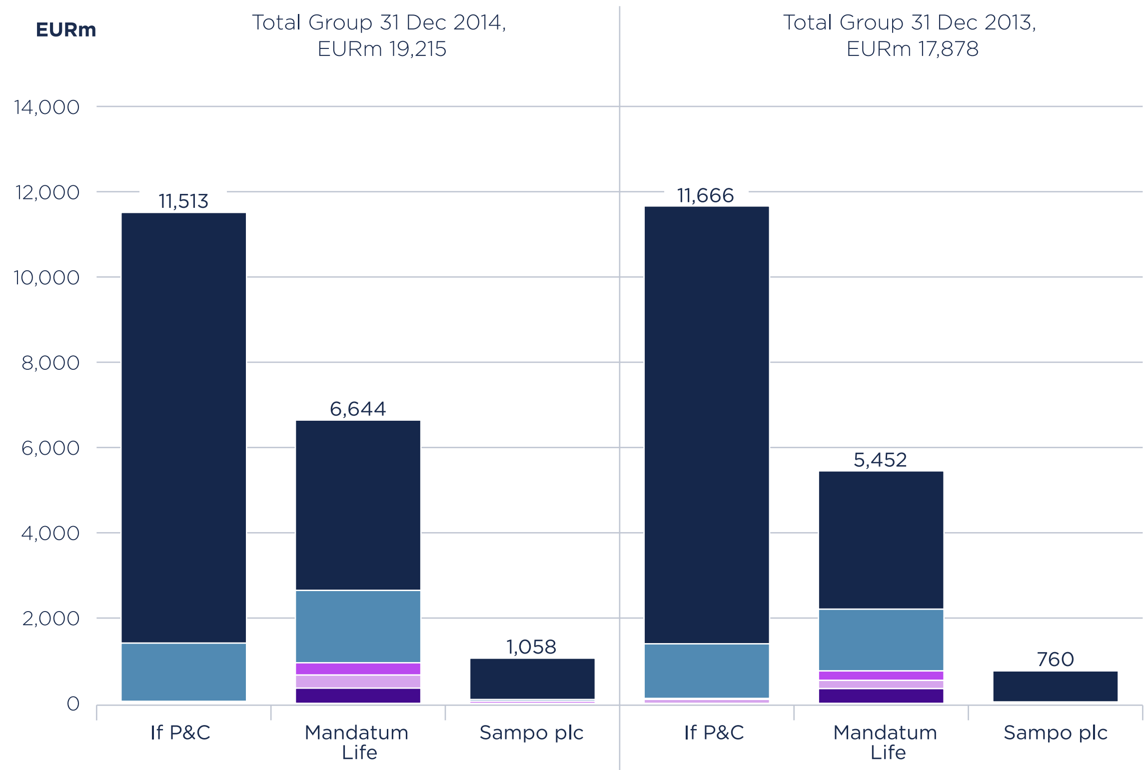
The aggregated market risks and concentrations at Sampo Group level are controlled by the Group's Audit Committee quarterly at a minimum. If deemed necessary, the concentration risks are further managed by deploying group level exposure restrictions, for instance by industries or by individual issuers.

Asset Allocations and Investment Returns

The total amount of Sampo Group's investment assets as at 31 December 2014 was EUR 19,215 million (EUR 17,878 million in 2013). Mandatum Life's investment assets do not include assets, which are covering unit-linked contracts. The compositions of the investment portfolios by asset classes in If P&C, Mandatum Life and Sampo plc at year end 2014 and at year end 2013 are shown in the figure Development of Investment Portfolios, If P&C, Mandatum Life and Sampo plc, 31 December 2014 and 31 December 2013.

Development of Investment Portfolios

If P&C, Mandatum Life and Sampo plc, 31 December 2014 and 31 December 2013



	If P&C 2014	Mandatum Life 2014	Sampo plc 2014	If P&C 2013	Mandatum Life 2013	Sampo plc 2013
Fixed income	88%	60%	92%	88%	59%	96%
Listed equity	12%	26%	4%	11%	27%	2%
Private equity*	0%	4%	4%	0%	4%	1%
Real estate	0%	5%	0%	1%	4%	0%
Alternative investments	0%	5%	0%	0%	6%	0%

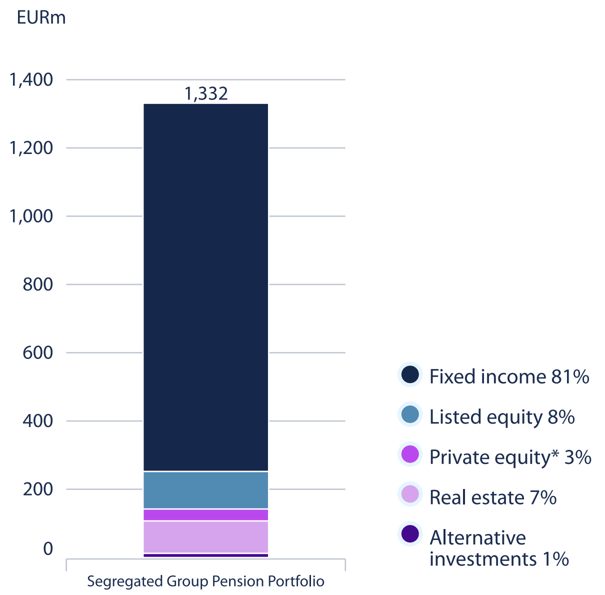
Sampo plc has a liquidity portfolio consisting mainly of money market instruments and a long-term portfolio including subordinated debt instruments issued by the insurance subsidiaries and the associated companies. The investments of Mandatum Life's Baltic subsidiary are included in Mandatum Life's investment assets as equity in all tables and graphs in this Risk Management section.

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

The composition of the Mandatum Life's segregated group pension portfolio by asset classes at year end 2014 is shown in the figure Composition of Investment Portfolio, Mandatum Life's Segregated Group Pension Portfolio, 31 December 2014.

Composition of Investment Portfolio

Mandatum Life's Segregated Group Pension Portfolio, 31 December 2014

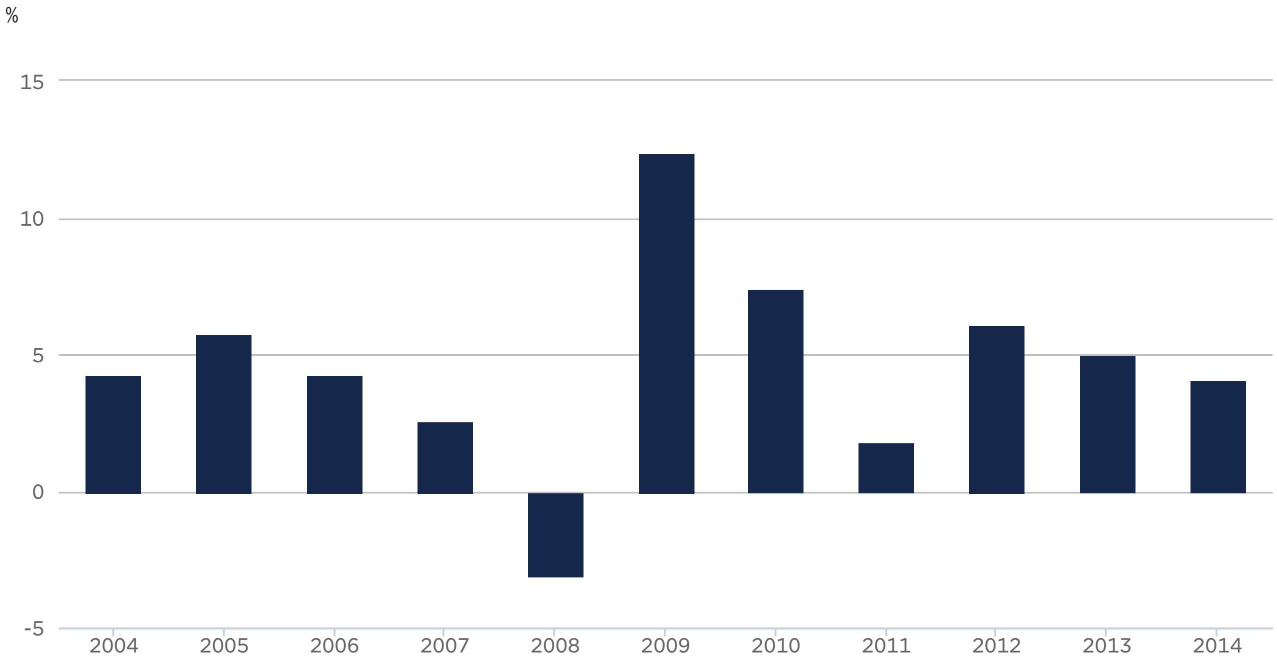


The segregated assets have not affected the profit figures of 2014.

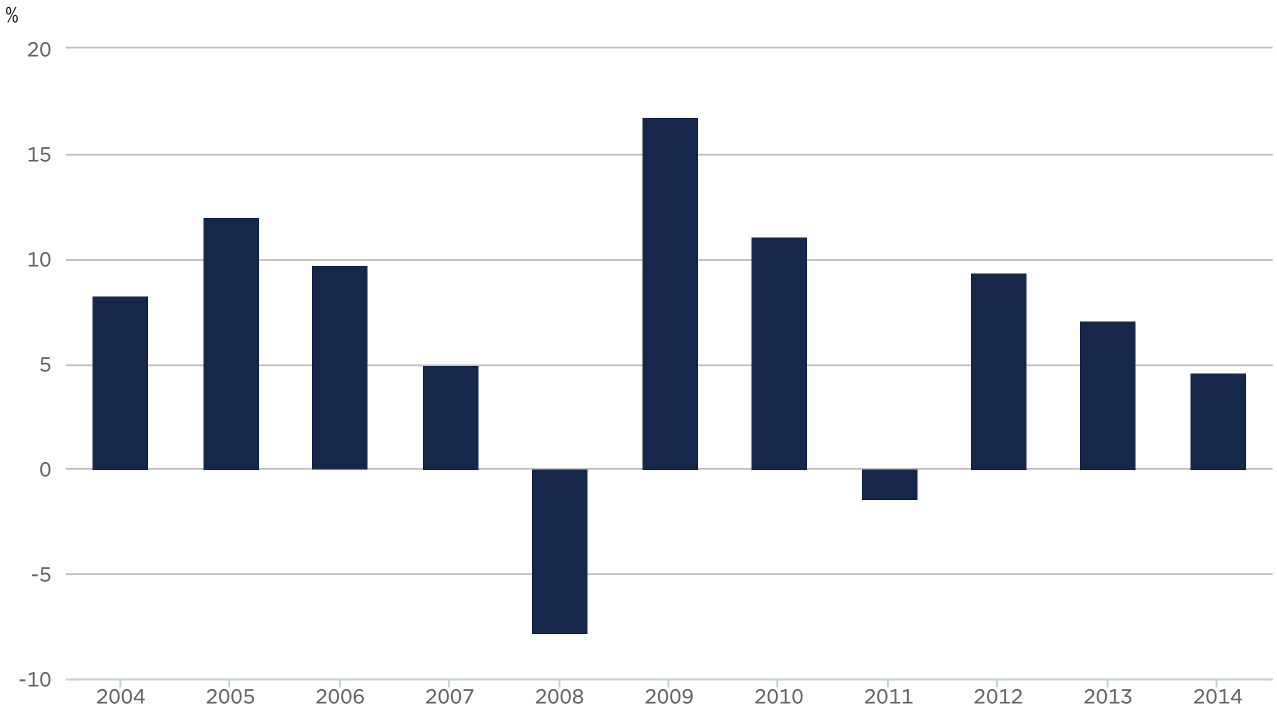
**) Private Equity also includes direct holdings in non-listed equities.*

The insurance liabilities as well as the risk appetite of Mandatum Life and If P&C differ and as a result, the structures and risks of investment portfolios of the two companies are often different. This is reflected also in the companies' investment returns. Mandatum Life has had on average higher returns and higher volatility. The figure Annual Investment Returns at Fair Values, If P&C and Mandatum Life, 2004–2014 presents the historical development of investment returns.

Annual Investment Returns at Fair Values
If P&C, 2004-2014



Annual Investment Returns at Fair Values
Mandatum Life, 2004-2014



The weighted average investment return of the Group's investment portfolios (including Sampo plc) in 2014 was 4.3 per cent (5.6 per cent in 2013).

