

SAMPO  GROUP

FINANCIAL STATEMENTS

2017

FINANCIAL STATEMENTS

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Group's IFRS Financial Statements

Statement of Profit and Other Comprehensive Income, IFRS

EURm	Note	1-12/2017	1-12/2016
Insurance premiums written	1	5,815	5,375
Net income from investments	2 9	1,104	827
Other operating income		36	50
Claims incurred	3	-4,023	-3,627
Change in liabilities for insurance and investment contracts	4	-603	-448
Staff costs	5	-676	-574
Other operating expenses	6	-536	-551
Finance costs	9	-52	-18
Share of associates' profit/loss	13	712	837
- Gain from fair valuation of former associated company		706	-
Profit before taxes		2,482	1,871
Taxes	20 21 22	-243	-221
Profit for the period		2,239	1,650
Other comprehensive income for the period			
Items reclassifiable to profit or loss	22 23		
Exchange differences		-96	-80
Available-for-sale financial assets		73	225
Share of associate's other comprehensive income		-57	19
Taxes		-18	-49
Total items reclassifiable to profit or loss, net of tax		-97	115
Items not reclassifiable to profit or loss			
Actuarial gains and losses from defined pension plans		5	-6
Taxes		-1	1
Total items not reclassifiable to profit or loss, net of tax		4	-5
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		2,146	1,760
Profit attributable to			
Owners of the parent		2,216	1,650
Non-controlling interests		23	-
Total comprehensive income attributable to			
Owners of the parent		2,122	1,760
Non-controlling interests		23	-
Earnings per share (EUR)	8	3.96	2.95

Consolidated Balance Sheet, IFRS

EURm	Note	12/2017	12/2016
Assets			
Property, plant and equipment	10	158	27
Investment property	11	653	211
Intangible assets	12	2,121	612
Investments in associates	13	7,765	8,107
Financial assets	9 14 15 16 17 18	22,832	17,668
Investments related to unit-linked insurance contracts	9 19	7,409	3,427
Tax assets	20	18	27
Reinsurers' share of insurance liabilities	25	297	239
Other assets	24	1,940	1,761
Cash and cash equivalents		2,734	2,585
Assets held for sale	35	3,374	3,291
Total assets		49,300	37,955
Liabilities			
Liabilities for insurance and investment contracts	25	18,900	13,990
Liabilities for unit-linked insurance and investment contracts	26	7,959	3,407
Financial liabilities	9 15 16 27	3,649	3,847
Tax liabilities	20	638	527
Provisions	28	33	35
Employee benefits	29	57	79
Other liabilities	30	1,258	933
Liabilities related to assets held for sale	35	3,299	3,202
Total liabilities		35,792	26,021
Equity			
Share capital	32	98	98
Reserves		1,530	1,531
Retained earnings		10,692	9,700
Other components of equity		528	605
Equity attributable to owners of the parent		12,848	11,934
Non-controlling interests		660	-
Total equity		13,508	11,934
Total equity and liabilities		49,300	37,955

Statement of Changes in Equity, IFRS

EURm	Share capital	Legal reserve	Invested unrestricted equity	Retained earnings ¹⁾	Translation of foreign operations ²⁾	Available for sale financial assets ³⁾	Total	Non-controlling interests	Total
Equity at 1 January 2016	98	4	1,527	9,325	-472	929	11,411	-	11,411
Changes in equity									
Recognition of undrawn dividends				9			9		9
Dividends				-1,204 ⁴⁾			-1,204		-1,204
Share of associate's other changes in equity				-42			-42		-42
Profit for the period				1,650			1,650		1,650
Other comprehensive income for the period				-38	-47	195	110		110
Equity at 31 December 2016	98	4	1,527	9,700	-518	1,124	11,934	-	11,934
Changes in equity									
Recognition of undrawn dividends				10			10		10
Cancellation of shares				30					
Dividends				-1,288 ⁴⁾			-1,288		-1,288
Business acquisitions				17			17	636	654
Share of associate's other changes in equity				23			23		23
Profit for the period				2,216			2,216	23	2,239
Other comprehensive income for the period				-15	-138	60	-93		-93
Equity at 31 December 2017	98	4	1,527	10,692	-656	1,184	12,848	660	13,508

¹⁾ IAS 19 Pension benefits had a net effect of EURm -15 (-38) on retained earnings.

²⁾ The total comprehensive income includes also the share of the associate Nordea's other comprehensive income, in accordance with the Group's share holding. The retained earnings thus include EURm -19 (-34) of Nordea's actuarial gains/losses. The exchange differences include the share of Nordea's exchange differences EURm -43 (33). Respectively, available-for-sale financial assets include EURm 5 (19) of Nordea's valuation differences.

³⁾ The amount recognised in equity from available-for-sale financial assets for the period totalled EURm 266 (216). The amount transferred to p/l amounted to EURm -204 (-29). EURm -7 (-11) was transferred to the Segregated Suomi portfolio.

⁴⁾ Dividend per share 2,60 (2,30) euro.

The amount included in the translation and available-for-sale reserves represent other comprehensive income for each component, net of tax.

Statement of Cash Flows, IFRS

EURm	2017	2016
Operating activities		
Profit before taxes	2,482	1,871
Adjustments:		
Depreciation and amortisation	29	18
Unrealised gains and losses arising from valuation	43	-223
Realised gains and losses on investments	-489	-92
Change in liabilities for insurance and investment contracts	317	666
Other adjustments	-1,199	-550
Adjustments total	-1,298	-180
Change (+/-) in assets of operating activities		
Investments ^{*)}	638	-1,184
Other assets	-40	-95
Total	598	-1,280
Change (+/-) in liabilities of operating activities		
Financial liabilities	-81	20
Other liabilities	-20	35
Paid taxes	-413	-271
Total	-514	-216
Net cash from operating activities	1,267	195
Investing activities		
Investments in group and associated undertakings	546	356
Net investment in equipment and intangible assets	-12	-13
Net cash from investing activities	534	343
Financing activities		
Dividends paid	-1,286	-1,192
Issue of debt securities	1,042	2,271
Repayments of debt securities in issue	-1,395	-1,002
Net cash used in financing activities	-1,639	78
Total cash flows	162	616
Cash and cash equivalents at 1 January	2,585	1,997
Effects of exchange rate changes	-14	-27
Cash and cash equivalents at 31 December	2,734	2,585
Net increase in cash and cash equivalents	162	616

Additional information to the statement of cash flows:	2017	2016
Interest income received	360	432
Interest expense paid	-127	-117
Dividend income received	124	122

^{*)} Investments include investment property, financial assets and investments related to unit-linked insurance contracts.

The items of the statement of cash flows cannot be directly concluded from the balance sheets due to e.g. exchange rate differences, and acquisitions and disposals of subsidiaries during the period.

Cash and cash equivalents include cash at bank and in hand and short-term deposits (max. 3 months).

The consolidation of Topdanmark as a subsidiary at 30 September 2017 increased Group's cash at bank and in hand by EURm 45.

Note to the statement of cash flow

Business acquisitions 2017

Topdanmark is the second largest insurance company in Denmark, and is primarily engaged in providing life and non-life insurance products. Sampo Group has consolidated Topdanmark A/S as an associate since May 2011.

On 30 September 2017, Sampo gained the control in the company in accordance with the IFRS standards. Since then, Topdanmark has been consolidated as a subsidiary in the financial reporting of Sampo Group. The acquisition price in the Group was determined as EURm 1,398 which was the fair value of Topdanmark's shares on the acquisition date, 30 Sep 2017. The carrying amount of Topdanmark's shares at the same time was EURm 692. The difference EURm 706 was recognised through p/l as an increase of the carrying amount. There were no transfer of cash assets or expenses incurred at the moment of gaining of control.

GROUP'S NOTES TO THE ACCOUNTS

Summary of significant accounting policies

Sampo Group has prepared the consolidated financial statements for 2017 in compliance with the International Financial Reporting Standards (IFRSs). In preparing the financial statements, Sampo has applied all the standards and interpretations relating to its business, adopted by the commission of the EU and effective at 31 December, 2017.

In the comparison year 2016, Topdanmark consolidated as a subsidiary on 30 September 2017, was treated wholly as an associate and as a part of the If Group. Due to the subsidiary consolidation, the company's p/l for Jan - Sep has been presented in Topdanmark's own segment in one line as a share of associates' profit and the p/l for Oct - Dec has been consolidated line by line. The comparison figures have been moved accordingly to Topdanmark segment.

During the financial year, the adopted standards or annual improvements to the standards had no material impact on the Group's financial statements reporting.

In preparing the notes to the consolidated financial statements, attention has also been paid to the Finnish accounting and company legislation and applicable regulatory requirements.

The financial statements have for the most part been prepared under the historical cost convention. Exceptions are i.e. financial assets and liabilities at fair value through p/l, financial assets available-for-sale, hedged items in fair value hedges and share-based payments settled in equity instruments measured at fair value.

The consolidated financial statements are presented in euro (EUR), rounded to the nearest million, unless otherwise stated.

The Board of Directors of Sampo plc accepted the financial statements for issue on 7 February 2018.

Consolidation

Subsidiaries

The consolidated financial statements combine the financial statements of Sampo plc and all its subsidiaries. Entities qualify as subsidiaries if the Group has the controlling power. The Group exercises control if its shareholding is more than 50 per cent of the voting rights or it otherwise has the power to exercise control over the financial and operating policies of the entity. Subsidiaries are consolidated from the date on

which control is transferred to the Group, and cease to be consolidated from the date that control ceases.

The acquisition method of accounting is used for the purchase of subsidiaries. The cost of an acquisition is allocated to the identifiable assets, liabilities and contingent liabilities, which are measured at the fair value of the date of the acquisition. Possible non-controlling interest of the acquired entity is measured either at fair value or at proportionate interest in the acquiree's net assets. The acquisition-specific choice affects both the amount of recognised goodwill and non-controlling interest. The excess of the aggregate of consideration transferred, non-controlling interest and possibly previously held equity interest in the acquiree, over the Group's share of the fair value of the identifiable net assets acquired, is recognised as goodwill.

The accounting policies used throughout the Group for the purposes of consolidation are consistent with respect to similar business activities and other events taking place in similar conditions. All intra-group transactions and balances are eliminated upon consolidation.

Associates

Associates are entities in which the Group has significant influence, but no control over the financial management and operating policy decisions. Unless otherwise demonstrated, this is generally presumed when the Group holds in excess of 20 per cent, but no more than 50 per cent, of the voting rights of an entity. Investments in associates are treated by the equity method of accounting, in which the investment is initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the associate. If the Group's share of the associate's loss exceeds the carrying amount of the investment, the investment is carried at zero value, and the loss in excess is consolidated only if the Group is committed to fulfilling the obligations of the associate. Goodwill arising on the acquisition is included in the cost of the investment. Unrealised gains (losses) on transactions are eliminated to the extent of the Group's interest in the entity.

The share of associates' profit or loss, equivalent to the Group's holding, is presented as a separate line in the income statement. The Group's share of associate's changes in other comprehensive income is presented in the Group's other comprehensive income items.

If there is any indication that the value of the investment may be impaired, the carrying amount is tested by comparing it with its recoverable amount. The recoverable amount is the higher of its value in use or its fair value less costs to sell. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to its recoverable amount by recognising an impairment loss in the profit/loss. If the recoverable amount later increases and is greater than the carrying amount, the impairment loss is reversed through profit and loss.

Foreign currency translation

The consolidated financial statements are presented in euro, which is the functional and reporting currency of the Group and the parent company. Items included in the financial statements of each of the Group entities are measured using their functional currency, being the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of transactions or the average rate for a month. The balance sheet items denominated in foreign currencies are translated into the functional currency at the rate prevailing at the balance sheet date.

Exchange differences arising from translation of transactions and monetary balance sheet items denominated in foreign currencies into functional currency are recognised as translation gains and losses in profit or loss. Exchange differences arising from equities classified as available-for-sale financial assets are included directly in the fair value reserve in equity.

The income statements of Group entities whose functional currency is other than euro are translated into euro at the average rate for the period, and the balance sheets at the rates prevailing at the balance sheet date. The resulting exchange differences are included in equity and their change in other comprehensive income. When a subsidiary is divested entirely or partially, the cumulative exchange differences are included in the income statement under sales gains or losses.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as if they were assets and liabilities of the foreign entity. Exchange differences resulting from the translation of these items at the exchange rate of the balance sheet date are included in equity and their change in other comprehensive income

The following exchange rates were applied in the consolidated financial statements:

	Balance sheet date	Average exchange rate
1 euro (EUR) =		
Swedish krona (SEK)	9.8438	9.6380
Danish krona (DKK)	7.4449	7.4387

Segment reporting

The Group's segmentation is based on business areas whose risks and performance bases as well as regulatory environment differ from each other. The control and management of business and management reporting is organised in accordance with the business segments. The Group's business segments are If, Topdanmark, Mandatum and Holding (including Nordea).

Geographical information has been given on income from external customers and non-current assets. The reported segments are Finland, Sweden, Norway, Denmark and the Baltic countries.

In the inter-segment and inter-company pricing, for both domestic and cross border transactions, market-based prices are applied. The pricing is based on the Code of conduct on Transfer Pricing Documentation in the EU and OECD guidelines.

Inter-segment transactions, assets and liabilities are eliminated in the consolidated financial statements on a line-by-line basis.

Interest and dividends

Interest income and expenses are recognised in the income statement using the effective interest rate method. This method recognises income and expenses on the instrument evenly in proportion to the amount outstanding over the period to maturity. Dividends on equity securities are recognised as revenue when the right to receive payment is established.

Fees and commissions

The fees and transaction costs of financial instruments measured at fair value through profit or loss are recognised in profit or loss when the instrument is initially recognised.

The costs of acquiring new and renewed insurance business are treated as deferred acquisition costs in the P&C insurance. In the life insurance business the acquisition costs are treated as fee and commission expense under 'Other operating expenses'.

Other fees and commissions paid for investment activities are included in 'Net income from investments'.

Insurance premiums

Insurance premiums in the income statement consist of premiums written for P&C insurance and life insurance.

P&C insurance contracts are primarily of short duration, so that premiums written are recognised as earned on a pro rata basis, adjusting them by a change in the provision for

unearned premiums i.e. by the proportion of the insurance premium income that, based on the period covered by the insurance contract, belongs to the following financial year.

In the life insurance business, liabilities arising from insurance and investment contracts count as long-term liabilities. Therefore the insurance premium and related claims are usually not recognised in the same accounting period. Depending on the type of insurance, premiums are primarily recognised in premiums written when the premium has been paid. In group pension insurance, a part of the premiums is recognised already when charged.

The change in the provision for unearned premiums is presented as an expense under 'Change in insurance and investment contract liabilities'.

Financial assets and liabilities

Based on the measurement practice, financial assets and liabilities are classified in the following categories upon the initial recognition: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through profit or loss, and other liabilities.

According to the Group's risk management policy, investments are managed at fair value in order to have the most realistic and real-time picture of investments, and they are reported to the Group key management at fair value. Investments comprise debt and equity securities. They are mainly classified as financial assets available-for-sale or at fair value through p/l.