More detailed investment allocations and average maturities of fixed income investments of If P&C, Mandatum Life, Sampo plc and Sampo Group as of year-end 2014 are presented in the table Investment Allocation, If P&C, Mandatum Life, Sampo plc and Sampo Group, 31 December 2014.

Investment Allocation

If P&C, Mandatum Life, Sampo plc and Sampo Group, 31 December 2014

	If P&C			Mandatum Life			Sampo plc			Sampo Group		
Asset class	**Market value, EURm**	**Weight**	**Average maturity, years**	**Market value, EURm**	**Weight**	**Average maturity, years**	**Market value, EURm**	**Weight**	**Average maturity, years**	**Market value, EURm**	**Weight**	**Average maturity, years**
FIXED INCOME TOTAL	**10,104**	**88%**	**2.4**	**4,015**	**60%**	**1.9**	**920**	**87%**	**0.8**	**15,040**	**78%**	**2.1**
Money market securities and cash	1,472	13%	0.3	1,676	25%	0.4	773	73%	0.1	3,921	20%	0.3
Government bonds	2,080	18%	3.1	452	7%	2.4	0	0%	0.0	2,532	13%	3.0
Credit bonds, funds and loans	6,553	57%	2.6	1,876	28%	3.1	147	14%	4.3	8,576	45%	2.7
Covered bonds	2,750	24%	2.3	93	1%	2.6	0	0%	0.0	2,844	15%	2.3
Investment grade bonds and loans	1,863	16%	2.2	457	7%	2.1	112	11%	4.7	2,431	13%	2.3
High-yield bonds and loans	1,701	15%	3.6	1,118	17%	3.5	5	0%	4.7	2,823	15%	3.6
Subordinated / Tier 2	200	2%	2.6	39	1%	3.3	0	0%	0.0	240	1%	2.7
Subordinated / Tier 1	39	0%	0.6	170	3%	3.3	30	3%	2.7	240	1%	2.8
Hedging swaps	-1	0%	-	-1	0%	-	0	0%	-	-2	0%	-
Policy loans	0	0%	0.0	11	0%	1.8	0	0%	0.0	11	0%	1.8
LISTED EQUITY TOTAL	**1,367**	**12%**	**-**	**1,698**	**26%**	**-**	**41**	**4%**	**-**	**3,105**	**16%**	**0**
Finland	0	0%	-	590	9%	-	41	4%	-	631	3%	-
Scandinavia	987	9%	-	16	0%	-	0	0%	-	1,003	5%	-
Global	380	3%	-	1,091	16%	-	0	0%	-	1,471	8%	-
ALTERNATIVE INVESTMENTS TOTAL	**45**	**0%**	**-**	**951**	**14%**	**-**	**47**	**4%**	**-**	**1,042**	**5%**	**-**
Real estate	23	0%	-	307	5%	-	2	0%	-	332	2%	-
Private equity*	22	0%	-	288	4%	-	45	4%	-	355	2%	-
Biometric	0	0%	-	18	0%	-	0	0%	-	18	0%	-
Commodities	0	0%	-	0	0%	-	0	0%	-	0	0%	-
Other alternative	0	0%	-	338	5%	-	0	0%	-	338	2%	-
TRADING DERIVATIVES	**-2**	**0%**	**-**	**-19**	**0%**	**-**	**51**	**5%**	**0.0**	**29**	**0%**	**-**
ASSET CLASSES TOTAL	**11,513**	**100%**	**-**	**6,644**	**100%**	**-**	**1,058**	**100%**	**-**	**19,215**	**100%**	**-**
FX Exposure, gross position	**231**	**-**	**-**	**669**	**-**	**-**	**707**	**-**	**-**	**1,608**	**-**	**-**

)Private Equity also includes direct holdings in non-listed equities

Parent company Sampo plc's asset portfolio is a liquidity reserve including mainly short-term money market instruments and hence its market risks are limited. Interest rate risk arising from gross debt and the liquidity reserve is Sampo plc's most significant market risk together with refinancing risk related to gross debt. Most of the parent company's debt is tied to short-term reference rates as a consequence of interest rate swaps used. This mitigates group level interest rate risk because, while lower interest rates would reduce subsidiaries' investment returns in the long-term, the interest expense in the parent company would also be lower.

Fixed income investments and listed equity instruments form major part of the subsidiaries' investment portfolios. Money market securities, cash and investment grade government bonds form a liquidity buffer within fixed income investments. The average maturity of fixed income investments was 2.4 years in If P&C and 1.9 years in Mandatum Life.

Both If P&C and Mandatum Life are exposed to interest rate and currency risks (general market risks) as well as to equity and spread risks.

Additionally, If P&C and Mandatum Life have real estate, private equity, biometric and other alternative investments. The Investment Policies set limits for maximum allocations into these asset classes and products. On 31 December 2014, the combined share of the above mentioned investments was 5.4 per cent of the total investment portfolio of Sampo Group. In If P&C the proportion was 0.4 per cent and in Mandatum Life it was 14.3 per cent. These asset classes are managed in most cases by external asset managers with the exception of the Group's real estate portfolio that is managed by Sampo Group's real estate management unit. The real estate portfolio includes both direct investments in properties and indirect investments in real estate funds as well as in shares and debt instruments in real estate companies.

Interest Rate and Currency Risks

Market participants are continuously reacting to reported macro-economic data and information regarding financial market and commercial cash flows as well as to various events and market rumours. Hence, risk factors affecting interest rates and foreign exchange rates are many.

Interest Rate and Currency Risks

External drivers
Economic, social and financial market conditions, political decisions, central bank actions, laws, taxation and regulations, international trade flows

- Unfavorable changes in interest rates

Interest rate risk (nominal & real rate)
- The value of interest rate exposures decreases immediately
- The future investments are made at unfavorable interest rate levels

- Unfavorable changes in foreign exchange rates

Currency risk
- The value of foreign currency transaction exposures decreases
- The base currency value of net investments in foreign subsidiaries decreases

Changes in fair values

Negative impact on financial results and adjusted solvency capital arising from fair value changes

Interest Rate Risk

Interest rate sensitivity in terms of the average duration of fixed income investments was in If P&C 1.0 years and in Mandatum Life 1.8 years. These duration figures include the effect of hedging derivatives.

In addition to hedging purposes, derivatives are used to utilize market view or to mitigate risks at balance sheet level. In both cases derivatives are booked as trading derivatives at fair value through profit or loss in financial accounting.

Currency Risk

Currency risk can be divided into transaction and translation risk. Transaction risk refers to currency risk arising from contractual cash flows in foreign currencies related to insurance activities, investment operations and foreign exchange transactions. Hence, transaction risk includes various balance sheet items. In Sampo Group the net foreign currency exposure is considered as a separate asset class and it is managed within investment portfolio activities. Open transaction risk positions are identified and measured separately for each subsidiary. The net position in each currency consists of the assets, liabilities and foreign exchange transactions denominated in the particular currency.

If P&C writes insurance policies that are mostly denominated in the Scandinavian currencies and in euro. In If P&C, the transaction risk is reduced by matching technical provisions with investment assets in the corresponding currencies or by using currency derivatives.

In Mandatum Life, transaction risk arises mainly from investments in other currencies than euro as the company's technical provisions are almost completely denominated in euro. Mandatum Life's currency risk strategy is based on active management of the currency position. The objective is to achieve a positive return relative to a situation where the currency risk exposure is fully hedged.

The transaction risk positions of If P&C and Mandatum Life against their base currencies are shown in the table Transaction Risk Position, If P&C and Mandatum Life, 31 December 2014. The table shows the net transaction risk exposures and the changes in the value of positions given a 10 per cent decrease in the value of the base currency.

Transaction Risk Position

If P&C and Mandatum Life, 31 December 2014

	Base Currency	EUR	USD	JPY	GBP	SEK	NOK	CHF	DKK	LTL	Other	Total, net
If P&C	**SEKm**											
Insurance operations		-405	-146	-0	-13	-12	-2,382	-9	-748	-1	-7	-3,724
Investments		1	442	1	0	56	2,603	0	150	0	4	3,257
Derivatives		356	-268	-0	6	-64	-275	-20	523	0	2	259
Total transaction risk, net position, If P&C		**-48**	**28**	**1**	**-7**	**-20**	**-54**	**-29**	**-75**	**-1**	**-1**	**-208**
Sensitivity: SEK -10%		-5	3	0	-1	-2	-5	-3	-7	-0	-0	-21
Mandatum Life	**EURm**											
Technical provisions		0	0	0	0	-2	0	0	0	-0	0	-2
Investments		0	1,326	23	270	51	10	115	324	3	248	2,370
Derivatives		0	-952	-31	-239	-32	1	-125	-306	0	-95	-1,779
Total transaction risk, net position, Mandatum Life		**0**	**374**	**-8**	**30**	**17**	**11**	**-10**	**18**	**3**	**153**	**589**
Sensitivity: EUR -10%		0	37	-1	3	2	1	-1	2	0	15	59

If P&C's transaction risk position in SEK represents exposure in foreign subsidiaries/branches within If with base currency other than SEK

Sampo plc's transaction risk position is related to SEK denominated dividends paid by If P&C and to debt instruments in other currencies than euro.

In addition to transaction risk, Sampo Group and its insurance subsidiaries are also exposed to translation risk. Translation risk refers to currency risk that arises when consolidating the financial statements of subsidiaries that have a different base currency than the parent company into the Group financial statements. Sampo Group's consolidated financial statements are denominated in euro. Changes in foreign exchange rates result in translation differences which are recognized in the consolidated other comprehensive income. Translation risks arise also within If P&C from its subsidiaries whose base currencies are different from that of the parent company.

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. 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 & 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

Equity risk

- 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

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

Spread risk

- 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

Changes in fair values or default intensity

Negative impact on financial results arising from fair value changes and credit losses

When the financial strength or future prospects of an issuer deteriorate or value of collaterals decreases, equity and spread risks materialize as decreases in the value of investment assets.

The values of investment assets decrease when credit spreads of tradable debt instruments are changing unfavourably or equity prices are decreasing. Most Sampo Group's investments are tradable and hence subject to daily mark-to-market valuation. Moreover, the fair values of non-tradable instruments change adversely when the financial strength or future prospects of the issuer deteriorates or value of collaterals decreases. Ultimately the issuer may fail to meet its financial obligations and the risk realizes as credit losses.

Management of Equity and Spread Risks

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

Decision Making, Limit System and Monitoring

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

Exposures in Fixed Income and Equity Instruments

Exposures in fixed income and equity instruments are shown in the tables Credit Exposures by Sectors, Asset Classes and Rating, If P&C, Mandatum Life and Sampo Group, 31 December 2014. The tables include also counterparty risk exposures relating to reinsurance and derivative transactions. Counterparty default risks are described in more detail in section Counterparty Default Risks. Due to differences in the reporting treatment of derivatives, the figures in the table are not fully comparable with other tables in this annual report.