In the life insurance business, IFRS 4 Insurance Contracts provides that insurance contracts with a discretionary participation feature are measured in accordance with national valuation principles (except for the equalisation reserve) rather than at fair value. These contracts and investments made to cover shareholders' equity are managed in their entirety and are classified mainly as available-for-sale financial assets. An exception to the rule are investments related to unit-linked insurance, valued at fair value thru p/l and shown as a separate line item in the balance sheet. The corresponding liability is also shown as a separate line item.

In the Holding business, investments are primarily classified as financial assets available-for-sale.

Recognition and derecognition

Purchases and sales of financial assets at fair value through profit or loss and available-for-sale financial assets are

recognised and derecognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when the Group has a legally enforceable right to set off the recognised amounts and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expire.

Financial assets and financial liabilities at fair value through profit or loss

In the Sampo Group, financial assets and liabilities at fair value through profit or loss comprise financial assets held for trading and financial assets designated as at fair value through profit or loss.

Financial assets held for trading

Financial asset that is held for the purpose of selling or buying in the short term, or belongs to a portfolio that is managed together or is repeatedly used for short-term profit taking, is classified as an asset held for trading. Gains and losses arising from changes in fair value, or realised on disposal, together with related interest income and dividend, are recognised in the income statement.

Also derivative instruments that are not designated as hedges and do not meet the requirements for hedge accounting are classified as financial assets for trading purposes.

Financial derivatives held for trading are initially recognised at fair value. Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative instruments are recognised at fair value, and gains and losses arising from changes in fair value together with realised gains and losses are recognised in the income statement.

Financial assets designated as at fair value through profit or loss

Financial assets designated as at fair value through profit or loss are assets which, at inception, are irrevocably designated as such. They are initially recognised at their fair value. They are recognised in the income statement and balance sheet accordingly with above-explained assets held for trading.

Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the short term. The category also comprises cash and balances with central banks.

Loans and receivables are initially recognised at their fair value, added by transaction costs directly attributable to the acquisition of the asset. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial investments that are designated as available for sale and or are not categorised into any other category. Available-for-sale financial assets comprise debt and equity securities.

Available-for-sale financial assets are initially recognised fair value, including direct and incremental transaction costs. They are subsequently remeasured at fair value, and the changes in fair value are recorded in other comprehensive income and presented in the fair value reserve, taking the tax effect into account. Interest income and dividends are recognised in profit or loss. When the available-for-sale assets are sold, the cumulative change in the fair value is transferred from equity and recognised together with realised gains or losses in profit or loss. The cumulative change in the fair value is also transferred to profit or loss when the assets are impaired and the impairment loss is recognised. Exchange differences due to available-for-sale monetary balance sheet items are always recognised directly in profit or loss.

Other financial liabilities

Other financial liabilities comprise debt securities in issue and other financial liabilities.

Other financial liabilities are recognised when the consideration is received and measured to amortised cost, using the effective interest rate method.

If debt securities issued are redeemed before maturity, they are derecognised and the difference between the carrying

amount and the consideration paid at redemption is recognised in profit or loss.

Fair value

The fair value of financial instruments is determined primarily by using quoted prices in active markets. Instruments are measured either at the bid price or at the last trade price, if there is an auction policy in the stock market of the price source. The financial derivatives are also measured at the last trade price. If the financial instrument has a counter-item that will offset its market risk, the same price source is used in assets and liabilities to that extent. If a published price quotation does not exist for a financial instrument in its entirety, but active markets exist for its component parts, the fair value is determined on the basis of the relevant market prices of the component parts.

If a market for a financial instrument is not active, or the instrument is not quoted, the fair value is established by using generally accepted valuation techniques including recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

If the fair value of a financial asset cannot be determined, historical cost is deemed to be a sufficient approximation of fair value. The amount of such assets in the Group balance sheet is immaterial.

Impairment of financial assets

Sampo assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than those at fair value through p/l, may be impaired. A financial asset is impaired and impairment losses are incurred, if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset, and if that event has an impact, that can be reliably estimated, on the estimated future cash flows of the financial asset.

Financial assets carried at amortised cost

There is objective evidence of impairment, if an issuer or debtor e.g. encounters significant financial difficulties that will lead to insolvency and to estimation that the customer will probably not be able to meet the obligations to the Group. Objective evidence is first assessed for financial assets that are individually significant, and individually and collectively for financial assets not individually significant.

When there is objective evidence of impairment of a financial asset carried at amortised cost, the amount of the loss is measured as the difference between the receivable's carrying

amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. The difference is recognised as an impairment loss in profit or loss. The impairment is assessed individually.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can objectively be related to an event occurring after the impairment was recognised (e.g. the default status is removed), the previously recognised impairment loss shall be reversed through profit or loss.

Available-for-sale financial assets

Whether there is objective evidence of an impairment of available-for-sale financial assets, is evaluated in a separate assessment, which is done if the credit rating of an issuer has declined or the entity is placed on watch list, or there is a significant or prolonged decline in the fair value of an equity instrument below its original acquisition cost.

The decision on whether the impairment is significant or prolonged requires an assessment of the management. The assessment is done case by case and with consideration paid not only to qualitative criteria but also historical changes in the value of an equity as well as time period during which the fair value of an equity security has been lower than the acquisition cost. In Sampo Group, the impairment is normally assessed to be significant, if the fair value of a listed equity or participation decreases below the average acquisition cost by 20 per cent and prolonged, when the fair value has been lower than the acquisition cost for over 12 months.

As there are no quoted prices available in active markets for unquoted equities and participations, the aim is to determine their fair value with the help of generally accepted valuation techniques available in the markets. The most significant share of unquoted equities and participations comprise the private equity and venture capital investments. They are measured in accordance with the generally accepted common practice, International Private Equity and Venture Capital Guidelines (IPEV).

The significance and prolongation of the impairment in the last-mentioned cases is assessed case by case, taking into consideration special factors and circumstances related to the investment. Sampo invests in private equity and venture capital in order to keep them to the end of their life cycle, so the typical lifetime is 10 – 12 years. In general, a justifiable assessment of a potential impairment may only be done towards the end of the life cycle. However, if additionally there is a well-founded reason to believe that an amount equivalent to the acquisition cost will not be recovered when selling the investment, an impairment loss is recognised.

An impairment on equity funds is recognised in line with the principles above when the starting year of the fund is at least 10 years old and the carrying amount of the fund is maximum EUR 500,000. In these cases both the fair value and the

carrying amount are booked to zero. An impairment is only performed to those funds for which the benchmarks are met in all the Sampo Group companies' portfolios.

In the case of debt securities, the amount of the impairment loss is assessed as the difference between the acquisition cost, adjusted with capital amortisations and accruals, and the fair value at the review time, reduced by previously in profit or loss recognised impairment losses.

When assessed that there is objective evidence of impairment in debt or equity securities classified as financial assets available-for-sale, the cumulative loss recognised in other comprehensive income is transferred from equity and recognised in profit or loss as an impairment loss.

If, in a subsequent period, the fair value of a debt security increases and the increase can objectively be related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed by recognising the amount in profit or loss.

If the fair value of an equity security increases after the impairment loss was recognised in profit or loss, the increase shall be recognised in other comprehensive income. If the value keeps decreasing below the acquisition cost, an impairment loss is recognised through profit or loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments are classified as those held for trading and those held for hedging, including interest rate derivatives, credit risk derivatives, foreign exchange derivatives, equity derivatives and commodity derivatives. Derivative instruments are measured initially at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. During the financial year, the fair value hedging has been applied in Mandatum.

Derivatives held for trading

Derivative instruments that are not designated as hedges and embedded derivatives separated from a host contract are treated as held for trading. They are measured at fair value and the change in fair value, together with realised gains and losses and interest income and expenses, is recognised in profit or loss.

If derivatives are used for hedging, but they do not qualify for hedge accounting as required by IAS 39, they are treated as held for trading.

Hedge accounting

Sampo Group may hedge its operations against interest rate risks, currency risks and price risks through fair value hedging and cash flow hedging. Cash flow hedging is used as a protection against the variability of the future cash flows, while fair value hedging is used to protect against changes in the fair value of recognised assets or liabilities.

Hedge accounting applies to hedges that are effective in relation to the hedged risk and meet the hedge accounting requirements of IAS 39. The hedging relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for undertaking the hedge, are documented at the inception of the hedge. In addition, the effectiveness of a hedge is assessed both at inception and on an ongoing basis, to ensure that it is highly effective throughout the period for which it was designated. Hedges are regarded as highly effective in offsetting changes in fair value or the cash flows attributable to a hedged risk within a range of 80-125 per cent.

Fair value hedging

In accordance with the Group's risk management principles, fair value hedging is used to hedge changes in fair values resulting from changes in price, interest rate or exchange rate levels. The hedging instruments used include foreign exchange forwards, interest rate swaps, interest rate and cross currency swaps and options, approved by the managements of the Group companies.

Changes in the fair value of derivative instruments that are documented as fair value hedges and are effective in relation to the hedged risk are recognised in profit or loss. In addition, the hedged assets and liabilities are measured at fair value during the period for which the hedge was designated, with changes in fair value recognised in profit or loss.

Securities lending

Securities lent to counterparties are retained in the balance sheet. Conversely, securities borrowed are not recognised in the balance sheet, unless these are sold to third parties, in which case the purchase is recorded as a trading asset and the obligation to return the securities as a trading liability at fair value through profit or loss.

Non-current assets held for sale

Non-current assets and the assets and liabilities related to discontinued operations are classified as held for sale, if their carrying amount will be recovered principally through sales transactions rather than from continuing use. For this to be the case, the sale must be highly probable, the asset (or disposal group) must be available for immediate sale in its

present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), the management must be committed to a plan to sell the asset (or disposal group), and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Once classified, depreciation on such assets ceases.

Leases

Group as lessee

Finance leases

Leases of assets in which substantially all the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are recognised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding obligation is included in 'Other liabilities' in the balance sheet. The assets acquired under finance leases are amortised or depreciated over the shorter of the asset's useful life and the lease term. Each lease payment is allocated between the liability and the interest expense. The interest expense is amortised over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating leases

Assets in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases and they are included in the lessor's balance sheet. Payments made on operating leases are recognised on a straight-line basis over the lease term as rental expenses in profit or loss.

Group as lessor

Operating leases

Leases in which assets are leased out and the Group retains substantially all the risks and rewards of ownership are classified as operating leases. They are included in 'Investment property' in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment, and the impairment losses are recognised on the same basis as for these items. Rental income on assets held as operating leases is recognised on a straight-line basis over the lease term in profit or loss.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition (made after 1 January 2004) over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Goodwill on acquisitions before 1 January 2004 is accounted for in accordance with the previous accounting standards and the carrying amount is used as the deemed cost in accordance with the IFRS.

Goodwill is measured at historical cost less accumulated impairment losses. Goodwill is not amortised.

Other intangible assets

IT software and other intangible assets, whether procured externally or internally generated, are recognised in the balance sheet as intangible assets with finite useful lives, if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. The cost of internally generated intangible assets is determined as the sum of all costs directly attributable to the assets. Research costs are recognised as expenses in profit or loss as they are incurred. Costs arising from development of new IT software or from significant improvement of existing software are recognised only to the extent they meet the above-mentioned requirements for being recognised as assets in the balance sheet.

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and impairment losses. Intangible assets are amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful lives by asset class are as follows:

IT software	3-10 years
Other intangible assets	3-10 years

Property, plant and equipment

Property, plant and equipment comprise properties occupied for Sampo's own activities, office equipment, fixtures and fittings, and furniture. Classification of properties as those occupied for own activities and those for investment activities is based on the square metres in use. If the proportion of a property in Sampo's use is no more than 10 per cent, the property is classified as an investment property.

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses, except for Topdanmark where the carrying amount is based on revaluation i.e. fair value less accumulated depreciation and impairment losses.

Improvement costs are added to the carrying amount of a property when it is probable that the future economic benefits that are attributable to the asset will flow to the entity. Costs for repairs and maintenance are recognised as expenses in the period in which they were incurred.

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. In most cases, the residual value is estimated at zero. Land is not depreciated. Estimates of useful life are reviewed at financial year-ends and the useful life is adjusted if the estimates change significantly. The estimated useful lives by asset class are as follows:

Residential, business premises and offices	20-60 years
Industrial buildings and warehouses	30-60 years
Components of buildings	10-15 years
IT equipment and motor vehicles	3-5 years
Other equipment	3-10 years

Depreciation of property, plant or equipment will be discontinued, if the asset in question is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Impairment of intangible assets and property, plant and equipment

At each reporting date the Group assesses whether there is any indication that an intangible asset or an item of property, plant or equipment may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the asset. In addition, goodwill, intangible assets not yet available for use and intangible assets with an indefinite useful life will be tested for impairment annually, independent of any indication of impairment. For impairment testing the goodwill is allocated to the cash-generating units of the Group from the date of acquisition. In the test the carrying amount of the cash-generating unit, including the goodwill, is compared with its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is calculated by estimating future net cash flows expected to be derived from an asset or a cash-generating unit, and by discounting them to their present value using a pre-tax discount rate. If the carrying amount of an asset is higher than its recoverable amount, an impairment loss is recognised in profit or loss. In conjunction with this, the impaired asset's useful life will be re-determined.

If there is any indication that an impairment loss recognised for an asset in prior periods may no longer exist or may have decreased, the recoverable amount of the asset will be estimated. If the recoverable amount of the asset exceeds the carrying amount, the impairment loss is reversed, but no more than to the carrying amount which it would have been

without recognition of the impairment loss. Impairment losses recognised for goodwill are not reversed.

Investment property

Investment property is held to earn rentals and for capital appreciation. The investment property is measured the same way as property, plant and equipment. The depreciation periods and methods and the impairment principles are also the same as those applied to corresponding property occupied for own activities. The investment property of the associate Nordea in the Holding segment is measured at fair value in item Investments in associates.

The fair value of investment property is estimated using a method based on estimates of future cash flows and a comparison method based on information from actual sales in the market. The fair value of investment property is presented in the Notes.

The valuation takes into account the characteristics of the property with respect to location, condition, lease situation and comparable market information regarding rents, yield requirements and unit prices. During the financial year, the valuations were conducted by the Group's internal resources.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the Group can reliably estimate the amount of the obligation. If it is expected that some or all of the expenditure required to settle the provision will be reimbursed by another party, the reimbursement will be treated as a separate asset only when it is virtually certain that the Group will receive it.

Insurance and investment contracts

Insurance contracts are treated, in accordance with IFRS 4, either as insurance or investment contracts. Under the standard, insurance contracts are classified as insurance contracts if significant insurance risk is transferred between the policyholder and the insurer. If the risk transferred on the basis of the contract is essentially financial risk rather than significant insurance risk, the contract is classified as an investment contract. Classification of a contract as an insurance contract or investment contract determines the measurement principle applied to it.

Sampo treats the liabilities arising from contracts in the first phase of the standard according to national accounting standards, except for the equalisation reserve and the provision for collective guarantee item and their changes which are reported in equity and profit or loss, in accordance with the IFRS.

The risks involved in insurance and investment contracts are widely elaborated in the Group's note 39.