Exposures by Sectors, Asset Classes and Rating

If P&C, 31 December 2014

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change 31 Dec 2013
Basic Industry	0	0	0	101	83	0	62	246	34	0	0	280	13
Capital Goods	0	0	0	49	0	0	30	79	418	0	0	497	62
Consumer Products	0	0	35	37	46	0	94	212	367	0	0	579	-83
Energy	0	6	0	4	99	0	270	380	0	0	0	380	-122
Financial Institutions	0	1,233	1,145	362	114	0	10	2,865	29	0	22	2,917	193
Governments	693	222	0	2	0	0	0	918	0	0	0	918	-46
Government Guaranteed	105	76	0	0	0	0	0	181	0	0	0	181	-34
Health Care	0	0	0	5	0	0	49	54	45	0	0	99	35
Insurance	0	0	10	41	0	0	0	51	0	0	111	162	-134
Media	0	0	0	0	0	0	18	18	0	0	0	18	-1
Public Sector, Other	857	127	0	0	0	0	0	984	0	0	0	984	303
Real Estate	0	9	0	0	0	0	482	490	0	23	0	513	57
Services	0	0	0	5	42	0	17	64	0	0	0	64	45
Technology and Electronics	0	0	0	0	0	0	35	35	5	0	0	40	6
Telecommunications	0	0	94	14	0	0	27	135	79	0	0	214	-62
Transportation	0	97	7	23	13	0	168	307	9	0	0	317	-12
Utilities	0	0	143	107	0	0	79	329	0	0	0	329	-27
Others	0	0	0	0	0	0	0	0	0	2	0	2	-35
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	2,608	142	0	0	0	0	0	2,750	0	0	0	2,750	-487
Funds	0	0	0	0	0	0	7	7	380	20	0	407	16
Total	**4,263**	**1,911**	**1,434**	**751**	**397**	**0**	**1,348**	**10,105**	**1,367**	**45**	**133**	**11,650**	**-316**
Change 31 Dec 2013	**-37**	**94**	**7**	**-204**	**-5**	**0**	**-24**	**-168**	**83**	**-69**	**-162**	**-316**	

Exposures by Sectors, Asset Classes and Rating

Mandatum Life, 31 December 2014

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change 31 Dec 2013
Basic Industry	0	0	0	1	157	0	62	220	199	0	0	420	-49
Capital Goods	0	0	1	1	30	0	42	75	141	0	0	215	-2
Consumer Products	0	0	6	4	108	0	56	175	117	0	0	292	27
Energy	0	1	0	16	0	0	50	67	2	0	0	68	-12
Financial Institutions	2	967	902	22	228	0	0	2,121	28	23	0	2,172	1,033
Governments	334	32	0	21	0	0	0	387	0	0	0	387	-340
Government Guaranteed	0	4	0	0	0	0	0	4	0	0	0	4	4
Health Care	0	0	1	0	47	0	25	73	17	0	0	91	36
Insurance	0	0	1	25	0	0	11	37	5	23	0	65	8
Media	0	0	0	0	13	0	28	40	0	0	0	40	1
Public Sector, Other	0	2	0	0	0	0	0	2	0	0	0	2	2
Real Estate	0	0	0	1	0	0	55	55	0	255	0	311	110
Services	0	0	0	1	88	0	16	105	39	0	0	144	21
Technology and Electronics	1	0	0	1	2	0	1	4	88	1	0	93	-6
Telecommunications	0	0	8	12	52	0	15	88	1	0	0	89	-56
Transportation	0	0	0	0	11	0	7	18	1	0	0	19	-25
Utilities	0	0	54	56	1	0	0	111	0	0	0	111	-87
Others	0	0	0	0	6	0	10	16	0	15	0	31	6
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	23	58	13	0	0	0	0	93	0	0	0	93	-32
Funds	7	0	95	50	24	0	147	323	1,061	632	0	2,017	582
Total	**367**	**1,065**	**1,082**	**212**	**767**	**0**	**523**	**4,016**	**1,698**	**951**	**0**	**6,664**	**1,222**
Change 31 Dec 2013	**156**	**83**	**517**	**-131**	**118**	**0**	**43**	**787**	**276**	**164**	**-5**	**1,222**	

Exposures by Sectors, Asset Classes and Rating

Sampo Group, 31 December 2014

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change 31 Dec 2013
Basic Industry	0	0	0	102	240	0	124	466	233	0	0	700	-56
Capital Goods	0	0	1	50	30	0	77	158	562	0	0	720	57
Consumer Products	0	0	41	41	154	0	150	387	484	0	0	871	-56
Energy	0	7	0	21	99	0	320	446	2	0	0	448	-134
Financial Institutions	2	2,658	2,363	497	342	0	10	5,871	95	23	29	6,018	1,510
Governments	1,027	254	0	23	0	0	0	1,304	0	0	0	1,304	-386
Government Guaranteed	105	80	0	0	0	0	0	185	0	0	0	185	-30
Health Care	0	0	1	5	47	0	74	128	62	0	0	238	72
Insurance	0	0	11	65	0	0	41	118	5	40	111	226	-126
Media	0	0	0	0	13	0	46	59	0	0	0	59	-0
Public Sector, Other	857	130	0	0	0	0	0	987	0	0	0	987	305
Real Estate	0	9	0	1	0	0	536	546	0	280	0	826	167
Services	0	0	0	5	130	0	33	169	39	0	0	208	66
Technology and Electronics	1	0	0	1	2	0	36	40	92	2	0	134	1
Telecommunications	0	0	102	26	52	0	42	223	80	0	0	303	-118
Transportation	0	97	7	23	24	0	175	325	10	0	0	335	-37
Utilities	0	0	197	163	1	0	79	440	0	0	0	440	-114
Others	0	0	0	0	6	0	10	16	0	17	0	33	-29
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	2,631	200	13	0	0	0	0	2,844	0	0	0	2,844	-519
Funds	7	0	95	50	24	0	154	331	1,441	678	0	2,450	613
Total	**4,630**	**3,434**	**2,832**	**1,075**	**1,164**	**0**	**1,907**	**15,042**	**3,105**	**1,042**	**140**	**19,329**	**1,185**
Change 31 Dec 2013	**119**	**286**	**553**	**-223**	**113**	**0**	**-5**	**843**	**383**	**129**	**-169**	**1,185**	

The largest holdings are in financial institutions and covered bonds. Most of these investments are in Nordic countries as can be seen in the table Fixed Income Investments in Financial Sector, Sampo Group, 31 December 2014. These exposures increased by EUR 0.9 billion during 2014.

Fixed Income Investments in Financial Sector

Sampo Group, 31 December 2014

	Covered bonds	Money market securities	Long-term senior debt	Long-term sub-ordinated debt	Total, EURm	%
Sweden	1,666	1,286	690	241	**3,883**	44.6%
Finland	223	2,403	118	11	**2,754**	31.6%
Norway	684		413	77	**1,174**	13.5%
Denmark	183	45	183	74	**486**	5.6%
United States		78	25	1	**104**	1.2%
Switzerland			48	12	**60**	0.7%
France	36	0	2	20	**59**	0.7%
Netherlands	2	0	44		**46**	0.5%
Austria	32				**32**	0.4%
Iceland			32		**32**	0.4%
Germany		0	25	0	**26**	0.3%
Estonia		23			**23**	0.3%
United Kingdom	4		4	4	**13**	0.1%
Luxembourg	12				**12**	0.1%
Jersey				5	**5**	0.1%
Russia		4			**4**	0.0%
Italy	1	1			**2**	0.0%
Spain	1				**1**	0.0%
Australia	1				**1**	0.0%
Total	**2,844**	**3,842**	**1,584**	**445**	**8,715**	**100.0%**

The public sector exposure includes government bonds, government guaranteed bonds and other public sector investments. The public sector has had relatively minor role in Sampo Group's portfolios and these exposures have been mainly in the Nordic countries.

Fixed Income Investments in Public Sector

Sampo Group, 31 December 2014

	Governments	Government guaranteed	Public sector, other	Total market value, EURm
Sweden	244		726	**970**
Netherlands	422			**422**
Germany	347	71		**419**
Norway			242	**242**
France	224	4		**228**
Finland	28	76	19	**123**
Other	39	33	0	**72**
Total	**1,304**	**185**	**987**	**2,476**

The exposures in non-rated and high yield fixed income instruments are significant, because relatively small number of Nordic companies are rated. The largest high yield and non-rated fixed income investment exposures are presented in the table Ten Largest Direct High Yield and Non-rated Fixed Income Investments, Sampo Group, 31 December 2014.

Ten Largest Direct High Yield and Non-rated Fixed Income Investments

Sampo Group, 31 December 2014

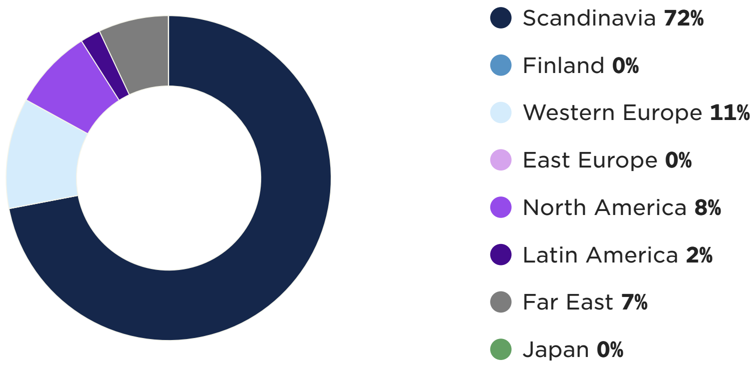
Largest direct high yield and non-rated fixed income investments	Rating	Total fair value, EURm	% of total direct fixed income investments
ICA Gruppen AB	NR	166	1.2%
Eksportfinans ASA	BB-	158	1.1%
Stora Enso	BB	157	1.1%
High Street Shop AS	NR	128	0.9%
PBA Karlskrona	NR	80	0.6%
Neste Oil Oyj	NR	78	0.5%
Sponda Oyj	NR	68	0.5%
Storebrand ASA	BB+	63	0.4%
Sor Boligkreditt AS	NR	44	0.3%
Nassa Midco AS	B	42	0.3%
Total top 10 exposures		**983**	**6.8%**
Other direct fixed income investments		13,446	93.2%
Total direct fixed income investments		14,430	100.0%

The listed equity investments of Sampo Group totaled EUR 3,105 million at the end of year 2014 (EUR 2,749 million in 2013). At the end of year 2014, the listed equity exposure of If P&C was EUR 1,367 million (EUR 1,283 million in 2013). The proportion of listed equities in If P&C's investment portfolio was 11.9 per cent. In Mandatum Life, the listed equity exposure was EUR 1,698 million at the end of year 2014 (EUR 1,422 million in 2013) and the proportion of listed equities was 25.6 per cent of the investment portfolio.

Breakdown of the listed equity exposures of Sampo Group by geographical regions is shown in the figure Breakdown of Listed Equity Investments by Geographical Regions, Sampo Group, If P&C and Mandatum Life, 31 December 2014.

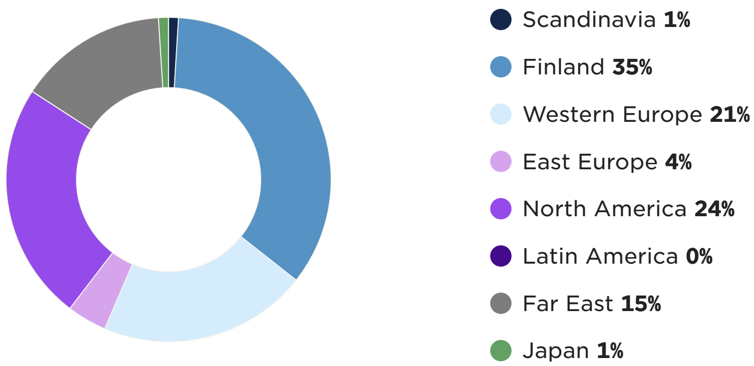
Breakdown of Listed Equity Investments by Geographical Regions

If P&C, 31 December 2014, total EURm 1,367



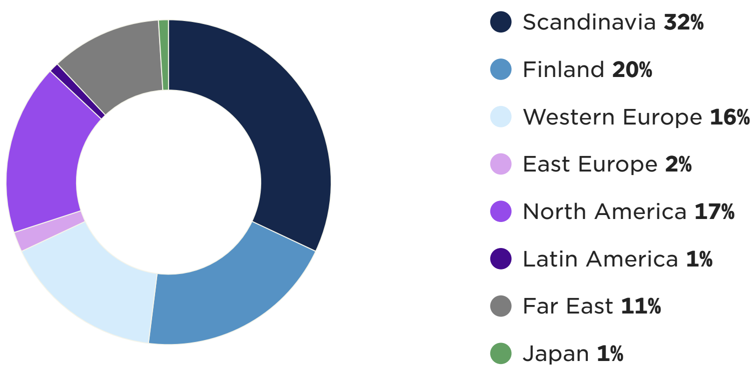
Breakdown of Listed Equity Investments by Geographical Regions

Mandatum Life, 31 December 2014, total EURm 1,678



Breakdown of Listed Equity Investments by Geographical Regions

Sampo Group, 31 December 2014, total EURm 3,105



The geographical emphasis of Sampo Group's equity investments is in Nordic companies. The proportion of Nordic companies' equities corresponds to 53 per cent of the total equity portfolio. This is in line with Sampo Group's investment strategy to focus on Nordic companies. Moreover, the Group's insurance liabilities are mostly denominated in the euro and in the Nordic currencies. In the long run the proportion of investments outside of the Nordic countries has gradually increased, because the amount of companies issuing securities in the Nordic countries is limited and from a tactical point of view other geographical areas have recently provided interesting investment opportunities.