Reinsurance contracts

A reinsurance contract is a contract which meets the IFRS 4 requirements for insurance contracts and on the basis of which Sampo Group (the cedant) may receive compensation from another insurer (the reinsurer), if it becomes liable for paying compensation based on other insurance contracts it has issued. Such compensation received on the basis of reinsurance contracts is included in the balance sheet under 'Reinsurers' share of insurance liabilities' and 'Other assets'. The former item includes the reinsurers' share of the provisions for unearned premiums and claims outstanding in the Group's reinsured insurance contracts, while the latter includes short-term receivables from reinsurers.

When the Group itself has to pay compensation to another insurer on the basis of a reinsurance contract, the liability is recognised in the item 'Other liabilities'.

Receivables and liabilities related to reinsurance are measured uniformly with the cedant's receivables and liabilities. Reinsurance receivables are tested annually for impairment. Impairment losses are recognised through profit or loss, if there is objective evidence indicating that the Group (as the cedant) will not receive all amounts of money it is entitled to on a contractual basis.

P&C insurance business

Classification of insurance contracts

In classifying insurance contracts and examining their related risks, embedded contracts are interpreted as one contract.

Other than insurance contracts, i.e. contracts where the risk is not transferred, include Captive contracts in which an insurance company underwrites a company's direct business and reinsures the same risk in an insurance company in the same group as the policyholder. There are also contracts in P&C insurance (Reverse Flow Fronting contracts) in which the insurance company grants insurance and then transfers the insurance risk to the final insurer. For both the above types of contract, only the net effect of the contract relationship is recognised in the income statement and balance sheet (instead of the gross treatment, as previously). The prerequisite for net treatment is that the net retention recognised on the contract is zero.

There are also contracts in P&C insurance in which the insurance risk is eliminated by a retrospective insurance premium, i.e. the difference between forecast and actual losses is evened out by an additional premium directly or in connection with the annual renewal of the insurance. The net

cash flow from these contracts is recognised directly in the balance sheet, without recognising it first in the income statement as premiums written and claims incurred.

Insurance liabilities

Insurance liabilities are the net contractual obligations which the insurer has on the basis of insurance contracts. Insurance liabilities, consisting of the provisions for unearned premiums and unexpired risks and for claims outstanding, correspond to the obligations under insurance contracts.

The provision for unearned premiums is intended to cover anticipated claims costs and operating expenses during the remaining term of insurance contracts in force. In P&C insurance and reinsurance, the provision for unearned premiums is normally calculated on a strictly proportional basis over time, i.e. on a pro rata temporis basis. In the event that premiums are judged to be insufficient to cover anticipated claims costs and operating expenses, the provision for unearned premiums must be augmented by a provision for unexpired risks. Calculation of the provision for unexpired risks must also take into account instalment premiums not yet due.

The provision for claims outstanding is intended to cover the anticipated future payments of all claims incurred, including claims not yet reported to the company; i.e. the IBNR (incurred but not reported) provision. The provision for claims outstanding includes claims payments plus all estimated costs of claim settlements.

The provision for claims outstanding in direct P&C insurance and reinsurance may be calculated by statistical methods or through individual assessments of individual claims. Often a combination of the two methods is used, meaning large claims are assessed individually while small claims and claims incurred but not reported (the IBNR provision) are calculated using statistical methods

Premiums written for P&C insurance and reinsurance are recognised in the income statement when the annual insurance premium is due for payment.

Liability adequacy test

A liability adequacy test is performed separately for both the provision for claims outstanding and the provision for unearned premiums. The provision for claims outstanding is based on estimates of future cash flows. The estimates are made by using well-established actuarial methods.

The provision for unearned premiums is, for the most part, calculated on a strictly proportional basis over time (so called pro rata temporis principle). The adequacy of the provision for unearned premiums is tested by calculating a provision for unexpired risks for each company per business area and line of business. If the provisions are judged to be

insufficient, the provision for unearned premiums is augmented by recognising a provision for unexpired risks.

Pay-as-you-go system for P&C insurance

Pensions and compensation for healthcare or medical rehabilitation paid on the basis of Finland's statutory P&C insurance (accident, motor third party liability and patient insurance) are raised annually by the TEL (Employee Pensions Act) index in order to maintain the real value of the pensions. The index raises are not the responsibility of the insurance companies, but are funded by the so-called pay-as-you-go principle, i.e. each year premiums written include index raises to the same amount that is paid out in that year. In practice, the P&C insurance companies collect a so-called expense loading along with their premiums written, which is then forwarded to the central organisation for the particular insurance line. The central organisation distributes the pay-as-you-go contributions collected so that the company undertaking the type of insurance in question receives an amount equal to the compensation falling under the pay-as-you-go system it has paid that year. The insurer's participation in the payment is proportional to the insurer's market share in the insurance line in question.

The pay-as-you-go system related to pension index raises is not treated as an insurance activity under IFRS 4 and does not generate any risk for the insurance company. Thus, the pay-as-you-go contribution collected together with the insurance premium is not deemed to be premium income, and the pension index raise paid out is not deemed to be claims incurred. Because the collected index raise corresponds in amount to the paid out pension index raise, the said items are set-off in the Income Statement item 'Other expenses from operations'. The share of a balancing figure not yet received from, or not paid by, a central organisation is presented as current receivables or liabilities in the balance sheet items 'Other assets' or 'Other liabilities'.

Deferred acquisition costs

In the P&C insurance business, acquisition costs clearly relating to the writing of insurance contracts and extending beyond the financial year are recognised as assets in the balance sheet. Acquisition costs include operating expenses directly or indirectly attributable to writing insurance contracts, fees and commissions, marketing expenses and the salaries and overheads of sales staff. Acquisition costs are amortised in the same way as provisions for unearned premiums, usually in 12 months at the maximum.

Life insurance business

Classification of insurance contracts

Policies issued by the life insurance business are classified as either insurance contracts or investment contracts. Insurance contracts are contracts that carry significant insurance risk or contracts in which the policyholder has the right to change the contract by increasing the risk. As capital redemption contracts do not carry insurance risk, these contracts are classified as investment contracts.

The discretionary participation feature (DPF) of a contract is a contractual right held by a policyholder to receive additional benefits, as a supplement to the guaranteed minimum benefits. The supplements are bonuses based on the reserves of policies credited to the policy reserve, additional benefits in the case of death, or lowering of insurance premiums. In Mandatum, the principle of fairness specifies the application of this feature. In unit-linked contracts the policyholder carries the investment risk by choosing the investment funds linked to the contracts.

Measurement of insurance and investment contracts

National accounting standards are applied to all insurance contracts and to investment contracts with DPF.

All contracts, except unit-linked contracts and the assumed reinsurance, include DPF. In those unit-linked contracts which are not insurance contracts, the policyholder has the possibility to transfer the return on savings from unit-linked schemes to guaranteed interest with DPF. Thus, these contracts are also measured as contracts with DPF.

The surrender right, guaranteed interest and the unbundling of the insurance component from the deposit component and similar features are not separated and measured separately.

In Mandatum, regarding the group pension portfolio transferred from Suomi Mutual (=segregated portfolio), a so-called shadow accounting is applied, as permitted in IFRS 4.30, by adjusting the equity with the amount of unrealised gains and losses of the agreement. The equity is adjusted with an amount that unrealised gains or losses would have affected the Segregated Portfolio in accordance with the profit distribution policy of the Segregated Portfolio, if the gains or losses had been realised at the balance sheet date.

Insurance and investment contract liabilities and reinsurance assets

Liabilities arising from insurance and investment contracts consist of provisions for unearned premiums and outstanding claims. In the life insurance business, various methods are applied in calculating liabilities which involve

assumptions on matters such as mortality, morbidity, the yield level of investments, future operating expenses and the settlement of claims.

Changes in the liabilities of reinsurance have been calculated at variable rates of exchange.

In direct insurance, the insurance liability is calculated by policy, while in reinsurance it is calculated on the basis of the reports of the ceding company or the company's own bases of calculation.

The interest rate used in discounting liabilities is, at most, the maximum rate accepted by the authorities in each country.

The provision for claims outstanding is intended to cover the anticipated future payments of all claims incurred, including claims not yet reported to the company (the "IBNR" provision). The provision for claims outstanding includes claim payments plus all costs of claim settlements.

The amounts of short- and long-term liabilities in technical provisions are determined annually.

Liability adequacy test

A liability adequacy test is applied to all portfolios and the need for augmentation is checked, company by company, on the basis of the adequacy of the whole technical provisions. The test includes all the expected contractual cash flows for non-unit-linked liabilities. The expected contractual cash flows include expected premiums, claims, bonuses and expenses. The claims have been estimated including surrenders and other insurance transactions based on historical data. The amounts of claims include the guaranteed interest and an estimation of future bonuses. The present values of the cash flows have been discounted to the balance sheet date.

For the unit-linked business, the present values of the insurance risk and expense results are calculated correspondingly. If the aggregate amount of the liability for the unit-linked and other business presumes an augmentation, the liability is increased by the amount shown by the test and recognised in profit or loss.

Principle of fairness

According to Chapter 13, Section 2 of the Finnish Insurance Companies' Act, the Principle of Fairness must be observed in life insurance and investment contracts with a discretionary participation feature. If the solvency requirements do not prevent it, a reasonable part of the surplus has to be returned to these policies as bonuses.

Mandatum aims at giving a total return before charges and taxes on the original insurance portfolio's policyholders' savings in contracts with DPF that is at least the yield of those long term bonds, which are considered to have lowest risk.

The total return consists of the guaranteed interest rate and bonuses determined annually. Continuity is pursued in the level of bonuses.

Employee benefits

Post-employment benefits

Post-employment benefits include pensions and life insurance.

Sampo has defined benefit plans in Sweden and Norway, and defined contribution plans in other countries. The most significant defined contribution plan is that arranged through the Employees' Pensions Act (TyEL) in Finland.

In the defined contribution plans, the Group pays fixed contributions to a pension insurance company and has no legal or constructive obligation to pay further contributions. The obligations arising from a defined contribution plan are recognised as an expense in the period that the obligation relates to.

In the defined benefit plans, the company still has obligations after paying the contributions for the financial period and bears their actuarial and/or investment risk. The obligation is calculated separately for each plan using the projected unit credit method. In calculating the amount of the obligation, actuarial assumptions are used. The pension costs are recognised as an expense for the service period of employees.

Defined benefit plans are both funded and unfunded. The amounts reported as pension costs during a financial year consist of the actuarially calculated earnings of old-age pensions during the year, calculated straight-line, based on pensionable income at the time of retirement. The calculated effects in the form of interest expense for crediting/appreciating the preceding years' established pension obligations are then added. The calculation of pension costs during the financial year starts at the beginning of the year and is based on assumptions about such factors as salary growth and price inflation throughout the duration of the obligation and on the current market interest rate adjusted to take into account the duration of the pension obligations.

The current year pension cost and the net interest of the net liability is recognised thru p/l in pension costs. The actuarial gains and losses and the return of the plan assets (excl. net interest) are recognised as a separate item in other comprehensive income.

The fair value of the plan assets covered by the plan is deducted from the present value of future pension obligations and the remaining net liability (net asset) is recognised separately in the balance sheet.

The Group has also certain voluntary defined benefit plans. These are intra-Group and have no material significance.

Termination benefits

An obligation based on termination of employment is recognised as a liability when the Group is verifiably committed to terminate the employment of one or more persons before the normal retirement date or to grant benefits payable upon termination as a result of an offer to promote voluntary redundancy. As no economic benefit is expected to flow to the employer from these benefits in the future, they are recognised immediately as an expense. Obligations maturing more than 12 months later than the balance sheet date are discounted. The benefits payable upon termination at Sampo are the monetary and pension packages related to redundancy.

Share-based payments

During the financial year, Sampo had four valid share-based incentive schemes settled in cash (the long-term incentive schemes 2011 II, 2014 I, 2014 II and 2017 I for the management and key employees). Topdanmark had one mainly share-settled incentive scheme for the executive board and senior executives during the financial year.

The schemes have been measured at fair value at the grant date and at every reporting date thereafter.

In the schemes settled in cash, the valuation is recognised as a liability and changes recognised through profit or loss.

In the schemes settled in shares, the strike amounts received on the exercise of the options are recognised in the shareholder's equity.

The fair value of the schemes has been determined using the Black-Scholes-pricing model. The fair value of the market-based part of the incentive takes into consideration the model's forecast concerning the number of incentive units to be paid as a reward. The effects of non-market based terms are not included in the fair value of the incentive; instead, they are taken into account in the number of those incentive units that are expected to be exercised during the vesting period. In this respect, the Group will update the assumption on the estimated final number of incentive units at every interim or annual balance sheet date.

Income taxes

Item Tax expenses in the income statement comprise current and deferred tax. Tax expenses are recognised through profit or loss, except for items recognised directly in equity or other comprehensive income, in which case the tax effect will also be recognised those items. Current tax is calculated based on the valid tax rate of each country. Tax is adjusted by any tax related to previous periods.

Deferred tax is calculated on all temporary differences between the carrying amount of an asset or liability in the

balance sheet and its tax base. Deferred tax is not recognised on non-deductible goodwill impairment, and nor is it recognised on the undistributed profits of subsidiaries to the extent that it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated by using the enacted tax rates prior to the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which a temporary difference can be utilised.

Share capital

The incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are included in equity as a deduction, net of tax, from the proceeds.

Dividends are recognised in equity in the period when they are approved by the Annual General Meeting. When the parent company or other Group companies purchase the parent company's equity shares, the consideration paid is deducted from the equity as treasury shares until they are cancelled. If such shares are subsequently sold or reissued, any consideration received is included in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits (3 months).

Sampo presents cash flows from operating activities using the indirect method in which the profit (loss) before taxation is adjusted for the effects of transactions of a non-cash nature, deferrals and accruals, and income and expense associated with investing or financing cash flows.

In the cash flow statement, interest received and paid is presented in cash flows from operating activities. In addition, the dividends received are included in cash flows from operating activities. Dividends paid are presented in cash flows from financing.

Accounting policies requiring management judgement and key sources of estimation uncertainties

Preparation of the accounts in accordance with the IFRS requires management estimates and assumptions that affect the revenue, expenses, assets, liabilities and contingent liabilities presented in the financial statements. Judgement is needed also in the application of accounting policies. The estimates made are based on the best information available at the balance sheet date. The estimation is based on historical experiences and most probable assumptions concerning the future at the balance sheet date. The actual outcome may

deviate from results based on estimates and assumptions. Any changes in the estimates will be recognised in the financial year during which the estimate is reviewed and in all subsequent periods.

Sampo's main assumptions concerning the future and the key uncertainties related to balance sheet estimates are related, for example, to assumptions used in actuarial calculations, determination of fair values of non-quoted financial assets and liabilities and investment property and determination of the impairment of financial assets and intangible assets. From Sampo's perspective, accounting policies concerning these areas require most significant use of estimates and assumptions.

Actuarial assumptions

Evaluation of insurance liabilities always involves uncertainty, as technical provisions are based on estimates and assumptions concerning future claims costs. The estimates are based on statistics on historical claims available to the Group on the balance sheet date. The uncertainty related to the estimates is generally greater when estimating new insurance portfolios or portfolios where clarification of a loss takes a long time because complete claims statistics are not yet available. In addition to the historical data, estimates of insurance liabilities take into consideration other matters such as claims development, the amount of unpaid claims, legislative changes, court rulings and the general economic situation.

A substantial part of the Group's P&C insurance liabilities concerns statutory accident and traffic insurance. The most significant uncertainties related to the evaluation of these liabilities are assumptions about inflation, mortality, discount rates and the effects of legislative revisions and legal practices.

The actuarial assumptions applied to life insurance liabilities are discussed in more detail under 'Insurance and investment contract liabilities and reinsurance assets'.

Defined benefit plans as intended in IAS 19 are also estimated in accordance with actuarial principles. As the calculation of a pension plan reserve is based on expected future pensions, assumptions must be made not only of discount rates, but also of matters such as mortality, employee turnover, price inflation and future salaries.

Determination of fair value

The fair value of any non-quoted financial assets is determined using valuation methods that are generally accepted in the market. These methods are discussed in more detail above under 'Fair value'.

Fair values of investment property have been determined internally during the financial year on the basis of

comparative information derived from the market. They include management assumptions concerning market return requirements and the discount rate applied.

Impairment tests

Goodwill, intangible assets not yet available for use, and intangible assets with an indefinite useful life are tested for impairment at least annually. The recoverable amounts from cash-generating units have mainly been determined using calculations based on value in use. These require management estimates on matters such as future cash flows, the discount rate, and general economic growth and inflation.

Application of new or revised IFRSs and interpretations

The Group will apply the following new or amended standards and interpretations related to the Group's business in later financial years when they become effective, or if the effective date is other than the beginning of the financial year, during the financial year following the effective date.

IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on 1 Jan 2018 or after). The new standard will supersede IAS 18 and IAS 11 and related interpretations. The central criterion for revenue recognition is the passing of control. The adoption of the new standard will not have a material impact on the Group's financial statements reporting.

IFRS 16 *Leases* (effective for annual periods beginning on 1 Jan 2019 or after). The standard will supersede IAS 17 according to which leases were recognised either in the balance sheet as finance leases, or as other leases in which case the related liability was disclosed in the notes. The new standard requires all the leases, apart from low-value and short-term leases, to be recognised in the balance sheet. The adoption will have an effect on the Group's balance sheet, when all current leases are recognised there, and on the

income statement in the form of recognised interest expenses and amortisations. However, the number of the current leases is not very significant in the Group.

The amendments to IFRS 9 *Financial Instruments* (estimated effective for annual periods beginning on 1 Jan 2021 or after) supersede IAS 39 *Financial Instruments: Recognition and Measurement*. Sampo is going to utilise the temporary exception option, outlined in the next chapter, and apply the standard on the annual period beginning on 1 Jan 2021. The new standard changes the classification and measurement of financial assets and includes a new impairment model based on expected credit losses. The hedge accounting will continue to have three different hedging relationships.

As the upcoming and IFRS 4 superseding new standard IFRS 17 *Insurance Contracts* (effective for annual periods beginning on 1 Jan 2021 or after) will have an impact on the insurance liabilities valuation, the insurance companies have been given additional options regarding the adoption of IFRS 9. If certain preconditions regarding the insurance liabilities are met, the company may apply the so-called temporary exception option and defer the implementation until the adoption of IFRS 17, at the latest on annual period beginning on 1 Jan 2021. The temporary exemption may be applied, if the Group's amount of insurance liabilities is greater than 90% of the total amount of liabilities. The application is also possible, if the ratio is greater than 80%, and the Group does not engage in a significant activity unconnected with insurance. Another allowed option is to apply IFRS 9 from 1 Jan 2018 on, but to remove from the income statement some of the accounting mismatches caused by the different valuation methods of assets and liabilities.

The Group has analyzed the preconditions for applying the temporary exemption, and stated that they are met. Therefore, the Group is going to apply the exemption and apply IFRS 9 at the same time with the upcoming IFRS 17. The Group has started analyzing the effects of applications in other areas as well, as the new standards will have a significant impact on the Group's financial statements.

Segment Information

Following the subsidiary treatment of Topdanmark A/S as of 30 Sep 2017, the structure of segment reporting changed as well. Previously Sampo reported three segments; P&C Insurance (including Topdanmark), Life Insurance and Holding segment (including Sampo's share of Nordea's profit). Subsequent to consolidation of Topdanmark as a subsidiary, Sampo changed its reporting structure and will report four reportable segments; If, Topdanmark, Mandatum and Holding (incl. Nordea).

The segment information for the comparison year has been restated. Topdanmark's share of associates' profit has been removed from the P&C insurance segment and included in Topdanmark's segment. The associate shares have also been removed from the P&C insurance segment and transferred to Holding's subsidiary shares.

Geographical information has been disclosed about income from external customers and non-current assets. The reported areas are Finland, Sweden, Norway, Denmark, the Baltic countries and other countries.

Segment information has been produced in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements. The segment revenue, expense, assets and liabilities, either directly attributable or reasonably allocable, have been allocated to the segments. Inter-segment pricing is based on market prices. The transactions, assets and liabilities between the segments are eliminated in the consolidated financial statements on a line-by-line basis.

Depreciation and amortisation by segment are disclosed in notes 10–12 and investments in associates in note 13.

Consolidated income statement by business segment for year ended 31 December 2017

EURm	If	Topdanmark	Mandatum	Holding	Elimination	Group
Insurance premium written	4,357	498	960	-	0	5,815
Net income from investments	216	107	782	10	-10	1,104
Other operating income	27	1	10	18	-20	36
Claims incurred	-2,717	-285	-1,021	-	-	-4,023
Change in liabilities for insurance and investment contracts	-64	-163	-377	-	1	-603
Staff costs	-543	-68	-47	-18	-	-676
Other operating expenses	-440	-39	-63	-14	20	-536
Finance costs	-19	-3	-7	-36	14	-52
Share of associates' profit/loss	1	94	0	616	-	712
- Gain from fair valuation of former associated company	-	706	-	-	-	706
Profit before taxes	818	848	236	576	4	2,482
Taxes	-180	-12	-51	0	0	-243
Profit for the year	637	836	185	576	4	2,239
Other comprehensive income for the period						
Items reclassifiable to profit or loss						
Exchange differences	-95	-1	0	-	-	-96
Available-for-sale financial assets	46	-	5	22	-	73
Share of associate's other comprehensive income	-	-	-	-57	-	-57
Taxes	-11	-	-2	-4	-	-18
Total items reclassifiable to profit or loss, net of tax	-61	-1	3	-39	0	-97
Items not reclassifiable to profit or loss						
Actuarial gains and losses from defined pension plans	5	-	-	-	-	5
Taxes	-1	-	-	-	-	-1
Total items not reclassifiable to profit or loss, net of tax	4	-	-	-	-	4
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	581	836	188	537	4	2,146
Profit attributable to						
Owners of the parent						2,216
Non-controlling interests						23
Total comprehensive income attributable to						
Owners of the parent						2,122
Non-controlling interests						23

Consolidated income statement by business segment for year ended 31 December 2016

EURm	If	Topdanmark	Mandatum	Holding	Elimination	Group
Insurance premium written	4,292	-	1,116	-	-32	5,375
Net income from investments	173	-	634	36	-16	827
Other operating income	26	-	23	17	-16	50
Claims incurred	-2,670	-	-967	-	10	-3,627
Change in liabilities for insurance and investment contracts	-6	-	-465	-	24	-448
Staff costs	-512	-	-46	-16	-	-574
Other operating expenses	-472	-	-78	-18	16	-551
Finance costs	-13	-	-7	-14	15	-18
Share of associates' profit/loss	5	59	0	773	-	837
Profit before taxes	824	59	210	778	0	1,871
Taxes	-178	-	-41	-2	-	-221
Profit for the year	646	59	168	777	0	1,650
Other comprehensive income for the period						
Items reclassifiable to profit or loss						
Exchange differences	-80	-	-	-	-	-80
Available-for-sale financial assets	118	-	82	24	-	225
Share of associate's other comprehensive income	-	-	-	19	-	19
Taxes	-25	-	-19	-5	-	-49
Total items reclassifiable to profit or loss, net of tax	13	-	64	38	-	115
Items not reclassifiable to profit or loss						
Actuarial gains and losses from defined pension plans	-6	-	-	-	-	-6
Taxes	1	-	-	-	-	1
Total items not reclassifiable to profit or loss, net of tax	-5	-	-	-	-	-5
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	655	59	232	815	-	1,760

Consolidated balance sheet by business segment at 31 December 2017

EURm	If	Topdanmark	Mandatum	Holding	Elimination	Group
Assets						
Property, plant and equipment	22	130	3	3	-	158
Investment property	12	489	151	-	-	653
Intangible assets	528	1,509	83	-	-	2,121
Investments in associates	14	173	0	7,578	-	7,765
Financial assets	11,217	6,166	4,977	4,510	-4,038	22,832
Investments related to unit-linked insurance contracts	-	3,464	3,986	-	-42	7,409
Tax assets	17	2	-	3	-4	18
Reinsurers' share of insurance liabilities	220	77	0	-	-	297
Other assets	1,601	211	103	33	-8	1,940
Cash and cash equivalents	437	72	1,025	1,200	-	2,734
Assets held for sale	-	-	3,374	-	-	3,374
Total assets	14,069	12,293	13,703	13,326	-4,092	49,300
Liabilities						
Liabilities for insurance and investment contracts	9,120	5,405	4,375	-	-	18,900
Liabilities for unit-linked insurance and investment contracts	-	4,036	3,965	-	-42	7,959
Financial liabilities	322	303	106	3,187	-269	3,649
Tax liabilities	278	196	164	-	-	638
Provisions	33	-	-	-	-	33
Employee benefits	57	-	-	-	-	57
Other liabilities	739	249	241	38	-9	1,258
Liabilities related to assets held for sale	-	-	3,299	-	-	3,299
Total liabilities	10,549	10,189	12,150	3,224	-321	35,792
Equity						
Share capital						98
Reserves						1,530
Retained earnings						10,692
Other components of equity						528
Equity attributable to parent company's equity holders						12,848
Non-controlling interests						660
Total equity						13,508
Total equity and liabilities						49,300

Consolidated balance sheet by business segment at 31 December 2016

EURm	If	Topdanmark	Mandatum	Holding	Elimination	Group
Assets						
Property, plant and equipment	19	-	4	3	-	27
Investment property	14	-	201	-	-4	211
Intangible assets	541	-	70	0	-	612
Investments in associates	13	539	0	7,554	-	8,107
Financial assets	11,667	-	5,459	3,201	-2,659	17,668
Investments related to unit-linked insurance	-	-	3,468	-	-41	3,427
Tax assets	24	-	-	7	-4	27
Reinsurers' share of insurance liabilities	236	-	3	-	-	239
Other assets	1,593	-	162	15	-9	1,761
Cash and cash equivalents	463	-	682	1,439	-	2,585
Assets held for sale	-	-	3,291	-	-	3,291
Total assets	14,571	539	13,341	12,220	-2,717	37,955
Liabilities						
Liabilities for insurance and investment contracts	9,379	-	4,611	-	-	13,990
Liabilities for unit-linked insurance and investment contracts	-	-	3,448	-	-41	3,407
Financial liabilities	474	-	111	3,551	-289	3,847
Tax liabilities	346	-	181	-	0	527
Provisions	35	-	-	-	-	35
Employee benefits	79	-	-	-	-	79
Other liabilities	700	-	148	96	-10	933
Liabilities related to assets held for sale	-	-	3,202	-	-	3,202
Total liabilities	11,013	0	11,701	3,647	-340	26,021
Equity						
Share capital						98
Reserves						1,531
Retained earnings						9,700
Other components of equity						605
Total equity						11,934
Total equity and liabilities						37,955

Geographical information

EURm	Finland	Sweden	Norway	Denmark	Baltic	Total
2017						
Revenue from external customers	1,914	1,496	1,316	993	158	5,877
Non-current assets	260	8,030	11	2,314	1	10,617
2016						
Revenue from external customers	2,129	1,453	1,321	389	161	5,454
Non-current assets	379	8,014	14	552	1	8,961

The revenue includes insurance premiums according to the underwriting country, consisting of premiums earned for P&C insurance and premiums written for life insurance, and net investment income and other operating income in the holding segment.

Non-current assets comprise of intangible assets, investments in associates, property, plant and equipment, and investment property.

Business acquisitions

Year 2017

Sampo Group has since May 2011 consolidated Danish insurer Topdanmark A/S as an associated company by reporting in the P&C Insurance segment the share of Topdanmark's profit corresponding to Sampo's holding. From 30 September 2017 on, Topdanmark has been consolidated as a subsidiary in the financial reporting of the Group.

The 30 September 2017 became the consolidatation date due to Sampo carrying out assessment on relevant facts and circumstances required by IFRS standards and concluding that the threshold for control in Topdanmark was exceeded, even if Sampo's share of outstanding shares was a little under 50%.

The acquisition price in the Group was determined as EURm 1,398 which was the fair value of Topdanmark's shares on the acquisition date, 30 September 2017. The carrying amount of Topdanmark's shares at the same time was EURm 692. The difference EURm 706 was recognised through p/l as an increase of the carrying amount.

At the acquisition date, the total number of shares was 95,000,000 of which Sampo held 41,977,070 shares. Taking into consideration the treasury shares held by Topdanmark, Sampo's share of voting rights was 49.1%. The 50.9% non-controlling interest included in the balance sheet of Topdanmark has been determined as a proportionate share of the net assets.

Topdanmark's balance sheet on 30 September 2017 was fully consolidated line-by-line. The share of Topdanmark's profit for Jan-Sep 2017 corresponding to Sampo's holding is reported as share of associate's profit/loss and the above-mentioned gain from fair valuation of former associated company is recognised as a separate line item. Topdanmark is reported as a separate segment in all segment reporting. As of 1 October 2017, Topdanmark's p/l items have been recognized line-by-line in the Group's consolidated financial statements.

Topdanmark is the second largest insurance company in Denmark, and is primarily engaged in providing life and non-life insurance products. The company has over one million personal customers and a large amount of farms and corporate clients. Jan - Sep 2017, the premiums earned in P&C business totalled EURm 906. In life insurance, the premiums earned were EURm 815. The company's shares are listed on OMX Nasdaq.

The fair values of consolidated assets and liabilities as of 30 September 2017 are disclosed below.

EURm	Fair value
Assets	
Property, plant and equipment	130
Investment property	492
Intangible assets	704
Investments in associates	169
Financial assets	6,261
Investments related to unit-linked insurance contracts	3,249
Tax assets	2
Reinsurers' share of insurance liabilities	98
Other assets	241
Cash and cash equivalents	45
Total assets	11,390
Liabilities	
Liabilities for insurance and investment contracts	5,531
Liabilities for unit-linked insurance and investment contracts	3,749
Financial liabilities	278
Tax liabilities	200
Other liabilities	382
Total liabilities	10,139
Non-controlling interests	636
Net assets total	615
Acquisition cost	1,398
Goodwill	783

Material partly-owned subsidiaries

Name	Country	Equity interest held	
		2017	2016
Topdanmark A/S	Denmark	51.1	-
Accumulated balances of material non-controlling interests		660	-

The summarised financial information. Figures are before inter-company eliminations.