The sector allocation of direct listed equity investments in Sampo Group is presented in tables Exposures by sectors, asset classes and rating, If P&C, Mandatum Life and Sampo Group, 31 December 2014. The largest allocations are to capital goods, consumer products and basic industry sectors. Listed equity investments made through mutual funds and ETF investments accounted for 46 per cent of the entire equity portfolio.

Furthermore, the largest direct listed equity exposures are presented in the table Ten Largest Direct Listed Equity Investments, Sampo Group, 31 December 2014.

Ten Largest Direct Listed Equity Investments

Sampo Group, 31 December 2014

Top 10 equity investments	**Total fair value, EURm**	**% of total direct equity investments**
Nobia	156	9.4%
UPM-Kymmene	130	7.8%
Veidekke	100	6.0%
Hennes & Mauritz	94	5.7%
Amer Sports	82	4.9%
TeliaSonera	80	4.8%
Volvo	77	4.6%
ABB Ltd	74	4.4%
Husqvarna Ab	50	3.0%
Sectra Ab	45	2.7%
Total top 10 exposures	**889**	**53.3%**
Other direct equity investments	777	46.7%
Total direct equity investments	1,666	100.0%

In addition, Sampo Group's largest listed equity holdings are disclosed in the Notes to the Financial Statements (Note 40).

The largest exposures by individual issuers and counterparties are presented in the table Largest Individual Exposures by Issuer and by Asset Class, Sampo Group, 31 December 2014.

Largest Individual Exposures by Issuer and by Asset Class

Sampo Group, 31 December 2014

EURm Counterparty	Total fair value	% 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	Uncollateralized derivatives
Nordea Bank	1,600	8%	926	674	0	387	172	115	0	0
Svenska Handelsbanken	1,490	8%	908	582	0	509	69	4	0	0
Danske Bank	1,002	5%	631	371	0	130	167	74	0	0
Skandinaviska Enskilda Banken	945	5%	590	355	0	124	129	102	0	0
Sweden	665	3%	0	665	0	0	665	0	0	0
Swedbank	484	3%	59	425	0	275	150	0	0	0
DnB	440	2%	0	440	0	232	165	43	0	0
OP Pohjola	436	2%	383	52	0	0	42	10	0	0
Netherlands	424	2%	0	424	0	0	424	0	0	0
Germany	347	2%	0	347	0	0	347	0	0	0
Total Top 10 Exposures	**7,833**	**41%**	**3,499**	**4,334**	**0**	**1,656**	**2,329**	**348**	**0**	**0**
Other	11,385	59%								
Total investment assets	**19,218**	**100%**								

Counterparty Default Risks

Counterparty Default Risk (Counterparty Risk) is one type of consequential risks Sampo Group is exposed to through its activities.

Credit risk by definition comprises default, spread and settlement risks. Default risk refers to losses arising from occurred defaults of debtors (issuer risk) or other counterparties (counterparty risk). 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. 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 that is affected by collaterals.

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

Settlement risk realizes when one party fails to deliver the terms of a contract with another party at the time of settlement. Settlement risk can be the loss associated with default at settlement and any timing differences in settlement between the two parties. Settlement risks are mitigated effectively by centralized settlement and clearing systems used by Sampo Group companies.

Counterparty Default Risk

External drivers

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

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

Default risk of derivate counterparty

- 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

- Changes in counterparty creditworthiness
- Terms of the agreement

Default risk of reinsurance counterparty

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

Credit losses

Negative impact on financial results arising from credit losses

Default risk related to reinsurance counterparties mainly concerns If P&C, as the use of reinsurance in Mandatum Life is relatively limited.

When financial derivatives are considered the situation is opposite. Mandatum Life and parent company Sampo plc are frequent users of long-term interest rate derivatives and are therefore inherently more exposed to default risk of derivative counterparties than If P&C, which is mainly using short-term foreign exchange derivatives.

In addition, counterparty default risk arises from receivables from policyholders and other receivables related to commercial transactions. Risk exposure towards policyholders is very limited, because non-payment of premiums generally results in cancellation of the insurance policies. Also the risk exposures arising from other receivables related to commercial transactions are minor in Sampo Group.

Distribution of reinsurance receivables and reinsurers' portion of outstanding claims in If P&C on 31 December 2014 per rating category is presented in the table Reinsurance Recoverables, If P&C, 31 December 2014 and 31 December 2013. In the table, EUR 130 million (EUR 140 million in 2013) are excluded, which mainly relates to captives and statutory pool solutions.

Reinsurance Recoverables

If P&C, 31 December 2014 and 31 December 2013

	31 Dec 2014		31 Dec 2013	
Rating	**Total EURm**	**%**	**Total EURm**	**%**
AAA	0	0%	0	0%
AA+ - A-	107	97%	286	97%
BBB+ - BBB-	2	2%	4	1%
BB+ - C	0	0%	0	0%
D	0	0%	0	0%
Non-rated	2	2%	4	1%
Total	**111**	**100%**	**295**	**100%**

The ten largest individual reinsurance recoverables amounted to EUR 166 million, representing 69 per cent of the total reinsurance recoverables. If P&C's largest individual reinsurer is Munich Re (AA-). They account for 22 per cent of the total reinsurance recoverables.

The amount of ceded treaty and facultative premiums was EUR 66.8 million. Of this amount, 99.9 per cent was related to reinsurance counterparties with a credit rating of A- or higher.

In Mandatum Life, the importance of reinsurance agreements is limited and thus credit risk of reinsurance counterparties in Mandatum Life is immaterial.

Counterparty Default Risk Management

In Sampo Group, default risk of derivative counterparties is a by-product of managing market risks. The risk is mitigated by careful selection of counterparties, by diversification of counterparties to prevent risk concentrations and by using collateral techniques, e.g. ISDA Master Agreements backed by Credit Support Annexes. This is the case especially in Sampo plc and Mandatum Life which are frequent users of long-term derivatives.

The Reinsurance Committee (RC) is a collaboration forum for reinsurance related issues and shall give its opinion on and propose actions in respect of such issues. The committee shall consider and propose changes to the Reinsurance Policy and the Internal Reinsurance Policy. The Chairman is responsible for the reporting of policy deviations and other issues dealt with by the committee.

The Reinsurance Security Committee (RSC) shall give input and suggestions to decisions in respect of various issues regarding reinsurance default risk and risk exposure, as well as proposed deviations from the Reinsurance Security Policy. The Chairman is responsible for the reporting of policy deviations and other issues dealt with by the committee.

At the inception of the reinsurance, the default risk of the reinsurer is considered. The default risks of reinsurance assets are monitored continuously.

In order to limit and control default risk associated with ceded reinsurance, If P&C has a Reinsurance Security Policy that sets requirements for the reinsurers' minimum credit ratings and the maximum exposure to individual reinsurers. Credit ratings from rating agencies are used to support the assessment of the creditworthiness of reinsurance companies similarly to the assessment of credit risk of investment assets.

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 different size than the respective change in the economic value of insurance liabilities, the company is exposed to ALM risk. It has to be noted that the cash flows of insurance liabilities are modelled estimates and therefore uncertain in relation to both their timing and amount. This uncertainty is a central component of ALM risk.

On balance sheet level, ALM risks contribute considerably to economic values, risks and capital need. Sampo Group companies analyse ALM risks and monitor ALM exposures actively and the risks are taken into account when managing investments and developing insurance products. In addition to the risks relating to fluctuations in market values and economic values, ALM risks include liquidity risk. Additionally, single name concentration risks over assets, liabilities and other agreements are to be monitored at the balance sheet level. A balance sheet level concentration may arise for example when a company is insured by Sampo Group companies, Sampo Group has holdings in debt and equity instruments issued by the company and the company is a tenant in a property owned by Sampo Group.

Principles of Asset and Liability Management

In Sampo Group, insurance liabilities are the starting point for investment management. Insurance liabilities are modeled and analyzed to form an understanding of their expected future cash flows and their sensitivities to changes in factors such as inflation, interest rates and foreign exchange rates.

Solvency position and risk appetite are defining general capacity and willingness for risk taking. The stronger the solvency position and the higher the risk appetite, the more the investment portfolio can potentially differentiate from a portfolio replicating cash flows of insurance liabilities.

Rating targets and regulatory requirements are major external factors affecting market and liquidity risk taking in general at the balance sheet level, and specifically at the investment portfolio level.

Investments are managed according to the Investment Policies which are approved by the Boards of Directors of respective companies. Asset class allocations, risk limits by risk types, the risk governance of investment activities and the decision making authorizations are set in the companies' Investment Policies in a way that maintains the balance between earnings potential, risks and capitalization also at the balance sheet level.

If P&C and Mandatum Life are following the above mentioned principles, but they apply it by taking also into account the specific characteristics of their own businesses.

ALM in If P&C

The ALM risk in If P&C is managed in accordance with Sampo Group's principles. ALM is taken into account through the risk appetite framework and is governed by If P&C's Investment Policies.

In accounting the major part of the technical provisions is nominal. However, a still significant part (the provisions for claims outstanding pertaining to annuities), is discounted with interest rates in accordance with regulatory rules. Thereby If P&C is, from an accounting perspective, mainly exposed to changes in inflation and the regulatory discount rates. From an economic perspective, in which the cash flows of insurance liabilities (technical provisions) are discounted with prevailing interest rates, If P&C is exposed to changes both in inflation and nominal interest rates. For more information see the table Sensitivities of Technical Provisions, If P&C, 2014 in Non-life Underwriting Risks section.

To maintain the ALM risk within the overall risk appetite, the cash flows of insurance liabilities (technical provisions) are matched to a certain degree by investing in fixed income instruments and by using currency derivatives. The degree is dependent on the solvency position and market view.

ALM in Mandatum Life

The Board of Directors of Mandatum Life approves annually the Investment Policies for both segregated assets and other assets regarding the company's investment risks. These policies set principles and limits for investment portfolio activities.

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

The Investment Policy for other investment assets defines the control levels for maximum acceptable risk and respective measures to manage the risk, which are based on the company level solvency and on both Solvency I and Solvency II type of approaches.

In the Solvency I type of approach, control levels are set above the Solvency I using a VaR-analysis of the investment assets. In the Solvency II type of approach, control levels are set also based on other confidence levels in addition to the 99.5 per cent level used in Sampo Group. The general objective of these control levels and respective guidelines is to maintain the required solvency and to ensure that investments are sufficient and eligible for covering technical provisions.

When above mentioned control levels are breached, the ALCO reports to the Board which then takes the responsibility on the decisions related to the capitalization and the market risks in the balance sheet.

The cash flows of Mandatum Life's with profit technical provisions are relatively well predictable, because in most of the company's with profit products, surrenders and premiums are restricted. The company's claims costs do not contain significant inflation risk element and thus the inflation risk in Mandatum Life is mainly related to administrative expenses.

The long-term target for investments is to provide sufficient return to cover the guaranteed interest rate plus bonuses based on principle of fairness as well as the shareholder's return requirement with acceptable level of risk. In the long run the most significant risk is that fixed income investments will not generate adequate return compared to the guaranteed rate. In addition to investment and capitalization decisions, Mandatum Life has implemented active measures in the liability side to manage the balance sheet level interest rate risk. The company has reduced the minimum guaranteed interest rate in new contracts, supplemented the technical provisions with discount rate reserves and adjusted policy terms and conditions as well as policy administration processes to enable more efficient interest rate risk management.

Economic Value Risks

In order to have a comprehensive, economic view on risks and capitalization, Sampo Group companies calculate the economic value of insurance liabilities with market rates and adjust their capital bases in the internal Economic Capital framework accordingly.

The difference between technical provisions and the economic value of insurance liabilities is a major component of the liability side adjustment that is part of the reported adjusted solvency capital.

The sensitivity of adjusted solvency capital is shown in the table Sensitivity Analysis of Capitalization to Market Risks, If P&C, Mandatum Life and Sampo plc, 31 December 2014.