Summarised statement of profit or loss

EURm	2017	2016
Insurance premium written	498	-
Net income from investments	107	-
Other operating income	1	-
Claims incurred	-285	-
Change in liabilities for insurance and investment contracts	-163	-
Staff costs	-68	-
Other operating expenses	-32	-
Finance costs	-3	-
Share of associates' profit/loss	4	-
Profit before taxes	59	-
Taxes	-14	-
Profit for the year	45	-
Attributable to non-controlling interests	23	-

Summarised statement of balance sheet

EURm	2017	2016
Assets		
Property, plant and equipment	130	-
Investment property	489	-
Intangible assets	696	-
Investments in associates	173	-
Financial assets	6,166	-
Investments related to unit-linked insurance	3,464	-
Tax assets	2	-
Reinsurers' share of insurance liabilities	77	-
Other assets	211	-
Cash and cash equivalents	72	-
Total assets	11,480	-
Liabilities		
Liabilities for insurance and investment contracts	5,405	-
Liabilities for unit-linked insurance and investment contracts	4,036	-
Financial liabilities	303	-
Tax liabilities	196	-
Other liabilities	249	-
Total liabilities	10,189	-
Total equity	1,291	
Attributable to equity holders of parent	631	-
Attributable to non-controlling interest	660	-

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1 Insurance premiums written

EURm	2017	2016
P&C insurance	4,737	4,458
Life insurance		
Insurance contracts	802	615
Investment contracts	457	475
Insurance premiums written, gross	5,996	5,548
Reinsurers' share		
P&C insurance	-174	-166
Life insurance, insurance contracts	-7	-6
Reinsurers' share, total	-181	-172
Group insurance premiums written total, net ¹⁾	5,815	5,375

¹⁾ The change in unearned premiums is presented in note 4, The change in insurance and investment liabilities.

2 Net income from investments

If

EURm	2017	2016
Financial assets		
Derivative financial instruments		
Gains/losses	-35	-7
Loans and receivables		
Interest income	9	9
Financial assets available-for-sale		
Debt securities		
Interest income	168	177
Impairment losses	-48	-15
Gains/losses	46	-11
Equity securities		
Gains/losses	117	45
Impairment losses	-27	-16
Dividend income	46	40
Total	303	221
Total from financial assets	277	223
Other assets		
Investment properties		
Gains/losses	0	0
Other	0	1
Total from other assets	1	1
Expense on other than financial liabilities	-7	-6
Effect of discounting annuities	-33	-28
Fee and commission expenses		
Asset management	-23	-17
If insurance, total	216	173

Included in gains/losses from financial assets available-for-sale is a net gain of EURm -90 (12) transferred from the fair value reserve.

Topdanmark

EURm	2017	2016
Financial assets		
Derivative financial instruments	18	-
Gains/losses		
Financial assets for trading		
Debt securities		
Interest income	20	-
Gains/losses	-5	-
Equity securities		
Gains/losses	8	-
Dividend income	4	-
Total	28	-
Investments related to unit-linked contracts		
Debt securities		
Interest income	15	-
Gains/losses	-6	-
Equity securities		
Gains/losses	50	-
Dividend income	5	-
Other financial assets		
Gains/losses	25	-
Total	90	-
Total from financial assets	136	
Other assets	-18	-
Effect of discounting annuities	-11	-
Topdanmark, total	107	-

Mandatum

EURm	2017	2016
Financial assets		
Derivative financial instruments		
Gains/losses	170	-9
Financial assets designated as at fair value through p/l		
Debt securities		
Interest income	0	1
Gains/losses	0	-3
Total	1	-3
Investments related to unit-linked contracts		
Debt securities		
Interest income	43	50
Gains/losses	-22	4
Equity securities		
Gains/losses	311	198
Dividend income	36	32
Loans and receivables		
Interest income	-11	0
Other financial assets		
Gains/losses	47	-8
Total	405	276
Loans and receivables		
Interest income	2	4
Gains/losses	-14	6
Total	-13	10
Financial assets available-for-sale		
Debt securities		
Interest income	97	102
Gains/losses	-204	30
Equity securities		
Gains/losses	217	101
Impairment losses	-19	-15
Dividend income	92	122
Total	183	340
Total financial assets	746	614
Other assets		
Investment properties		
Gains/losses	29	3
Other	-10	6
Total other assets	19	9

Net fee income		
Asset management	-13	-15
Fee income	30	26
Total	16	11
Mandatum, total	782	634

Included in gains/losses from financial assets available-for-sale is a net gain of EURm -147 (-106) transferred from the fair value reserve.

Holding

EURm	2017	2016
Financial assets		
Derivative financial instruments		
Gains/losses	0	12
Loans and receivables	1	-5
Financial assets available-for-sale		
Debt securities		
Interest income	33	34
Gains/losses	-32	10
Equity securities		
Gains/losses	4	-26
Impairment losses	0	-1
Dividend income	4	12
Total	8	29
Other assets	1	1
Holding, total	10	36

Included in gains/losses from financial assets available for-sale is a net gain of EURm -7 (27) transferred from the fair value reserve.

Elimination items between segments	-10	-16
EURm		
Group net investment income, total	1,104	827

The changes in the fair value reserve are disclosed in the Statement of changes in equity. Other income and expenses comprise rental income, maintenance expenses and depreciation of investment property. All the income and expenses arising from investments are included in Net income from investments. Gains/losses include realised gains/losses on sales, unrealised and realised changes in fair values and exchange differences. Unrealised fair value changes for financial assets available-for-sale are recorded in other comprehensive income and presented in the fair value reserve in equity. The effect of discounting annuities in P&C insurance is disclosed separately. The provision for annuities is calculated in accordance with actuarial principles taking anticipated inflation and mortality into consideration, and discounted to take the anticipated future return on investments into account. To cover the costs for upward adjustment of annuity provisions required for the gradual reversal of such discounting, an anticipated return on investments is added to annuity results.

3 Claims incurred

EURm	2017	2016
Claims paid		
P&C insurance	-3,036	-2,818
Life insurance		
Insurance contracts	-845	-692
Investment contracts	-311	-355
Claims paid, gross	-4,193	-3,865
Reinsurers' share		
P&C insurance	100	73
Life insurance, insurance contracts	5	3
Reinsurers's share, total	105	76
Claims paid total, net	-4,088	-3,789
Change in claims provision		
P&C insurance	75	87
Life insurance, insurance contracts	0	77
Change in claims provision, gross	76	164
Reinsurers' share		
P&C insurance	-8	-2
Life insurance, insurance contracts	-3	0
Reinsurers's share, total	-11	-2
Change in claims provision, net	65	162
Group claims incurred, total	-4,023	-3,627

4 Change in liabilities for insurance and investment contracts

EURm	2017	2016
Change in unearned premium provision		
P&C insurance	32	-4
Life insurance		
Insurance contracts	-356	-277
Investment contracts	-263	-165
Total change in liabilities, gross	-587	-446
Reinsurers' share		
P&C insurance	-17	-2
Group change in liabilities for insurance and investment contracts total, net	-603	-448

5 Staff costs

EURm	2017	2016
Wages and salaries	-474	-414
Cash-settled share-based payments	-28	-11
Share-settled share-based payments	-2	-
Pension costs		
- defined contribution plans	-67	-64
- defined benefit plans (Note 29)	-9	-5
Other social security costs	-97	-80
Group staff costs, total	-676	-574

More information on share-based payments in note 34 Incentive schemes.

6 Other operating expenses

EURm	2017	2016
IT costs	-124	-122
Other staff costs	-20	-16
Marketing expenses	-46	-43
Depreciation and amortisation	-25	-14
Rental expenses	-56	-50
Change in deferred acquisition costs	-6	-10
Direct insurance commissions	-167	-171
Commissions of reinsurance assumed	-1	-1
Commissions on reinsurance ceded	18	15
Other	-109	-139
Group other operating expenses, total	-536	-551

Item Other includes e.g. expenses related to communication, external services and other administrative expenses.

7 Result analysis of If

EURm	2017	2016
Insurance premiums earned	4,293	4,286
Claims incurred	-2,959	-2,905
Operating expenses	-705	-713
Other insurance technical income and expense	-8	-7
Allocated investment return transferred from the non-technical account	19	-3
Technical result	640	658
Net investment income account	229	188
Allocated investment return transferred to the technical account	-52	-26
Other income and expense	0	3
Operating result	818	824

Specification of activity-based operating expenses included in the income statement

EURm	2017	2016
Claims-adjustment expenses (claims paid)	-241	-235
Acquisition expenses (operating expenses)	-490	-490
Joint administrative expenses for insurance business (operating expenses)	-227	-226
Administrative expenses pertaining to other technical operations (operating expenses)	-35	-33
Asset management costs (investment expenses)	-23	-17
Total	-1,016	-1,002

8 Earnings per share

EURm	2017	2016
Earnings per share		
Profit or loss attributable to the equity holders of the parent company	2,216	1,650
Weighted average number of shares outstanding during the period	560	560
Earnings per share (EUR per share)	3.96	2.95

9 Financial assets and liabilities

Financial assets and liabilities have been categorised in accordance with IAS 39.9. In the table are also included interest income and expenses, realised and unrealised gains and losses recognised in P/L, impairment losses and dividend income arising from those assets and liabilities. The financial assets in the table include balance sheet items Financial assets, Cash and cash equivalents and Assets held for sale.

EURm	Carrying amount	Interest inc./exp.	2017 Gains/losses	Impairment losses	Dividend income
FINANCIAL ASSETS					
Financial assets at fair value through p/l					
Derivative financial instruments	85	-40	185	-	-
Financial assets for trading	5,421	29	3	-	4
Financial assets designated as at fair value through p/l	0	0	0	-	0
Loans and receivables	3,275	11	-13	-	-
Financial assets available-for-sale	16,982	281	160	-106	142
Group financial assets, total	25,764	281	335	-106	146
FINANCIAL LIABILITIES					
Financial liabilities at fair value through p/l					
Derivative financial instruments	96	-	-		
Other financial liabilities	3,553	-52	4		
Group financial liabilities, total	3,649	-52	4		

EURm	Carrying amount	Interest inc./exp.	2016		Dividend income
			Gains/ losses	Impairment losses	
FINANCIAL ASSETS					
Financial assets at fair value through p/l					
Derivative financial instruments	45	-21	18	-	-
Financial assets designated as at fair value through p/l	24	1	0	-	0
Loans and receivables	2,689	13	6	-	-
Financial assets available-for-sale	17,705	298	146	-47	175
Group financial assets, total	20,463	290	169	-47	175
FINANCIAL LIABILITIES					
Financial liabilities at fair value through p/l					
Derivative financial instruments	81	-	-		
Other financial liabilities	3,766	-52	34		
Group financial liabilities, total	3,847	-52	34		

10 Property, plant and equipment

EURm	2017			2016		
	Land and buildings	Equipment	Total	Land and buildings	Equipment	Total
At 1 January						
Cost	6	77	83	6	77	84
Accumulated depreciation	-2	-54	-56	-2	-56	-57
Net carrying amount at 1 January	4	22	27	5	22	26
At 31 December						
Cost	5	71	76	6	77	83
Business acquisitions	115	50	165			
Accumulated depreciation	-2	-81	-83	-2	-54	-56
Net carrying amount at 31 December	118	40	158	4	22	27

Equipment in different segments comprise IT equipment and furniture.

11 Investment property

EURm	2017	2016
At 1 January		
Cost	301	282
Accumulated depreciation	-67	-63
Accumulated impairment losses	-24	-24
Net carrying amount at 1 January	211	195
Net carrying amount at 1 January	211	195
Business acquisitions	491	-
Transfers to property, plant and equipment	-2	-
Additions	29	41
Disposals	-67	-22
Depreciation	-4	-4
Impairment losses	-6	1
Exchange differences	0	0
Net carrying amount at 31 December	653	211
At 31 December		
Cost	753	301
Accumulated depreciation	-71	-67
Accumulated impairment losses	-29	-24
Net carrying amount at 31 December	653	211
Rental income from investment property	27	23
Property rented out under operating lease		
Non-cancellable minimum rental		
- not later than one year	33	10
- later than one year and not later than five years	45	14
- later than five years	24	3
Total	102	28
Expenses arising from investment property		
- direct operating expenses arising from investment property generating rental income during the period	-13	-10
- direct operating expenses arising from investment property not generating rental income during the period	-4	-2
Total	-17	-12
Fair value of investment property at 31 December	688	243

Fair values for the Group's investment property are entirely determined by the Group based on the market evidence. The determination and hierarchy of financial assets and liabilities at fair value is disclosed in note 17. Based on the principles of this determination, the investment property falls under levels 2 and 3.

The premises in investment property for different segments are leased on market-based, irrevocable contracts. The lengths of the contracts vary from those for the time being to those for several years.

12 Intangible assets

EURm	Goodwill ^{*)}	Customer relations and Trademark	2017	Total
			Other intangible assets	
At 1 January				
Cost	679	-	67	746
Accumulated amortisation	-	-	-46	-46
Net carrying amount at 1 January	679	-	22	700
At 31 December				
Cost	694	-	149	843
Business acquisitions	783	633	59	1,475
Accumulated amortisation	-	-	-122	-122
Net carrying amount at 31 December	1,476	633	86	2,196
Mandatum's assets held for sale				-75
Group intangible assets, total				2,121

EURm	Goodwill ^{*)}	2016	Total
		Other intangible assets	
At 1 January			
Cost	700	67	766
Accumulated amortisation	-	-43	-43
Net carrying amount at 1 January	700	24	724
At 31 December			
Cost	679	67	746
Accumulated amortisation	-	-46	-46
Net carrying amount at 31 December	679	22	700
Mandatum's assets held for sale			-89
Group intangible assets, total			611

Goodwill is split between the segments as follows:		2017	2016
If		510	526
Topdanmark		813	-
Mandatum		153	153
		1,476	679

^{*)} The change in the cost is due both to Topdanmark's consolidation as a subsidiary and If P&C Insurance Ltd becoming a branch of its Swedish sister company. Exchange differences affect the cost of the intangible assets as well.

At the business acquisition of Topdanmark, EURm 95 were allocated to trademark. The useful life of trademark is deemed indefinite and it will not be amortised.

Other intangible assets in all segments comprise mainly IT software.

Depreciation and impairment losses are included in the income statement item Other operating expenses.

Testing goodwill for impairment

Goodwill is tested for impairment in accordance with IAS 36 Impairment of assets. No impairment losses have been recognised based on these tests.

For the purpose of testing goodwill for impairment, Sampo determines the recoverable amount of its cash-generating units, to which goodwill has been allocated, on the basis of value in use. Sampo has defined these cash-generating units as If Group, Topdanmark Group and Mandatum Life Insurance Company Ltd (Mandatum hereafter).