Sensitivity Analysis of Capitalization to Market Risks

If P&C, Mandatum Life and Sampo plc, 31 December 2014

	Interest Rate		Equity	Other financial investments
EURm	**1% parallel shift down**	**1% parallel shift up**	**20% fall in prices**	**20% fall in prices**
If P&C	94	-90	-274	-9
Mandatum Life	9	-34	-340	-186
Sampo plc	5	-5	-12	-6
Total effect on equity	**109**	**-129**	**-625**	**-201**
Change in liability side adjustment	-1,285	1,036	25	27
Effect on adjusted solvency capital	**-1,176**	**907**	**-600**	**-174**

The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values as of 31 December, 2014. The sensitivity analysis includes the effects of derivative positions. All sensitivities are calculated before taxes. The debt issued by Sampo Group companies is not included.

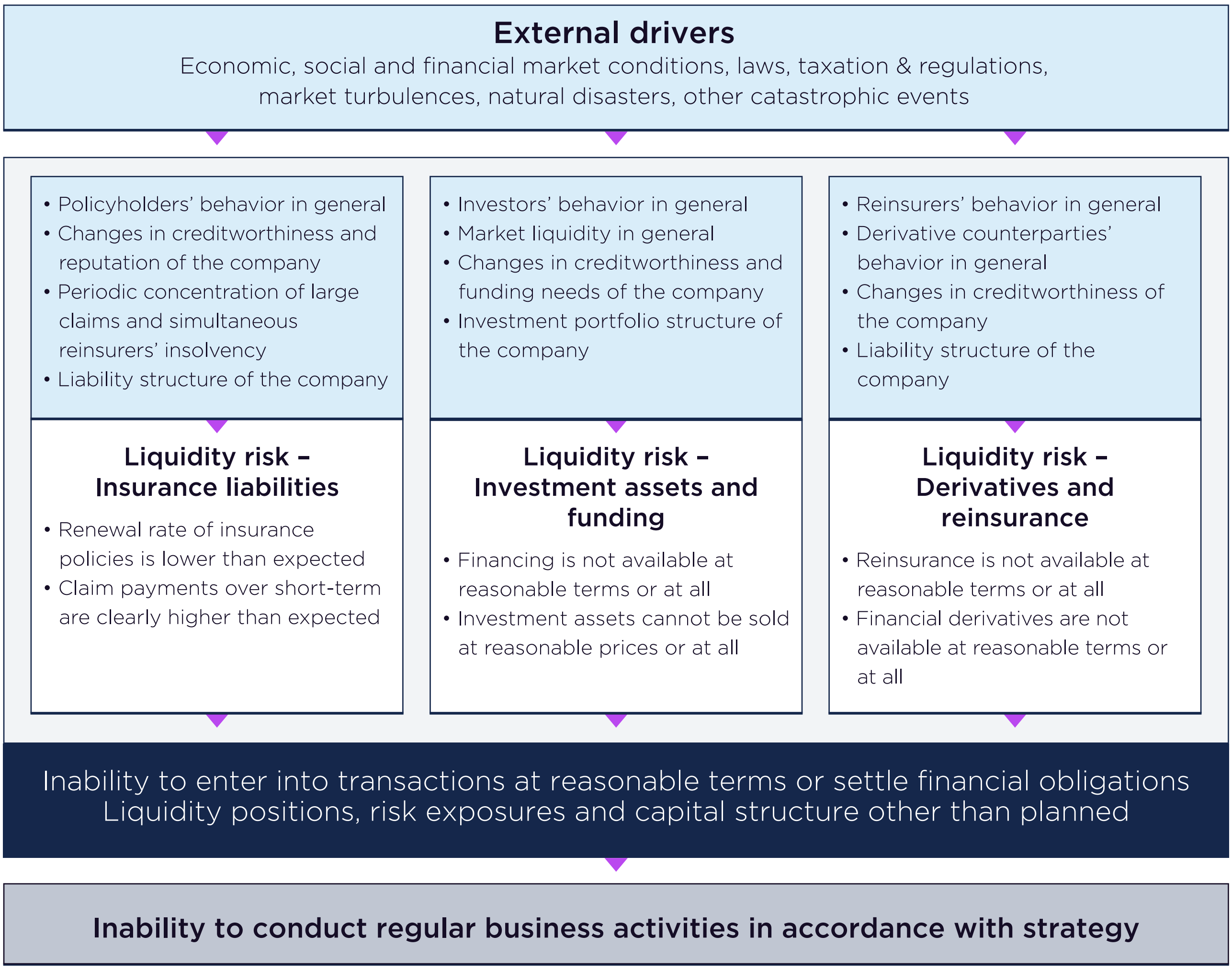
Because the durations of liabilities in Sampo Group companies are much longer than the duration of assets, the effect of decreasing interest rates is negative for Sampo Group. In the opposite case, a rise in interest rates would reduce the values of financial instruments causing a decline in the amount of Sampo Group's equity. However, the effect on adjusted solvency capital would be positive due to the fact that the economic value of insurance liabilities would decrease as a result of applying higher market rates in discounting.

Liquidity Risks

Liquidity risk is the risk that Group companies are, due to 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.

Sources of liquidity risk includes potential illiquidity of investments, large claims, unexpected non-renewal of insurance policies and refinancing risk of debt. Moreover, the availability and price of refinancing, financial derivatives and reinsurance affect the Group companies' ability to carry out normal business activities.

Liquidity Risks



The sources of liquidity risk 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 into financial derivatives at a reasonable price is endangered. Moreover, policyholders may also not be willing to renew their policies because of company's financial challenges or in case of reputational issues. If these risks caused by internal reasons realize together with a general market turmoil, which makes selling of investment assets and refinancing of debt difficult, maintaining adequate liquidity can be a challenge.

However, liquidity risk is relatively immaterial in Sampo Group's businesses because liabilities in most lines of business are fairly stable and predictable and substantial share of the investment assets are in short-term money market instruments and liquid government bonds. Sampo Group companies manage the liquidity risk on a daily basis and in addition both parent company's and the subsidiaries' creditworthiness and reputation are proactively managed.

In Sampo Group, liquidity risk is managed by the legal entities, which are responsible for liquidity planning and maintaining adequate liquidity buffers. Liquidity risk is monitored based on the expected cash flows resulting from assets, liabilities and other business. In the subsidiaries, the adequacy of liquidity buffers is dependent on the insurance cash flows. In the parent company, the adequacy of liquidity buffers is dependent also on potential strategic arrangements and a strong liquidity in general is preferred. At the end of 2014, the liquidity position in each legal entity was in accordance with internal requirements.

In If P&C, liquidity risk is limited, since premiums are collected in advance and large claims payments are usually known a long time before they fall due. Liquidity risks are managed by cash management functions that are responsible for liquidity planning. Liquidity risk is reduced by having investments that are readily tradable in liquid markets. The available liquid financial assets, which are the part of the assets that can be converted into cash at a specific point in time, is analyzed and reported to the ORSA Committee.

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

The maturities of technical provisions and financial assets and liabilities are presented in the table Cash Flows According to Contractual Maturity, If P&C, Mandatum Life and Sampo plc, 31 December 2014. The table shows the financing requirements resulting from expected cash inflows and outflows arising from financial assets and liabilities as well as technical provisions.

Cash Flows According to Contractual Maturity

If P&C, Mandatum Life and Sampo plc, 31 December 2014

	Carrying amount total			Cash flows						
EURm	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	2015	2016	2017	2018	2019	2020-2029	2030-
If P&C										
Financial assets	11,576	1,942	9,634	3,476	2,080	1,411	1,174	1,240	1,062	0
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Financial liabilities	373	0	373	-170	-11	-12	-102	-7	-250	0
of which interest rate swaps	0	0	0	-0	-0	-1	-0	-0	-126	0
Net technical provisions	8,946	0	8,946	-3,253	-859	-601	-470	-390	-2,218	-1,860
Mandatum Life										
Financial assets	6,592	3,162	3,429	1,620	539	408	293	146	511	15
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Financial liabilities	275	0	275	-72	-6	-4	-4	-4	-50	-239
of which interest rate swaps	19	0	19	-1	-1	0	0	0	0	-27
Net technical provisions	4,640	0	4,640	-504	-440	-425	-388	-359	-2,452	-1,903
Sampo plc										
Financial assets	1,366	351	1,015	336	40	72	110	134	161	212
of which interest rate swaps	23	0	23	15	18	18	0	0	0	0
Financial liabilities	2,203	0	2,203	-586	-413	-562	-249	-33	-515	0
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0

In the table, financial assets and liabilities are divided into contracts that have an exact contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. In addition, the table shows expected cash flows for net technical provisions, which by nature, are associated with a certain degree of uncertainty. In the investment assets of Mandatum Life, the investments of the Baltic subsidiary are included in the carrying amount but excluded from the cash flows.

Sampo Group has a relatively low amount of financial liabilities and thus the Group's respective refinancing risk is relatively small. During 2014, Sampo plc issued one public bond amounting to EUR 500 million and several private placements targeted to Mandatum Life's retail clients. Sampo Group companies have business relationships with several creditworthy counterparties which mitigate the risk that Sampo Group is not able to enter into reinsurance or derivative transactions when needed.

Since there is no unambiguous technique to quantify the capital need for liquidity risk, it is not directly taken into account in capital need estimates. Thus only the interest rate risk part of ALM risks is accounted for in the economic capital framework.

Operational Risks

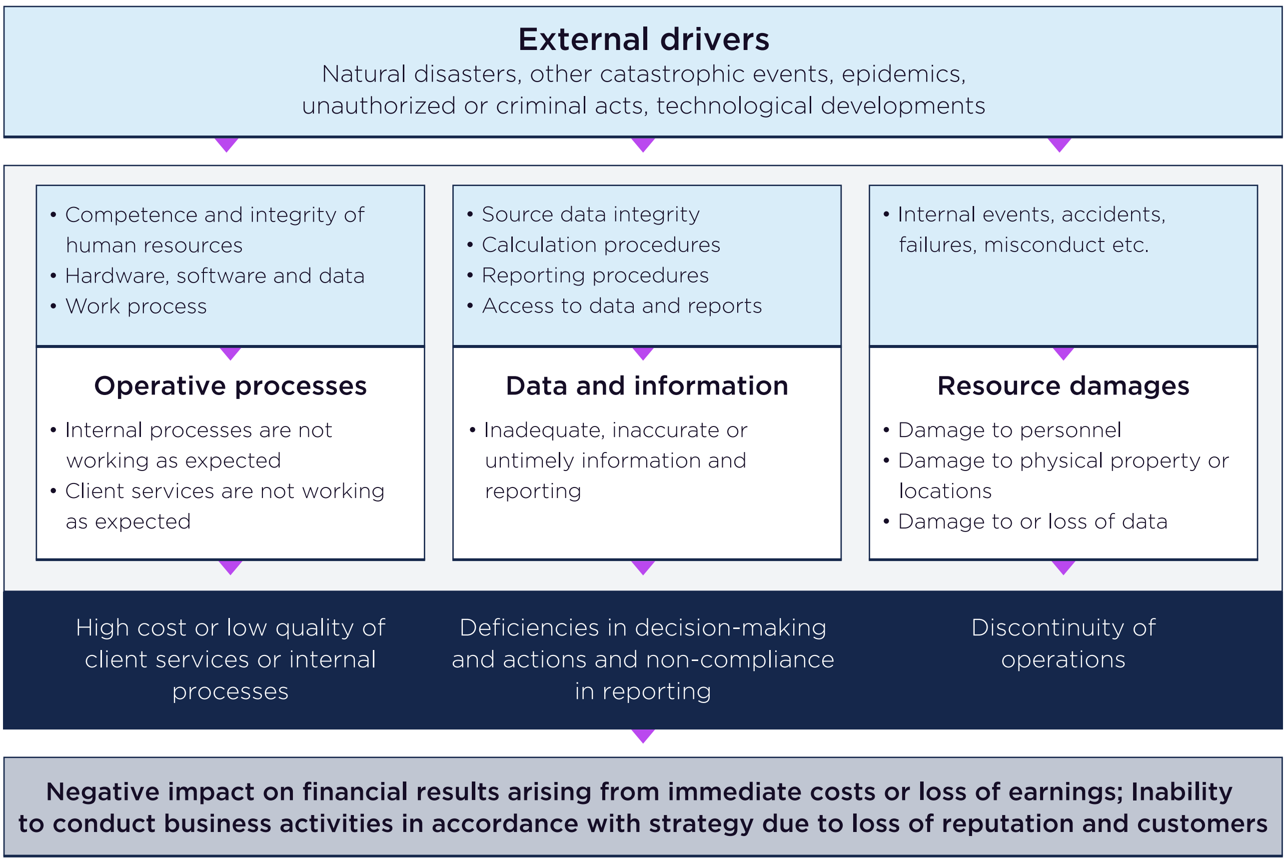
Operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel or from external events. This definition includes compliance risk but excludes risks resulting from strategic decisions. The risks may realize for instance as a consequence of:

- internal misconduct
- external misconduct
- insufficient human resources management
- insufficiencies in operating policies as far as customers, products or business activities are concerned
- damage to physical property
- interruption of activities and system failures and
- defects in the operating process

Materialized operational risks can cause immediate negative impact on financial results due to additional costs or loss of earnings. In longer term materialized operational risks can lead to loss of reputation and, eventually, 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. A compliance risk is usually the consequence of internal misconduct and hence it can be seen as a part of operational risk.