The recoverable amounts for If and Mandatum have been determined by using a discounted cash flow model. The model is based on Sampo's management's best estimates of both historical evidence and economic conditions such as volumes, interest rates, margins, capital structure and income and cost development. The value in use model for Mandatum is greatly influenced by the long-term development of insurance liabilities, affecting e.g. the required solvency capital and thus the recoverable amount. That is why the forecast period is longer for Mandatum, 10 years. The derived cash flows were discounted at the pre-tax rates of the cost of equity which for If was 8.7% and for Mandatum Life 9.5%. The cost of equity is used as the cost of capital as neither company has principal outstanding.

Forecasts for If, approved by the management, cover years 2018 – 2020. The cash flows beyond that have been extrapolated using a 2% growth rate. A 2% growth rate for years beyond 2027 has been used for the for Mandatum Life as well, as it is believed to be close to the anticipated inflation in both cases.

In Mandatum Life, the recoverable amount exceeds its carrying amount by some EURm 600. With the calculation method used, e.g. an increase of about 2% point in the cost of equity could lead to a situation where the recoverable amount of the entity would equal its carrying amount.

As for the If Group, the management believes that any reasonably possible change in any of these key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

IAS 36 permits determining the recoverable amount by using the fair value less costs to sell. For Topdanmark, the valuation of goodwill has been tested on the balance sheet date by using that method. Topdanmark's share price at the acquisition date 30 September 2017 was 247.70 Danish crowns and 268.10 Danish crowns on 31 December 2017. The fair value of Topdanmark on the balance sheet date exceeds its carrying amount in the Group.

13 Investments in associates

Associates that have been accounted for by the equity method at 31 Dec. 2017

EURm					
Name	Domicile	Carrying amount	Fair value ^{*)}	Interest held %	
Nordea Bank Abp	Sweden	7,578	8,680	21.25	
Autovahinkokeskus Oy	Finland	3		35.54	
CAP Group AB	Sweden	3		21.98	
Svithun Assuranse AS	Norway	1		33.00	
Contemi Holding AS	Norway	0		28.57	
SOS International A/S	Denmark	8		25.20	
Bornholms Brandforsikring A/S	Denmark	10		27.00	
Komplementarselskabet Margretheholm ApS	Denmark	0		50.00	
Komplementarselskabet Havneholmen ApS	Denmark	0		50.00	
Margretheholm P/S	Denmark	23		50.00	
Havneholmen P/S	Denmark	64		50.00	
P/S Ejendomsholding Banemarksvej	Denmark	6		40.00	
Komplementarselskabet Banemarksvej ApS	Denmark	0		40.00	
Carlsberg Byen P/S	Denmark	69		22.51	

Associates that have been accounted for by the equity method at 31 December 2016

EURm					
Name	Domicile	Carrying amount	Fair value ^{*)}	Interest held %	
Nordea Bank Abp	Sweden	7,554	9,124	21.25	
Topdanmark A/S	Denmark	554	955	45.38	
Autovahinkokeskus Oy	Finland	3		35.54	
CAP Group AB	Sweden	2		21.98	
Svithun Assuranse AS	Norway	1		33.00	
Contemi Holding AS	Norway	0		28.57	
SOS International A/S	Denmark	7		25.20	

^{*)} Published price quotation

Changes in investments in associates

EURm	2017			2016		
	Nordea	Other associates	Total	Nordea	Other associates	Total
At beginning of year	7,554	553	8,107	7,305	374	7,679
Share of loss/profit	616	5	622	773	65	837
Business acquisitions	-	169	-	-	-	-
Additions	-	-	-	-	205	205
Disposals	-559	-540	-1,099	-551	-5	-555
Changes in the equity of associates	-33	-	-33	27	-86	-59
Exchange differences	-	0	0	-	0	0
At end of year	7,578	187	7,596	7,554	553	8,107

The carrying amount of investments in associates included goodwill EURm 990 (1,101), including goodwill from the Nordea acquisition EURm 978 (978).

Sampo's holding in Nordea

Nordea is an universal bank with positions within corporate merchant banking as well as retail banking and private banking. With approximately 700 branches, call centers in all Nordic countries and an e-bank, Nordea also has a large distribution network for customers in the Nordic and Baltic sea region.

Financial information on Nordea

EURm	2017	2016
Assets	581,612	615,659
Liabilities	548,296	583,249
Goodwill included in the assets	1,994	2,247
Revenue	9,469	9,927
Other comprehensive income items	-520	165
Comprehensive income statement	3,048	3,766
Dividend income from the associate during the financial year	559	551

Reconciliation of Nordea's carrying amount to Nordea's financial information

EURm	2017	2016
Net assets of Nordea	30,404	30,162
Sampo's share of 21.25%	6,461	6,409
Remaining allocations		
Goodwill	978	978
Trademark and customer relations, net	139	166
Total carrying amount	7,578	7,554

Sampo's holding in Topdanmark

Topdanmark is the second largest insurance company in Denmark, and is primarily engaged in providing life and non-life insurance products. Sampo consolidated Topdanmark as an associated company until 30 September 2017 when it became a subsidiary of Sampo. The share of associates' profit for 2017 is thus for the time period of 1.1. - 30.9.2017. The last quarter of Topdanmark's profit has been consolidated line by line in the Group's financial statements.

Sampo's share of Topdanmark's profit/loss

EURm	2017	2016
Share of loss/profit of the associate	99	67
Amortisation of the customer relations	-12	-11
Change in deferred tax	3	2
Share of the loss/profit of an associate	90	59

14 Financial assets

Group's financial assets comprise investments in derivatives, financial assets designated as at fair value through p/l, loans and receivables, available-for-sale financial assets and investments in subsidiaries. The Holding segment includes also investments in subsidiaries.

The Group uses derivative instruments for trading and for hedging purposes. The derivatives used are foreign exchange, interest rate and equity derivatives. Fair value hedging has been applied during the financial year in Mandatum.

EURm	2017	2016
If		
Derivative financial instruments	25	14
Loans and receivables	83	84
Financial assets available-for-sale	11,109	11,569
If, total	11,217	11,667
Topdanmark		
Derivative financial instruments	16	-
Assets held for trading	5,692	
Loans and receivables	458	-
Topdanmark, total	6,166	-
Mandatum		
Derivative financial instruments	31	13
Financial assets designated as at fair value through p/l	-	24
Loans and receivables	0	20
Financial assets available-for-sale	5,144	5,612
Total	5,176	5,670
Assets held for sale	-198	-210
Mandatum, total	4,977	5,459
Holding		
Derivative financial instruments	13	18
Loans and receivables	0	0
Financial assets available-for-sale	729	814
Investments in subsidiaries	3,767	2,370
Holding, total	4,510	3,201
Elimination items between segments	-4,038	-2,659
Group financial assets, total	22,832	17,668

Derivative financial instruments

EURm	Contract/ notional amount	2017 Fair value		Contract/ notional amount	2016 Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
OTC derivatives						
Interest rate swaps	2,836	6	77	735	12	4
Foreign exchange derivatives						
OTC derivatives						
Currency forwards	11,131	74	18	5,317	27	75
Currency options, bought and sold	188	2	1	92	0	0
Total foreign exchange derivatives	11,319	76	18	5,409	27	75
Equity derivatives						
OTC derivatives						
Equity and equity index options	0	0	0	9	3	3
Equity futures	44	0	0	-	-	-
Total equity derivatives	44	0	0	9	3	3
Total derivatives held for trading	14,199	82	96	6,153	43	81
Derivatives held for hedging						
Fair value hedges						
Currency forwards	364	3	0	534	2	0
Total derivatives held for hedging	364	3	0	534	2	0
Group financial derivatives, total	14,563	85	96	6,687	45	81
Fair value hedges						

Fair value hedging is used to hedge a proportion of foreign exchange and interest risk in available-for-sale financial assets. The interest elements of forward contracts have been excluded from hedging relationships in foreign exchange hedges. Net result from exchange derivatives designated as fair value hedges amounted to EURm -63 (19). Net result from hedged risks in fair value hedges of available for sale financial assets amounted to EURm 63 (-19).

Other financial assets

EURm	2017	2016
Financial assets designated as at fair value through p/l		
Debt securities	4,628	22
Equity securities	793	2
Total financial assets designated as at fair value through p/l	5,422	24
Loans and receivables	542	104
Financial assets available-for-sale		
Debt securities	13,081	13,503
Equity securities	3,902	4,202
Total financial assets available-for-sale	16,982	17,705

Financial assets available-for-sale include impairment losses EURm 288 (242).

Group other financial assets, total	22,945	17,833
Mandatum's assets held for sale	-198	-210
EURm	2017	2016
Group financial assets, total	22,832	17,668

15 Fair values

EURm	2017		2016	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets, group				
Financial assets	22,375	22,375	17,880	17,879
Investments related to unit-linked contracts	7,409	7,409	3,427	3,427
Other assets	469	469	49	49
Cash and cash equivalents	2,734	2,734	2,585	2,585
Total	32,987	32,987	23,941	23,940
Financial liabilities, group				
Financial liabilities	3,829	3,747	3,910	3,847
Other liabilities	63	63	31	31
Total	3,892	3,810	3,941	3,878

In the table above are presented fair values and carrying amounts of financial assets and liabilities. Assets held for sale are included in the figures. The detailed measurement bases of financial assets and liabilities are disclosed in Group Accounting policies.

The fair value of investment securities is assessed using quoted prices in active markets. If published price quotations are not available, the fair value is assessed using discounting method. Values for the discount rates are taken from the market's yield curve.

The fair value of the derivative instruments is assessed using quoted market prices in active markets, discounting method or option pricing models.

The fair value of loans and other financial instruments which have no quoted price in active markets is based on discounted cash flows, using quoted market rates. The market's yield curve is adjusted by other components of the instrument, e.g. by credit risk.

The fair value for short-term non-interest-bearing receivables and payables is their carrying amount.

Disclosed fair values are "clean" fair values, i.e. less interest accruals.

16 Determination and hierarchy of fair values

A large majority of Sampo Group's financial assets are valued at fair value. The valuation is based on either published price quotations or valuation techniques based on market observable inputs, where available. For a limited amount of assets the value needs to be determined using other techniques. The financial instruments measured at fair value have been classified into three hierarchy levels in the notes, depending on e.g. if the market for the instrument is active, or if the inputs used in the valuation technique are observable.

On level 1, the measurement of the instrument is based on quoted prices in active markets for identical assets or liabilities.

On level 2, inputs for the measurement of the instrument include also other than quoted prices observable for the asset or liability, either directly or indirectly by using valuation techniques.

In level 3, the measurement is based on other inputs rather than observable market data.

The figures include the financial assets classified as Assets held for sale.

EURm	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT 31 DECEMBER 2017				
Derivative financial instruments				
Interest rate swaps	-	6	-	6
Foreign exchange derivatives	-	79	-	79
Equity derivatives	-	1	-	1
	-	86	-	86
Assets held for trading				
Equity securities	608	185	-	793
Debt securities	3,953	868	77	4,899
	4,561	1,053	77	5,692
Financial assets designated at fair value through profit or loss				
Deposits	-	457	-	457
Financial assets related to unit-linked insurance				
Equity securities	2,223	4	6	2,233
Debt securities	1,163	1,625	38	2,826
Mutual funds	3,786	940	359	5,085
Derivative financial instruments	-	15	-	15
	7,173	2,584	403	10,160
Financial assets available-for-sale				
Equity securities	1,939	-	42	1,981
Debt securities	9,922	2,854	34	12,810
Mutual funds	1,183	62	675	1,921
	13,045	2,916	751	16,712
Total financial assets measured at fair value	24,779	7,096	1,231	33,106
FINANCIAL LIABILITIES AT 31 DECEMBER 2017				
Derivative financial instruments				
Interest rate derivatives	-	77	-	77
Foreign exchange derivatives	-	19	-	19
Total financial liabilities measured at fair value	-	96	-	96

EURm	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT 31 DECEMBER 2016				
Derivative financial instruments				
Interest rate swaps	-	12	-	12
Foreign exchange derivatives	-	30	-	30
Equity derivatives	-	3	-	3
	-	45	-	45
Financial assets designated at fair value through profit or loss				
Equity securities	2	-	-	2
Debt securities	18	4	0	22
	20	4	0	24
Financial assets related to unit-linked insurance				
Equity securities	664	13	14	692
Debt securities	748	650	27	1,424
Mutual funds	2,954	902	154	4,009
Derivative financial instruments	-	2	-	2
	4,366	1,567	194	6,128
Financial assets available-for-sale				
Equity securities	2,123	-	48	2,171
Debt securities	9,410	4,036	58	13,504
Mutual funds	1,212	60	758	2,030
	12,746	4,096	863	17,705
Total financial assets measured at fair value	17,132	5,713	1,057	23,902
FINANCIAL LIABILITIES AT 31 DECEMBER 2016				
Derivative financial instruments				
Interest rate derivatives	-	4	-	4
Foreign exchange derivatives	-	74	-	74
Equity derivatives	-	3	-	3
Total financial liabilities measured at fair value	-	81	-	81

Transfers between levels 1 and 2

	2017		2016	
	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1	Transfers from level 1 to level 2
Financial assets held for trading				
Debt securities	59	-	-	-
Financial assets related to unit-linked insurance				
Equity securities	49	48	3	4
Debt securities	18	-	-	-
	67	48	3	4
Financial assets available-for-sale				
Debt securities	811	649	459	502

Sensitivity analysis of fair values

The sensitivity of financial assets and liabilities to changes in exchange rates is assessed on business area level due to different base currencies. In If, 10 percentage point depreciation of all other currencies against SEK would result in an increase recognised in profit/loss of EURm 13 (10) and in a decrease recognised directly in equity of EURm -12 (-8). In Topdanmark, 10 percentage depreciation of all other currencies against DKK would result in a decrease recognised in profit/loss of EURm -1, but would not have an impact on equity. In Mandatum, 10 percentage point depreciation of all other currencies against EUR would result in an increase recognised in profit/loss of EURm 12 (12) and in a decrease recognised directly in equity of EURm -79 (-94). In Holding, 10 percentage point depreciation of all other currencies against EUR would have no impact in profit/loss, but a decrease recognised in equity of EURm -216 (-163).

The sensitivity analysis of the Group's fair values of financial assets and liabilities in different market risk scenarios is presented below. The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values on 31 December 2017.

The sensitivity analysis includes the effects of derivative positions. All sensitivities are calculated before taxes.

The debt issued by Sampo plc is not included.

	Interest rate		Equity	Other financial investments
	1% parallel shift down	1% parallel shift up	20% fall in prices	20% fall in prices
Effect recognised in profit/loss	173	-200	-122	-37
Effect recognised directly in equity	278	-262	-628	-158
Total effect	173	-200	-122	-37

17 Movements in level 3 financial instruments measured at fair value

EURm	1.1.	Total gains/losses in income statement	Total gains/losses recorded in other comprehensive income	Purchases ^{*)}	Sales	31.12.	Gains/losses included in p/l for financial assets at 31.12.2017
FINANCIAL ASSETS AT 31 DECEMBER 2017							
Financial assets held for trading							
Debt securities	-	-4	-	89	-9	77	-4
Financial assets related to unit-linked insurance							
Equity securities	14	-8	-	7	-6	6	-8
Debt securities	27	0	-	21	-9	38	0
Mutual funds	154	10	-	242	-47	359	11
	194	2	-	269	-62	403	3
Financial assets available-for-sale							
Equity securities	48	10	-1	6	-21	43	-2
Debt securities	58	0	0	334	-358	34	0
Mutual funds	757	-49	11	180	-226	674	-36
	864	-38	10	520	-604	751	-38
Total financial assets measured at fair value	1,058	-40	10	878	-675	1,231	-39

^{*)} Purchases of debt securities include additions from business acquisitions EURm 57 in assets held for trading and EURm 21 in financial assets related to unit-linked insurance.