These immediate and longer term effects of operational risk have their general causes in external and internal drivers. The Group companies have their own specific risk sources which are causes of events that may have negative impacts on different processes, personnel or fixed assets.



In Sampo Group, the parent company Sampo plc sets the following goals of operational risk management to subsidiaries:

- To ensure simultaneously the efficiency and the quality of operations
- To ensure that operations are compliant with laws and regulations and
- To ensure the continuity of business operations in exceptional circumstances

Each company is responsible for arranging its operational risk management in line with the above mentioned goals, taking also into account the specific features of its business activities.

If P&C

The continuity of operational risk management in If P&C is secured through the Operational Risk Committee (ORC), which coordinates the operational risk process. The committee's task is to give opinions, advice and recommendations to the ORSA Committee as well as to report the current operational risk status. The ORC is responsible for preparing a comprehensive overview of the operational risk status in If P&C. The status assessment is based on the self-assessments performed by the organization, reported incidents and other additional risk information. Trend analyses are performed on a yearly basis, during which the most important trends affecting the insurance industry are identified and the effects on If P&C are assessed. The committee shall consider and propose changes to policies and instructions regarding operational risks. The Chairman is responsible for the reporting of issues dealt with by the committee.

If P&C also has a Compliance Committee (CC), which is an advisory body for the Chief Compliance Officer regarding compliance issues. The task of the committee is to secure a comprehensive view of compliance risk and activities in If P&C.

The business organization and corporate functions have the responsibility to identify, assess, monitor and manage their operational risks. Risk identification and assessments are performed quarterly. Identified risks are assessed from a probability and impact perspective. The control status for each risk is assessed using a traffic light system: green – good control of risk, yellow – attention required, red – attention required immediately. Severe risks with control status yellow or red are reported to the ORC.

Incident reporting and analysis are managed differently depending on type of incident. All employees are required to report incidents via intranet, and others are identified through controls and investigations.

In order to manage operational risks, If P&C has issued a number of different steering documents: Operational Risk Policy, Continuity Plans, Business Continuity Policy, Security Policy, Outsourcing Policy, Complaints Handling Policy, Claims Handling Policy, and other steering documents related to different parts of the organization. These documents are being reviewed and updated at least annually.

Mandatum Life

The objective of operational risk management in Mandatum Life is to enhance the efficiency of internal processes and decrease negative impact on Mandatum Life. The aim is to minimize operational risks subject to cost-benefit considerations.

Business units are responsible for the identification, assessment and management of own operational risks, including organizing adequate internal control. Operational Risk Committee (ORC) monitors and coordinates risk management issues regarding operational risks within Mandatum Life, such as policies and recommendations concerning operational risk management. The committee ensures that risks are identified and internal control and risk management have been organized in a proper way. The committee also analyses deviations from operational risk management policies and monitors operational risks identified in the self-assessments as well as the occurred incidents. The committee meets at minimum three times a year. Significant observations on operational risks are submitted to the

Risk Management Committee and Board of Directors on a quarterly basis.

The Operational Risk Committee (ORC) analyzes and handles operational risks, e.g. in relation to new products and services, changes in processes and risks as well as realized operational risk incidents. Significant observations are reported to the Risk Management Committee and to the Board of Directors quarterly. ORC is also responsible for maintaining and updating the continuity and preparedness plans as well as the Internal Control Policy.

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

Internal control system in processes aims at preventing and identifying negative incidents and minimizing their impact. In addition, would there be an operational risk event or a near miss, this must be analyzed and reported to ORC.

Capitalization

In Sampo Group profitability, risks and the respective capital needs are assessed both at company level and at group level. The targets for the amount of capital and the capital structure of individual companies are set based on these assessments. The correlation of Sampo Group companies' profits and the transferability of capital are taken into account when considering capitalization at group level.

In regard to capitalization, two components are determined both at company and group level to define the target level of loss absorbing items (amount of capital):

- The amount of capital needed for current business activities in the normal course of business: This is based on both measurable and non-measurable risks. Three perspectives - internal, regulatory and rating agency – are taken into account when measuring risks and defining respective capital needs.
- The additional buffer to be maintained over the defined capital need: The buffer is affected by the level of expected profits and its volatility. Also the uncertainties of the business environment and the need to maintain strategic flexibility may affect the size of additional buffers.

The latter component of targeted amount of capital is more subjective than the former although the former also includes subjectivity in regards to non-measurable risks.

The third item to be determined is the capital structure. The capital structure decisions are mainly affected by the eligibility of capital components – equity, issued hybrid instruments and specific reserves – by regulatory rules and by rating agencies' criteria.

Capitalization at Company Level

Solvency Assessment by Regulatory Rules

In If P&C, regulatory solvency capital was EUR 3,347 million (EUR 3,372 million in 2013) while the regulatory capital requirement was EUR 841 million (EUR 849 million in 2013). Hence Solvency capital was 4.0 times regulatory capital requirement at the end of year 2014.

Regulatory solvency capital of Mandatum Life Group was EUR 1,446 million (EUR 1,403 million in 2013) while the regulatory capital requirement was EUR 274 million (EUR 226 million in 2013). In Mandatum Life regulatory solvency capital was 5.3 times regulatory capital requirement at the end of year 2014.

Both companies did assess their solvencies at year-end 2014 using Solvency II methods that will be in force 1st of January 2016. If P&C used partial internal model approach and Mandatum Life used standard model with transition measures. Both companies were compliant with the Solvency II capital requirements.

Parent company Sampo plc is not an insurance company and there is no requirement to calculate the above figures separately for it. However, Sampo plc is subject to Financial Conglomerate rules and in this context its contribution to Sampo Group's capital requirement is calculated by financial conglomerate rules.

The Swedish requirements for bank capital include components which are country-specific and thus the total requirement is higher than in many other countries. The Swedish FSA has communicated the capital requirement for Nordea and based on it Nordea aims at operating with a CET1 ratio of approximately 15% including a management buffer. The level still involves some uncertainty on Pillar 2 requirements. Because of the different calculation method and confidence level the amount of required capital is also higher than the figure used in Sampo Group's EC as presented later in figure Breakdown of Capitalization, Sampo Group, 31 December 2014.

The Basel III Common Equity Tier 1 (CET1) ratio of Nordea increased to 15.7%. The CET1 capital amounted to EUR 22.8 billion and the own funds were EUR 30.0 billion. Nordea's capital requirement based on the transitional rules was EUR 17.6 billion and without the transitional rules it was EUR 11.6 billion.

The current regulatory capital requirements for the insurance industry prior to Solvency II implementation are fairly insensitive to risks. Hence, reported regulatory solvencies are often artificially high and thus may not give a realistic view on solvency, even though some loss absorbing items like equalization provision has been excluded from eligible solvency capital. After the implementation of Solvency II regulation the reported solvencies will be more in line with market based capitalization assessments.

Internal Capitalization Assessment

Internally Sampo Group companies calculate internal performance, risk and capitalization measures based generally on fair values of financial assets and market values of insurance liabilities to have a realistic view of their capitalization. These measures and models are currently being developed taking into account the Solvency II requirements. In Sampo Group the capital need for measurable risks (market, credit, underwriting and operational risks, as well as the diversification effect between them) is defined as Economic Capital (EC) and the available capital including all material loss absorbing items is called Adjusted Solvency Capital (ASC).

In Sampo Group capital adequacy is assessed internally in addition to Solvency II methods by comparing ASC to the amount of capital needed for all risks. The basis for ASC is formed by eligible capital items included in the current regulatory solvency capital. On top of these items, other material loss absorbing items are added. These other loss absorbing items - equalization provision and the difference between the book value and the market value (including a risk margin) of technical provisions - will be part of capital base also in the Solvency II framework.

The first phase in the assessment of the amount of capital needed is to calculate the EC, which is used to define the capital needed for measurable risks of current activities. The principles of EC calculations are as follows in Sampo Group:

- EC is defined as the amount of capital required to protect the solvency over a one year time horizon with a probability of 99.5% being the calculation basis in Solvency II as well. This confidence level is used for all Group companies to be able to make capitalization comparisons based on a standardized measure.
- EC is calculated using a set of calculation methods seen suitable for each risk class.
- When assessing the EC need arising from Nordea, Sampo plc uses the EC calculated and publicly reported by Nordea multiplied by the proportion of Sampo plc's share in Nordea and converted into a confidence level of 99.5%.

EC is considered to be a good estimate of the capital required to cover risks that can be measured in a reliable way and within a normal business environment.

However, some of the risks require a more qualitative assessment. These include for instance risks related to low probability and high impact events as well as liquidity risks and are taken into account by subjective add-ons over the EC when the capital needed for current business activities are defined.

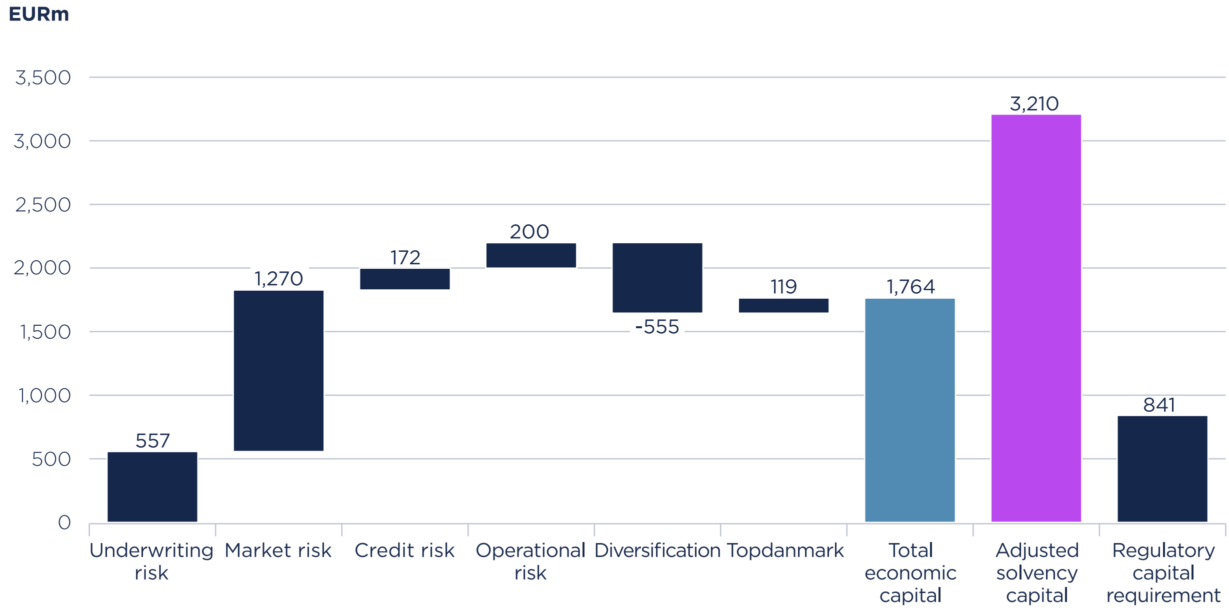
Moreover, when assessing the targeted amount of capital, the level of expected profits and its stability together with the uncertainty in the business environment are also considered. The buffer over the capital needed for current business activities is defined based on these items.