EURm	Realised gains/losses	2017 Fair value gains and losses	Total
Total gains or losses included in profit or loss for the financial year	-37	8	-29
Total gains or losses included in profit and loss for assets held at the end of the financial year	-46	8	-39

EURm	1.1.	Total gains/losses in income statement	Total gains/losses recorded in other comprehensive income	Purchases	Sales	31.12.	Gains/losses included in p/l for financial assets at 31.12.2016
FINANCIAL ASSETS AT 31 DECEMBER 2016							
Financial assets related to unit-linked insurance							
Equity securities	17	-6	-	12	-9	14	-4
Debt securities	27	0	-	0	0	27	0
Mutual funds	46	-3	-	129	-19	154	-2
	89	-9	-	142	-29	194	-5
Financial assets available-for-sale							
Equity securities	46	2	-1	6	-4	48	-2
Debt securities	90	1	0	213	-246	58	0
Mutual funds	801	0	-20	174	-198	757	-21
	936	4	-22	393	-448	863	-22
Total financial assets measured at fair value	1,026	-5	-22	535	-477	1,057	-27

EURm	Realised gains/losses	2016 Fair value gains and losses	Total
Total gains or losses included in profit or loss for the financial year	-5	-22	-26
Total gains or losses included in profit and loss for assets held at the end of the financial year	-6	-22	-27

18 Sensitivity analysis of level 3 financial instruments measured at fair value

EURm	2017		2016	
	Carrying amount	Effect of reasonably possible alternative assumptions (+ / -)	Carrying amount	Effect of reasonably possible alternative assumptions (+ / -)
Financial assets				
Financial assets available-for-sale				
Equity securities	42	-8	48	-10
Debt securities	34	-1	58	-2
Mutual funds	675	-135	758	-152
Total	751	-145	863	-163

The value of financial assets regarding the debt security instruments has been tested by assuming a rise of 1 per cent unit in interest rate level in all maturities. For other financial assets, the prices were assumed to go down by 20 per cent. Sampo Group bears no investment risks related to unit-linked insurance, so a change in assumptions regarding these assets does not affect profit or loss. On the basis of the these alternative assumptions, a possible change in interest levels at 31 December 2017 would cause a descend of EURm 1 (2) for the debt instruments, and EURm 143 (162) valuation loss for other instruments in the Group's other comprehensive income. The reasonably possible effect, proportionate to the Group's equity, would thus be 1.1 per cent (1.4).

19 Investments related to unit-linked insurance contracts

EURm	2017	2016
Financial assets designated at fair value through p/l		
Debt securities	2,826	1,426
Equity securities	6,870	4,660
Total	9,697	6,086
Loans and other receivables	373	330
Other financial assets	440	2
Investments related to unit-linked insurance contracts, total	10,509	6,419
Mandatum's assets held for sale	-3,100	-2,992
Group investments related to unit-linked contracts, total	7,409	3,427

20 Deferred tax assets and liabilities

Changes in deferred tax during the financial period 2017

EURm	1.1.	Business acquisitions	Recognised in comprehensive income statement	Recognised in equity	Exchange differences	31.12
Deferred tax assets						
Tax losses carried forward	15	0	0	0	0	15
Employee benefits	28	0	-6	-1	-1	20
Other deductible temporary differences	13	2	-1	2	-1	15
Total	56	2	-7	1	-2	50
Netting of deferred taxes						-32
Deferred tax assets in the balance sheet						18
Deferred tax liabilities						
Depreciation differences and untaxed reserves	257	0	-58	0	-10	189
Changes in fair values	265	0	-3	11	-2	271
Other taxable temporary differences	33	197	-22	1	0	209
Total	555	197	-83	12	-12	670
Netting of deferred taxes						-32
Total deferred tax liabilities in the balance sheet						638

Changes in deferred tax during the financial period 2016

EURm	1.1.	Recognised in comprehensive income statement	Recognised in equity	Exchange differences	31.12
Deferred tax assets					
Tax losses carried forward	15	0	0	0	15
Changes in fair values	35	-8	1	0	28
Other deductible temporary differences	19	-7	0	1	13
Total	68	-15	1	1	56
Netting of deferred taxes					-28
Deferred tax assets in the balance sheet					27
Deferred tax liabilities					
Depreciation differences and untaxed reserves	251	6	0	0	257
Changes in fair values	221	-2	48	-2	265
Other taxable temporary differences	28	4	1	0	33
Total	500	8	49	-2	555
Netting of deferred taxes					-28
Total deferred tax liabilities in the balance sheet					527

In Sampo plc, EURm 27 of deferred tax asset has not been recognised on unused tax losses. The first losses will expire in 2019.

In life insurance, EURm 3 of deferred tax asset has not been recognised on unused tax losses.

21 Taxes

EURm	2017	2016
Profit before tax	2,482	1,871
Tax calculated at parent company's tax rate	-496	-374
Different tax rates on overseas earnings	-14	-14
Income not subject to tax	3	7
Expenses not allowable for tax purposes	-13	-4
Consolidation procedures and eliminations	279	165
Tax losses for which no deferred tax asset has been recognised	-2	2
Changes in tax rates	-	0
Tax from previous years	0	-3
Total	-243	-221

22 Components of other comprehensive income

EURm	2017	2016
Other comprehensive income:		
Items reclassifiable to profit or loss		
Exchange differences	-96	-80
Available-for-sale financial assets		
Gains/losses arising during the year	324	302
Reclassification adjustments	-244	-66
The share of the segregated Suomi portfolio	-7	-11
Share of associate's other comprehensive income	-57	19
Taxes	-18	-49
Total items reclassifiable to profit or loss, net of tax	-97	115
Items not reclassifiable to profit or loss		
Actuarial gains and losses from defined pension plans	5	-6
Taxes	-1	1
Total items not reclassifiable to profit or loss, net of tax	4	-5

23 Tax effects relating to components of other comprehensive income

EURm	2017			2016		
	Before-tax amount	Tax	Net-of-tax amount	Before-tax amount	Tax	Net-of-tax amount
Items reclassifiable to profit or loss						
Exchange differences	-96	-	-96	-80	-	-80
Available-for-sale financial assets	73	-18	55	225	-49	176
Share of associate's other comprehensive income	-57	-	-57	19	-	19
Total	-79	-18	-97	164	-49	115

24 Other assets

EURm	2017	2016
Interests	116	86
Assets arising from direct insurance operations	1,259	1,182
Assets arising from reinsurance operations	50	51
Settlement receivables	12	49
Deferred acquisition costs ¹⁾	152	123
Assets related to Patient Insurance Pool	114	120
Other	236	148
Group other assets, total	1,939	1,761

Item Other comprise rental deposits, salary and travel advancements and assets held for resale.

Other assets include non-current assets EURm 109 (114).

1) Change in deferred acquisition costs in the period

EURm	2017	2016
At 1 January	123	131
Business acquisitions	41	-
Net change in the period	-6	-10
Exchange differences	-6	2
At 31 December	152	123

25 Liabilities from insurance and investment contracts

P&C liabilities from insurance contracts

EURm	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision for unearned premiums	2,399	51	2,348	2,042	44	1,997
Provision for claims outstanding	8,882	243	8,640	7,338	192	7,146
Incurred and reported losses	2,909	173	2,736	1,596	114	1,482
Incurred but not reported losses (IBNR)	3,093	70	3,023	3,327	78	3,249
Provisions for claims-adjustment costs	2,226	0	2,226	267	-	267
Provisions for annuities and sickness benefits	654	-	654	2,148	-	2,148
P&C insurance total	11,281	294	10,987	9,379	236	9,143

As Topdanmark and especially If are exposed to various exchange rates, comparing the balance sheet data from year to year can be misleading.

Change in P&C insurance liabilities

EURm	2017			2016		
	Gross	Ceded	Net	Gross	Ceded	Net
Provision for unearned premiums						
At 1 January	2,042	44	1,997	2,017	46	1,971
Business acquisitions	463	24	487			-
Exchange differences	-75	-2	-77	20	1	21
Change in provision	-30	-15	-45	4	-2	2
At 31 December	2,399	51	2,348	2,042	44	1,997

EURm	2017			2016		
	Gross	Ceded	Net	Gross	Ceded	Net
Provision for claims outstanding						
At 1 January	7,338	192	7,146	7,416	193	7,223
Business acquisitions	1,809	70	1,739	-	-	-
Acquired/disposed insurance holdings	33	-	33	28	-	28
Exchange differences	-204	-11	-196	-19	1	-20
Change in provision	-93	-8	-85	-87	-2	-86
At 31 December	8,882	243	8,640	7,338	192	7,146

The tables below show the cost trend for the claims for different years. The upper part of the tables shows how an estimate of the total claims costs per claims year evolves annually. The lower section shows how large a share of this is presented in the balance sheet. More information on insurance liabilities in the risk management note 39.

If

Claims cost trend of P&C insurance

Claims costs before reinsurance

Estimated claims cost

EURm	< 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
At the close of the claims year	16,645	2,600	2,600	2,706	2,790	2,834	2,735	2,717	2,743	2,786	2,826	
One year later	16,554	2,558	2,552	2,745	2,899	2,822	2,762	2,710	2,761	2,820		
Two years later	16,529	2,504	2,526	2,692	2,895	2,837	2,763	2,718	2,749			
Three years later	16,491	2,477	2,488	2,691	2,883	2,827	2,768	2,729				
Four years later	16,358	2,456	2,470	2,685	2,856	2,796	2,773					
Five years later	16,238	2,442	2,448	2,682	2,841	2,763						
Six years later	16,227	2,424	2,446	2,667	2,819							
Seven years later	16,227	2,430	2,420	2,660								
Eight years later	16,339	2,412	2,408									
Nine years later	16,288	2,392										
Ten years later	16,267											
Current estimate of total claims costs	16,267	2,392	2,408	2,660	2,819	2,763	2,773	2,729	2,749	2,820	2,826	43,207
Total disbursed	13,441	2,206	2,209	2,429	2,578	2,509	2,444	2,351	2,322	2,253	1,627	36,369
Provision reported in the balance sheet	2,826	186	199	231	241	254	329	378	427	567	1,199	6,838
of which established vested annuities	1,580	66	65	79	76	76	83	81	56	31	5	2,197
Provision for claims-adjustment costs												254
Total provision reported in the BS of If												7,092

Claims costs after reinsurance

Estimated claims cost

EURm	< 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
At the close of the claims year	15,549	2,486	2,490	2,576	2,640	2,644	2,687	2,679	2,698	2,727	2,766	
One year later	15,461	2,457	2,459	2,621	2,710	2,629	2,714	2,668	2,713	2,737		
Two years later	15,407	2,405	2,431	2,580	2,698	2,645	2,717	2,660	2,697			
Three years later	15,386	2,380	2,405	2,573	2,692	2,645	2,723	2,671				
Four years later	15,277	2,362	2,389	2,571	2,663	2,619	2,726					
Five years later	15,174	2,350	2,367	2,569	2,652	2,586						
Six years later	15,169	2,332	2,365	2,553	2,629							
Seven years later	15,180	2,339	2,342	2,544								
Eight years later	15,280	2,322	2,331									
Nine years later	15,225	2,302										
Ten years later	15,210											
Current estimate of total claims costs	15,210	2,302	2,331	2,544	2,629	2,586	2,726	2,671	2,697	2,737	2,766	41,199
Total disbursed	12,417	2,118	2,134	2,318	2,393	2,338	2,406	2,304	2,288	2,212	1,611	34,541
Provision reported in the balance sheet	2,793	184	196	226	235	249	320	367	410	525	1,154	6,659
of which established vested annuities	1,579	66	65	79	76	76	83	81	56	31	5	2,197
Provision for claims-adjustment costs												254
Total provision reported in the BS of If												6,912

Topdanmark

Claims cost trend of P&C insurance

Claims costs before reinsurance

Estimated claims cost

EURm	<2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
At the close of the claims year	881	904	915	968	862	1,014	894	886	869	796	
One year later	907	877	918	987	865	1,042	902	898	866		
Two years later	909	884	934	978	867	1,044	899	885			
Three years later	925	884	930	977	860	1,040	893				
Four years later	920	875	922	968	849	1,027					
Five years later	905	876	915	962	847						
Six years later	908	873	909	956							
Seven years later	883	867	908								
Eight years later	875	868									
Nine years later	875										
Current estimate of total claims costs	875	868	908	956	847	1,027	893	885	866	796	8,921
Total disbursed	812	808	830	870	745	899	739	704	630	411	7,449
Discounting	0	0	0	0	0	0	0	0	-1	-1	-3
Provision reported in the balance sheet	62	60	78	86	101	128	153	182	236	385	1,470
Discounting of previous years											278
Total provision reported in the BS of Topdanmark											1,748

Claims costs after reinsurance

Estimated claims cost

EURm	<2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
At the close of the claims year	836	858	858	828	810	858	841	830	807	771	
One year later	864	832	864	842	819	868	846	842	810		
Two years later	869	844	882	835	821	870	845	831			
Three years later	886	846	880	833	815	866	838				
Four years later	881	836	874	826	805	854					
Five years later	866	838	866	820	802						
Six years later	870	836	861	815							
Seven years later	845	830	860								
Eight years later	837	831									
Nine years later	836										
Current estimate of total claims costs	836	831	860	815	802	854	838	831	810	771	8,248
Total disbursed	775	772	782	729	703	730	690	664	589	403	6,838
Discounting	0	0	0	0	0	0	0	0	-1	-1	-3
Provision reported in the balance sheet	61	59	78	86	99	123	148	168	221	368	1,407
Discounting of previous years											278
Total provision reported in the BS of Topdanmark											1,685

Life insurance liabilities from insurance and investment contracts

EURm	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision for unearned premiums						
Insurance contracts	5,467	0	5,467	2,426	3	2,423
Investment contracts	2,324	-	2,324	28	-	28
Provision for claims outstanding	26	-	26	2,368	-	2,368
Total	7,817	0	7,817	4,821	3	4,818
Mandatum's liabilities related to assets held for sale	-198			-210		-210
Group liabilities from insurance and investment contracts, total	7,618	0	7,618	4,611	3	4,608

Change in liabilities from insurance contracts

EURm	Gross	Reinsurance	Net
	Contracts with discretionary participation features	Contracts with discretionary participation features	
At 1 January 2017	4,794	-	4,794
Business acquisitions	3,258	-	3,258
Premiums	159	-	159
Claims paid	-515	-	-515
Expense charge	-39	-	-39
Guaranteed interest	153	-	153
Bonuses	1	-	1
Other	-19	-	-19
Total at 31 December 2017	7,791	-	7,791
Mandatum's liabilities related to assets held for sale			-198
Life insurance liabilities from insurance contracts, total			7,592

EURm	Gross	Reinsurance	Net
	Contracts with discretionary participation features	Contracts with discretionary participation features	
At 1 January 2016	4,979	0	4,979
Premiums	149	-	149
Claims paid	-470	-	-470
Expense charge	-37	-	-37
Guaranteed interest	138	-	138
Bonuses	5	-	5
Other	29	-3	26
Total at 31 December 2016	4,794	-3	4,791
Mandatum's liabilities related to assets held for sale			-210
Life insurance liabilities from insurance contracts, total			4,581

Life insurance liabilities from investment contracts

EURm	2017	2016
Investment contracts with discretionary participation feature	26	28

The change between financial years is mainly due to the claims paid.