The breakdown of EC by risk type and a comparison to ASC both in If P&C and Mandatum Life is depicted in the figure Breakdown of Capitalization, If P&C and Mandatum Life, 31 December 2014. Regulatory capital requirement is presented in the same figure. From the internal perspective the amount of ASC compared to EC is high especially in If P&C. This is mainly due to the fact that the reported EC figures are calculated with the confidence level of 99.5% used in Solvency II and not with a higher confidence levels more in line with If P&C's rating target. The other factor is that the add-ons over EC are not presented in the figure. From regulatory perspective solvencies of both companies seem strong, because of the fairly risk insensitive regulatory capital requirement of Solvency I.

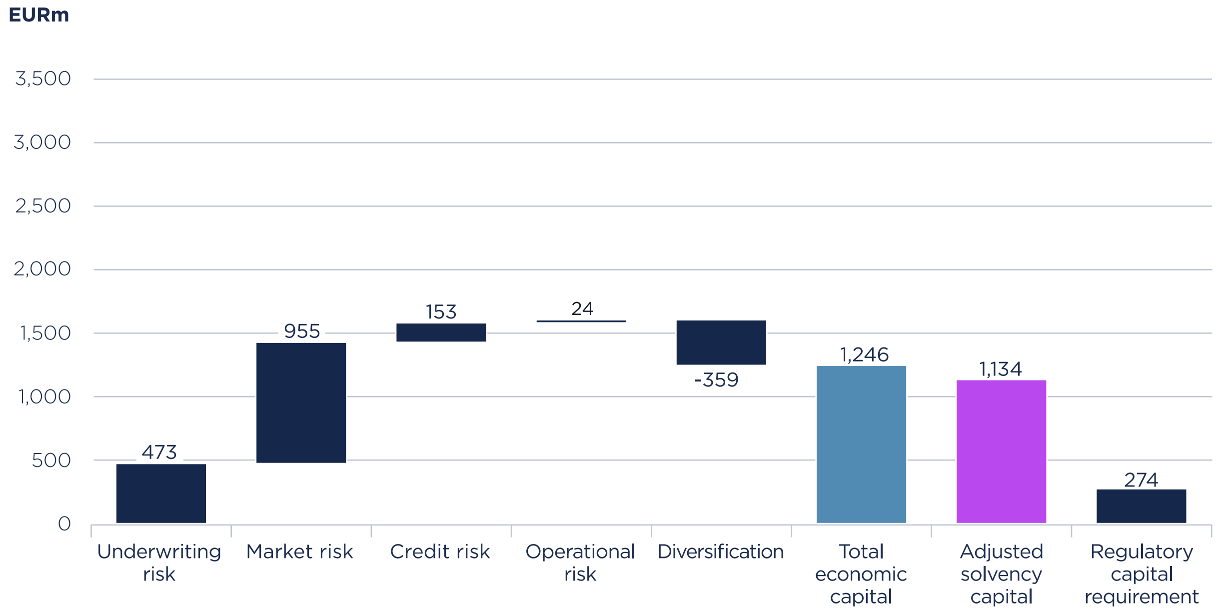
In If P&C, EC increased to EUR 1,764 million (EUR 1,720 million at the end of 2013), while in Mandatum Life, EC increased to EUR 1,246 million (EUR 1,085 million at the end of 2013). Market risk is still the most significant risk for both If P&C and Mandatum Life. Underwriting risk decreased in If P&C during the year to EUR 557 million (EUR 565 million at the end of 2013) and increased in Mandatum Life to EUR 473 million (EUR 367 million at the end of 2013).

If P&C's share of Topdanmark's regulatory solvency requirement of EUR 119 million is included in EC. For If P&C the figure for credit risk includes also noncredit related risks calculated in accordance with the Solvency II standard formula.

Breakdown of Capitalization
If P&C, 31 December 2014



Breakdown of Capitalization
Mandatum Life, 31 December 2014



Topdanmark's contribution to the total economic capital of If P&C is based on the latest regulatory solvency capital figures reported by Topdanmark. Adjusted Solvency Capital include in both companies regulatory solvency capital. It amounted to EUR 3,347 million in If P&C and to EUR 1,446 million in Mandatum Life at the end of year 2014.

During the year, the amount of ASC in If P&C decreased to EUR 3,210 million (EUR 3,706 million at the end of 2013), and in Mandatum Life, ASC decreased to EUR 1,134 million (EUR 1,492 million at the end of 2013). In both companies positive results strengthened the capitalization whereas paid dividends to the parent company and decreasing interest rates had an opposite effect on the capitalization.

As discussed, the EC is a standardized internal measure used to enable comparison between the Group companies and their risk based capital needs. However, individual companies have to take into consideration external stakeholders opinions when they are considering their target capitals.

Solvency Assessment by Rating Agency Criteria

If P&C's rating target is single A by S&P which implies higher confidence level and respectively higher amount of capital. Hence, the amount of capital, at which If P&C is confident to operate, is higher than its EC.

Currently If P&C is rated by both Moody's and S&P. The data for S&P rating model is updated quarterly by If P&C. If P&C has good understanding of the required amount of Total Available Capital (TAC) to have a single A rating.

As a result of the continuous work with risk management issues, If P&C's ERM (Enterprise Risk Management) has been graded 'strong' by S&P. These qualitative issues are part of the Rating agencies rating-criteria and Sampo Group companies are sensitive to Rating Agencies' expectations.

Parent company Sampo plc is rated by Moody's. Rating is based on Moody's standard notching practice where insurance groups parent company's rating is set three notches lower than the most significant subsidiary's rating. This method results into Baa2 rating for Sampo plc.

Capitalization at Group Level

Sampo Group's EC is calculated as the sum of the Group companies' ECs adjusted by correlation effect. To calculate the Group's ASC the Group's Solvency Capital is adjusted by the difference between the book value and the market value of insurance liabilities and equalization provisions. The difference between Group's ASC and Group's EC is the difference between actual capital and capital need for current business activities. This difference should not be interpreted as excess capital because the Group's reported EC is based on other confidence level than what is reflected in individual companies' capital needs.

From regulatory solvency point of view, Sampo Group is regarded as a financial and insurance conglomerate. Group solvency is the amount of regulatory solvency capital calculated according to the Finnish regulation on financial conglomerates from which e.g. the internal items such as subordinated loans are eliminated.

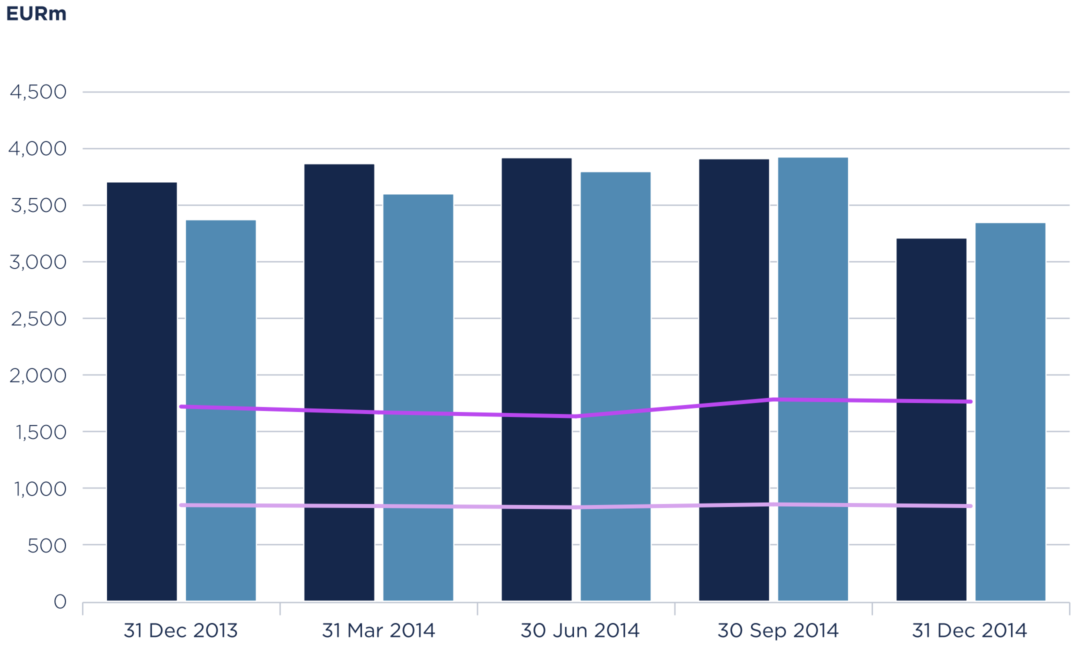
Internal Capitalization Assessment

ASC of Sampo Group's insurance subsidiaries decreased during the year. In both companies positive results strengthened the capitalization whereas paid dividends to the parent company and decreasing interest rates had an opposite effect on the capitalization. The changes in subsidiaries' risk exposures and hence in economic capital were modest.

At Sampo Group level Nordea's and Sampo plc's figures are taken into account as well when ASC and EC figures are calculated. At group level the amount of ASC decreased whereas the amount of EC increased. The capitalization is still considered to be strong. The development of capitalization in Sampo Group from both internal and regulatory perspectives during the year 2014 is shown in the figure Development of Capitalization, If P&C, Mandatum Life and Sampo Group, 31 December 2013 – 31 December 2014.

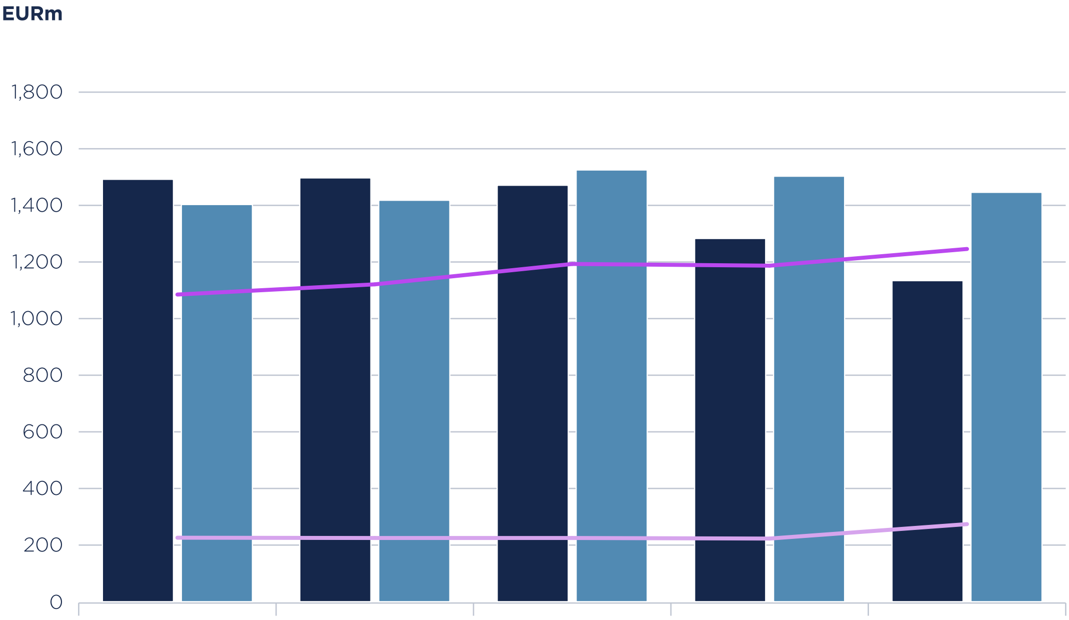
Development of Capitalization

If P&C, 31 December 2013 – 31 December 2014



	31 Dec 2013	31 Mar 2014	30 Jun 2014	30 Sep 2014	31 Dec 2014
Adjusted solvency capital	3,706	3,867	3,920	3,911	3,210
Economic capital	1,720	1,669	1,634	1,783	1,764
Regulatory solvency capital	3,372	3,600	3,797	3,926	3,347
Regulatory capital requirement	849	841	830	856	841
● / —	2.2	2.3	2.4	2.2	1.8
● / —	4.0	4.3	4.6	4.6	4.0

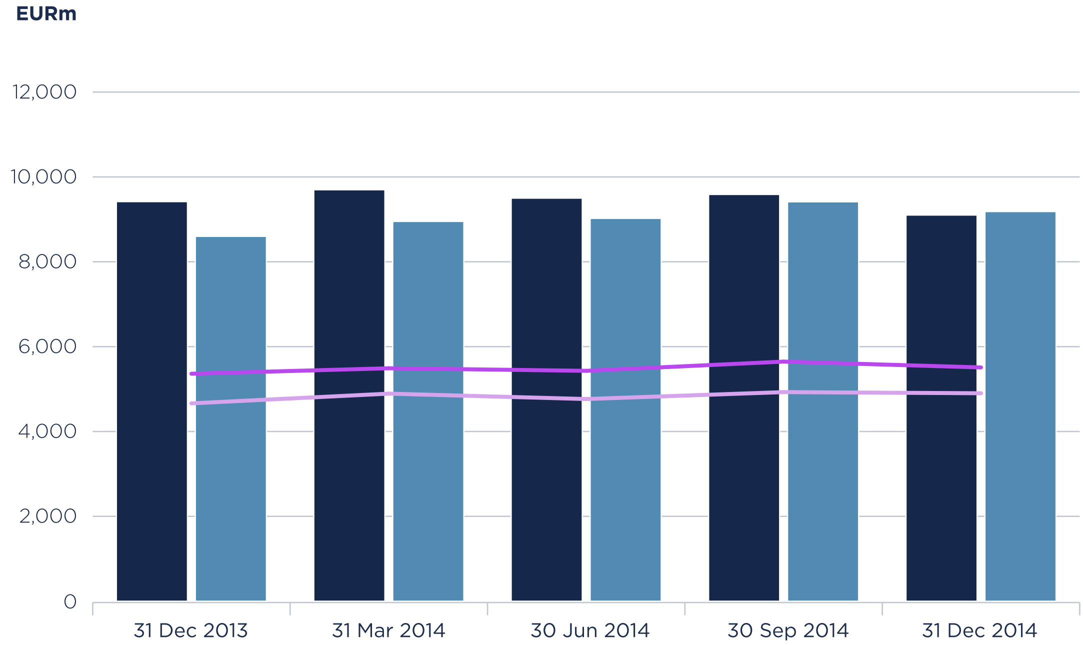
Development of Capitalization
Mandatum Life, 31 December 2013 – 31 December 2014



	31 Dec 2013	31 Mar 2014	30 Jun 2014	30 Sep 2014	31 Dec 2014
Adjusted solvency capital	1,492	1,497	1,471	1,283	1,134
Economic capital	1,085	1,121	1,193	1,187	1,246
Regulatory solvency capital	1,403	1,418	1,525	1,503	1,446
Regulatory capital requirement	226	225	225	223	274
● / —	1.4	1.3	1.2	1.1	0.9
● / —	6.2	6.3	6.8	6.7	5.3

Development of Capitalization

Sampo Group, 31 December 2013 – 31 December 2014



	31 Dec 2013	31 Mar 2014	30 Jun 2014	30 Sep 2014	31 Dec 2014
● Adjusted solvency capital	9,417	9,697	9,499	9,586	9,100
— Economic capital	5,361	5,490	5,430	5,647	5,510
● Regulatory solvency capital	8,598	8,950	9,021	9,413	9,183
— Regulatory capital requirement	4,663	4,892	4,765	4,928	4,901
● / —	1.8	1.8	1.7	1.7	1.7
● / —	1.8	1.8	1.9	1.9	1.9

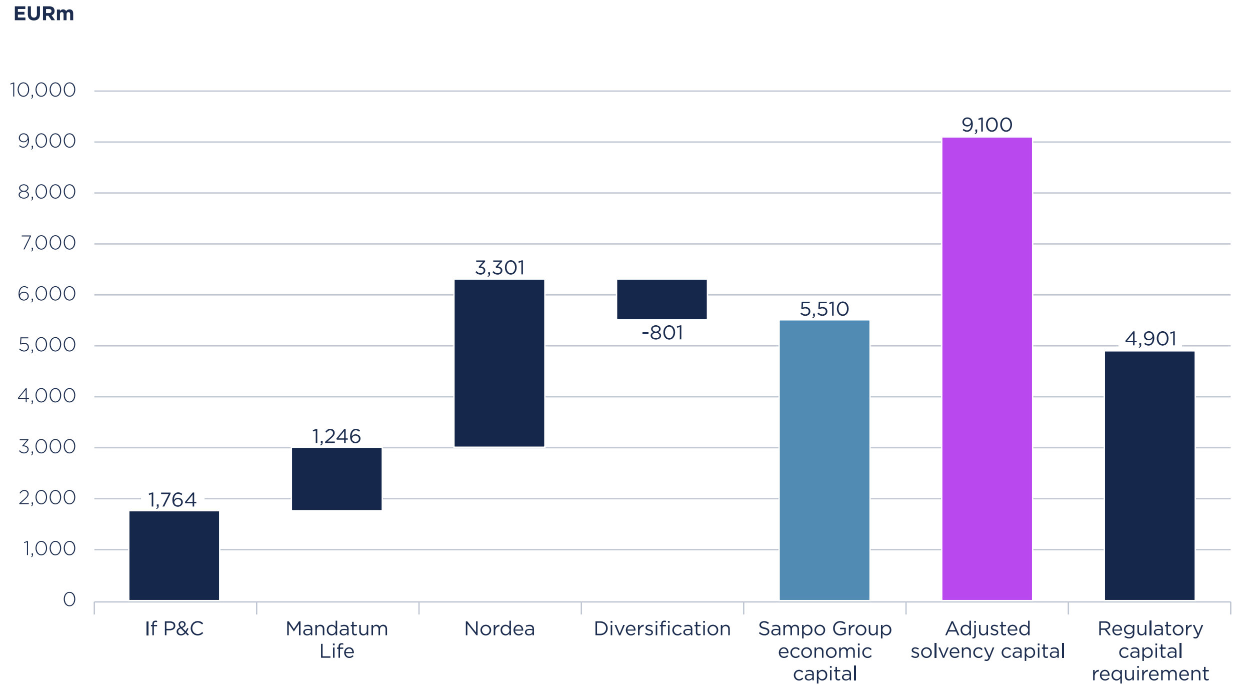
Updates and refinements are done frequently both into the models and the assumptions used for calculating the economic capital. Thus, the economic capital figures may not be fully comparable between years.

The figure Breakdown of Capitalization, Sampo Group, 31 December 2014 presents the contributions of the different business areas including Nordea to Sampo Group's total economic capital as well as the diversification effect included in the calculation of Group's EC.

The figure also presents the amount of ASC at group level, which comprises Solvency I capital and other loss absorbing items. In internal assessments, adjusted solvency capital is compared to economic capital. When regulatory capitalization is under consideration, the Solvency I capital is compared to the regulatory capital requirement.

Sampo Group's EC increased during the year and amounted to EUR 5,510 million at the end of 2014 (EUR 5,361 million in 2013). The amount of ASC at group level decreased during the year to EUR 9,100 million (EUR 9,417 million in 2013). ASC exceeded EC by EUR 3,590 million (EUR 4,056 million in 2013) and capitalization by internal measures is strong.

Breakdown of Capitalization
Sampo Group, 31 December 2014



Regulatory solvency capital amounted to EUR 9,183 million in Sampo Group at the end of year 2014.

Nordea is included in the calculation of Sampo Group's EC by adding Sampo Group's share of EC reported by Nordea, converted into the 99.5% confidence level used in Sampo Group. At year end, the risks arising from Nordea constitute the largest single component in Sampo Group's EC. The correlations between risk types and business areas, and thereby indirectly the amount of diversification, are defined by Sampo plc at Sampo Group level.

The ratio of ASC to EC was 165% and ratio of ASC to undiversified EC was 144%. The respective differences between ASC and ECs were EUR 3,590 million and EUR 2,789 million. Based on these measures the amount of excess capital can be considered adequate.

Sampo Group assesses that the difference between Group ASC and the sum of Group companies' capital needs is adequate because of the following reasons:

If P&C and Nordea have strong capitalization and sound profitability. The amount of available capital in If P&C is maintained above capital level based on single A rating target. Nordea's amount of capital is based on one of the strictest regulatory expectations on capitalization within European jurisdictions. In addition both If P&C and Nordea have shown high profitability and low volatility of profits. Sampo considers that If P&C and Nordea have themselves relatively high buffers included in their capital and parent company Sampo needs only minor additional reserves for them.

Mandatum Life is the smallest company in the Group and Mandatum Life's with-profit business with high guarantees is on a run-off mode. Hence the capital need is decreasing over time. Therefore the company's ASC needs to exceed its capital need only by a small margin and sometimes for a short period of time the EC can even be higher than the ASC.

Correlations of profitability and capital positions are low. A general group level concentration risk arises when the Group companies' profitability or capital positions react similarly to general economic development, i.e. the correlation between general economic development and the profitability of different subsidiaries is more or less analogous. This type of concentration risk can be analyzed indirectly based on profits. From this perspective Sampo plc's associated company Nordea's result has created clear diversification benefits, in particular when analyzed vis á vis with If P&C and Mandatum Life. The historical correlation between If P&C's and Nordea's, as well as Mandatum Life's and Nordea's, quarterly profits since 2005 is very low. The historical correlations of quarterly profits between If P&C, Mandatum Life and Nordea are depicted in the figure Correlations of Quarterly Reported Profits, If P&C, Mandatum Life and Nordea, 1 January 2005 - 31 December 2014.

Correlations of Quarterly Reported Profits

If P&C, Mandatum Life and Nordea, 1 January 2005 - 31 December 2014

	Nordea	If P&C	Mandatum Life
Nordea	1		
If P&C	0.25	1	
Mandatum Life	0.10	0.85	1

Because of favourable profit correlations between the companies and relatively low volatilities of If P&C's and Nordea's profits, the profit development is quite stable at group level which further decreases the need to maintain additional capital buffers over economic capital at group level.

Regulatory Solvency Capital at Group Level

Sampo Group reports its Group solvency quarterly to the Finnish supervisory authorities monitoring the Group. Sampo's share of Nordea's own funds and capital requirements are consolidated into Group solvency.

The calculation of Group solvency according to the Act on the Supervision of Financial and Insurance Conglomerates (1193/2004) is broken down in the table Group Solvency, 31 December 2014 and 31 December 2013.

At the end of 2014, Sampo Group's consolidated regulatory capital position was strong.

Group Solvency

31 December 2014 and 31 December 2013

EURm	31 Dec 2014	31 Dec 2013
Group capital	**10,924**	**10,643**
Sectoral items	**1,685**	**1,274**
Valuation differences and deferred taxes	465	445
Topdanmark	-127	-130
Subordinated loans	111	143
Share of Nordea's capital not included in Group capital	1,237	816
Intangibles and other deductables	**-3,426**	**-3,319**
Intangibles (insurance companies)	-715	-752
Intangibles (Nordea)	-1,314	-1,314
Equalisation provision (Finland)	-293	-317
Other	-12	-13
Planned dividends for the current period	-1,092	-924
Solvency capital, total	**9,183**	**8,598**
Minimum requirements for solvency capital, total	**4,901**	**4,663**
Group solvency	**4,282**	**3,935**
Group solvency ratio (solvency capital % of minimum requirement)	**187%**	**184%**

Risk Management Process Outlook

Sampo Group companies continuously develop their risk management processes. This work is based on internal needs and regulatory requirements of which Solvency II has been the most important driver during the latest years.

The new Solvency II regulations will be implemented 1st January 2016. On 10th October 2014 the Commission adopted a Delegated Act containing implementing rules for Solvency II. The regulation has been approved by the European Parliament and the European Council and published in January 2015. EIOPA has launched a series of consultations during the year 2014 for supplementary rules and guidelines and this will finalize the technical implementation of Solvency II. The 1st of January 2014 was the onset of the Preparatory phase, which will last until Solvency II is fully implemented.

If P&C and Mandatum Life participated in EIOPA's 2014 stress test in June and submitted their first Group ORSA (FLAOR, Forward Looking Assessment of Own Risks, in the Preparatory phase) reports to the Boards as well as to the supervisors in December 2014. If P&C and Mandatum Life are also preparing Solvency II Pillar 3 reports, which will be submitted to supervisors for the first time during Preparatory phase in June 2015.

To meet with requirements of the Preparatory phase and with those expected once Solvency II has fully entered into force, both companies have continued internal work to ensure compliance with requirements. This work will continue during 2015 as well. If P&C has continued to make progress with its application for applying for a partial internal model. If P&C intends to have its partial internal model approved when Solvency II enters into force. The onset for the formal application is expected by mid-2015. Mandatum Life will most likely use the regulatory standard model including transitional measures for external Solvency II calculations although it has an internal approach for assessment of risks and capital as well.