Change in liabilities from life insurance investment contracts

EURm	Contracts with discretionary participation features
At 1 January 2017	28
Claims paid	-2
Other	1
Life insurance liabilities from investment contracts at 31 December 2017, total	26

EURm	Contracts with discretionary participation features
At 1 January 2016	36
Other (includes i.e. conversions between different insurance classes)	-8
Life insurance liabilities from investment contracts at 31 December 2016, total	28

The liabilities at 1 January and at 31 December include the future bonus reserves and the effect of the reserve for the decreased discount rate. The calculation is based on items before reinsurers' share. More details on the insurance liabilities are presented in the risk management note 39.

Investment contracts do not include a provision for claims outstanding.

Liability adequacy test does not give rise to supplementary claims.

Exemption allowed in IFRS 4 Insurance contracts has been applied to investment contracts with DPF or contracts with a right to trade-off for an investment contract with DPF. These investment contracts have been valued like insurance contracts.

Reconciliation to the consolidated insurance and investment contracts

EURm	2017
P&C insurance	11,281
Life insurance	7,618
Consolidated insurance and investment contracts, total	18,900

26 Liabilities from unit-linked insurance and investment contracts

Life insurance

EURm	2017	2016
Unit-linked insurance contracts	4,794	4,427
Unit-linked investment contracts	2,230	1,972
Life insurance liabilities	4,036	-
Total	11,060	6,399
Liabilities related to assets held for sale	-3,100	-2,992
EURm		
Group liabilities from unit-linked insurance and investment contracts, total	7,959	3,407

27 Financial liabilities

The segment financial liabilities include derivatives, debt securities and other financial liabilities.

If

EURm			2017	2016
Derivative financial instruments (note 14)			11	67
Subordinated debt securities				
Subordinated loans	Maturity	Interest		
Preferred capital note, 2011 (nominal value EURm 110)	30 years	6.00%	110	109
Preferred capital note, 2013 (nominal value EURm 90)	perpetual	4.70%	-	92
Preferred capital note, 2016 (nominal value 1,500 MSEK)	30 years	3 month Stibor + 2.25%	152	154
Preferred capital note, 2016 (nominal value 500 MSEK)	30 years	2.42%	51	52
Total subordinated debt securities			312	407
If, total financial liabilities			322	474

The loan 2011 was issued with fixed interest rates for the first ten years, after which it becomes subject to variable interest rates. The subordinated loan issued in 2013 has a fixed interest rate for the first 5.5 years after which it becomes subject to variable interest rates. At the point of change, there is the possibility of redemption for all the loans.

The loan 2013 was prematurely repaid in September 2017.

The loan of 1,500 MSEK issued in 2016 is issued with variable interest rate terms. After ten years the margin is increased by one percentage point. It includes terms stating the right of redemption after five years and at any interest payment date thereafter.

The loan of 500 MSEK issued in 2016 is issued with fixed interest rate terms for the first five years. After that period, the loan becomes subject to variable interest rate but it also includes terms stating the right of redemption at this point in time or at any interest payment date thereafter.

All the loans are listed on the Luxembourg Exchange.

The purpose of the loans is to secure the good financial standing. All loans and their terms are approved by supervisory authorities and they are utilised for solvency purposes.

Topdanmark

EURm			2017	2016
Derivative financial instruments (note 14)			69	-
Subordinated debt securities				
Subordinated loans	Maturity	Interest		
Preferred capital note, 2017 (nominal value 400 MDKK)	bullet	3 month Cibor + 2.75%	53	-
Preferred capital note, 2015 (nominal value 500 MDKK)	12/2025	2.92% until 2020	67	-
Preferred capital note, 2015 (nominal value 850 MDKK)	06/2026	3 month Cibor +270 bp	114	-
Total subordinated debt securities			234	-
Topdanmark, total financial liabilities			303	-

Subordinated loans are wholly included in Topdanmark's own funds.

Mandatum

EURm			2017	2016
Derivative financial instruments (note 14)			6	11
Subordinated debt securities				
Subordinated loans			100	100
Mandatum, total financial liabilities			106	111

Mandatum Life issued in 2002 EURm 100 Capital Notes. The loan is perpetual and pays floating rate interest. The interest is payable only from distributable capital. The loan is repayable only with the consent of the Insurance Supervisory Authority and at the earliest on 2012 or any interest payment date after that. The loans is wholly subscribed by Sampo Plc.

Holding

EURm	2017	2016
Derivative financial instruments (note 14)	10	3
Debt securities in issue		
Commercial papers	293	671
Bonds ^{*)}	2,884	2,877
Total	3,177	3,548
Holding, total financial liabilities	3,187	3,551

^{*)} The determination and hierarchy of financial assets and liabilities at fair value is disclosed in note 17. Based on the principles of this determination, the bonds of the Holding Company fall under level 2.

Elimination items between segments	-269	-289
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EURm		
Group, total financial liabilities	3,649	3,847

Change in liabilities from financing activities

EURm	1.1.2017	Cash flows	Exchange differences	Other	31.12.2017
Commercial papers	671	-378	-	0	293
Bonds	2,877	25.1	-16	-2	2,884
Total liabilities from financing activities	3,548	-353	-16	-2	3,177

EURm	1.1.2016	Cash flows	Exchange differences	Other	31.12.2016
Commercial papers	305	366	-	0	671
Bonds	1,997	903	-21	-3	2,877
Total liabilities from financing activities	2,302	1,269	-21	-2	3,548

28 Provisions

EURm	2017
At 1 January 2017	35
Exchange rate differences	-1
Additions	6
Amounts used during the period	-7
Unused amounts reversed during the period	-1
At 31 December 2017	33
Current (less than 1 year)	7
Non-current (more than 1 year)	26
Total	33

EURm 9 (11) of the provision consist of assets reserved for the development of efficient administrative and claims-adjustment processes and structural changes in distribution channels result in organisational changes that affect all business areas. In addition, the item includes a provision of about EURm 24 (21) for law suits and other uncertain liabilities.

29 Employee benefits

Employee benefits

Sampo has defined benefit plans in P&C insurance business in Sweden and Norway.

In addition to statutory retirement pension insurance, the Group has certain voluntary defined benefit plans. The voluntary defined benefit plans are intra-Group and included in the insurance liabilities of Mandatum Life. The amount is negligible and they have no material impact on the Group profit or loss or equity.

Employee benefit obligations of If

EURm	2017	2016
Present value of estimated pension obligation, including social costs	268	294
Fair value of plan assets	211	214
Net pension obligation recognised in the balance sheet	57	79

The main Swedish defined-benefit pension plan is closed to new employees born in 1972 or later. The corresponding Norwegian pension plan consists solely of active people employed prior to 2006 and born 1957 and earlier.

For both countries, the pension benefits referred to are old-age pension and survivors' pension. A common feature of the defined-benefit plans is that the employees and survivors encompassed by the plans are entitled to a guaranteed pension that depends on the employees' service period and pensionable salary at the time of retirement. The dominating benefit is the old-age pension, which refers in part to temporary pension before the anticipated retirement age and in part to a life-long pension after the anticipated retirement age.

The retirement age for receiving premature pension is normally 62 years in Sweden and normally 65 years in Norway. In Sweden, premature old-age pension following a complete service period is payable at a rate of approximately 65% of the pensionable salary and applies to all employees born in 1955 or earlier and who were covered by the insurance sector's collective bargaining agreement of 2006. In Norway, premature old-age pension following a complete service period is payable at a rate of approximately 70% of the pensionable salary and applies to all employees born in 1957 or earlier and who were employed by If in 2013.

The anticipated retirement age in connection with life-long pension is 65 years for Sweden and 67 years for Norway. In Sweden, life-long old-age pension following a complete service period is payable at a rate of 10% of the pensionable salary between 0 and 7.5 income base amounts, 65% of salary between 7.5 and 20 income base amounts and 32.5% between 20 and 30 income base amounts. In Norway, life-long old-age pension following a complete service period is payable at a rate of 70% of the pensionable salary up to 12 National Insurance base amounts, together with the estimated statutory old-age pension. Paid-up policies and pension payments from the Swedish plans are normally indexed upwards in an amount corresponding to the change in the consumer price index. However, there is no agreement guaranteeing the value and future supplements in addition to the contractual pension benefit could either rise or fall. If is not responsible for indexation of paid-up policies and/or pension payments from the Norwegian insured plans.

The pensions are primarily funded through insurance whereby the insurers establish the premiums and disburse the benefits. If's obligation is primarily fulfilled through payment of the premiums. Should the assets that are attributable to the pension benefits not be sufficient to enable the insurers to cover the guaranteed pension benefits, If could be forced to pay supplementary insurance premiums or secure the pension obligations in some other way. In addition to insured pension plans, there are also unfunded pension benefits in Norway for which If is responsible for ongoing payment.

To cover the insured pension benefits, the related capital is managed as part of the insurers' management portfolios. In such management, the characteristics of the investment assets are analyzed in relation to the characteristics of the obligations, in a process known as Asset Liability Management. New and existing asset categories are evaluated continuously in order to diversify the asset portfolios with a view to optimizing the anticipated risk-adjusted return. Any surplus that arises from management of the assets normally accrues to If and/or the insured and there is no form of transfer of the asset value to other members of the insurance collective.

The insurers and If are jointly responsible for monitoring the pension plans, including investment decisions and contributions. The pension plans are essentially exposed to similar material risks regarding the final amount of the benefits, the investment risk associated with the plan assets and the fact that the choice of discount interest rate affects their valuation in the financial statements.

When applying IAS 19, the pension obligations are calculated, as is the pension cost attributable to the fiscal period, using actuarial methods. Pension rights are considered to have been vested straight line during the service period. The calculation of pension obligations is based on future anticipated pension payments and includes assumptions regarding mortality, employee turnover and salary growth. The nominally calculated obligation is discounted to the present value using interest rates based on the extrapolated yield-curves in Sweden and in Norway for AAA and AA corporate bonds, including mortgage-backed bonds, as at 30 November, approximately updated to reflect market conditions mid-December. The discount rate chosen takes into account the duration of the company's pension obligations. After a deduction for the plan assets, a net asset or net liability is recognized in the balance sheet.

The following tables contain a number of material assumptions, specifications of pension costs, assets and liabilities and a sensitivity analysis showing the potential effect on the obligations of reasonable changes in those assumptions as at the end of the fiscal year.

The carrying amounts have been stated including special payroll tax in Sweden (24.26%) and a corresponding fee in Norway (14.1%-19.1%).

	2017			2016		
	Sweden	Norway	Total	Sweden	Norway	Total
Recognised in income statement and other comprehensive income						
Current service cost	6	2	8	5	4	9
Past service cost	-	-	0	0	-7	-6
Interest expense on net pension liability	1	1	2	1	1	2
Total in income statement	6	3	9	7	-2	5
Remeasurement of the net pension liability	-9	4	-5	8	-2	6
Total in comprehensive income statement	-3	8	5	15	-4	11
Recognised in balance sheet						
Present value of estimated pension liability, including social costs	199	69	268	206	87	294
Fair value of plan assets	177	35	211	166	49	214
Net liability recognised in balance sheet	22	35	57	41	39	79

	2017		2016	
Distribution by asset class	Sweden	Norway	Sweden	Norway
Debt instruments, level 1	39%	52%	39%	54%
Debt instruments, level 2	0%	13%	0%	13%
Equity instruments, level 1	27%	11%	28%	6%
Equity instruments, level 3	10%	2%	10%	3%
Property, level 3	11%	14%	11%	12%
Other, level 1	0%	6%	2%	9%
Other, level 2	7%	2%	6%	3%
Other, level 3	5%	0%	4%	0%

The following actuarial assumptions have been used for the calculation of defined benefit pension plans in Norway and Sweden:

	Sweden	Sweden	Norway	Norway
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Discount rate	2.75%	2.75%	2.50%	2.75%
Future salary increases	2.75%	2.75%	3.00%	3.00%
Price inflation	1.75%	1.75%	2.00%	2.00%
Mortality table	FFFS 2007:31 +1 year	FFFS 2007:31 +1 year	K2013	K2013
Average duration of pension liabilities	21 years	21 years	13 years	13 years
Expected contributions to the defined benefit plans during 2018 and 2017	9	9	3	3

	2017			2016		
Sensitivity analysis of effect of reasonably possible changes	Sweden	Norway	Total	Sweden	Norway	Total
Discount rate, +0,50%	-24	-5	-28	-25	-6	-31
Discount rate, -0,50%	27	5	32	28	6	35
Future salary increases, +0,25%	7	1	8	8	1	9
Future salary increases, -0,25%	-7	-1	-7	-8	-1	-8
Expected longevity, +1 year	8	2	10	8	2	10

EURm	2017			2016		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Analysis of the employee benefit obligation						
Present value of estimated pension liability, including social costs	239	29	268	260	33	294
Fair value of plan assets	211	-	211	214	-	214
Net pension liability recognised in the balance sheet	28	29	57	46	33	79

Analysis of the change in net liability recognised in the balance sheet

EURm	2017	2016
Pension liabilities:		
At the beginning of the year	294	303
Earned during the financial year	8	9
Costs pertaining to prior-year service	-	-6
Interest cost	8	8
Actuarial gains (-)/losses (+) on financial assumptions	1	8
Actuarial gains (-)/losses (+), experience adjustments	-2	2
Exchange differences on foreign plans	-12	-2
Benefits paid	-28	-22
Settlements	-	-7
Defined benefit plans at 31 Dec.	268	294
Reconciliation of plan assets:		
At the beginning of the year	214	213
Interest income	6	6
Difference between actual return and calculated interest income	5	5
Contributions paid	16	16
Exchange differences on foreign plans	-8	-3
Benefits paid	-22	-14
Settlements	-	-7
Plan assets at 31 Dec.	211	214

Other short-term employee benefits

There are other short-term staff incentive programmes in the Group, the terms of which vary according to country, business area or company. Benefits are recognised in the profit or loss for the year they arise from. An estimated amount of these short-term incentives, social security costs included, for 2017 is EURm 68.

30 Other liabilities

EURm	2017	2016
Liabilities arising out of direct insurance operations	264	207
Liabilities arising out of reinsurance operations	44	34
Liabilities related to Patient Insurance Pool	112	118
Tax liabilities	185	114
Premium taxes	50	49
Liability for dividend distribution	-	38
Settlement liabilities	63	31
Interests	17	27
Prepayments and accrued income	266	171
Other	258	146
Group other liabilities, total	1,258	933

Item Other includes e.g. withholding taxes, social expenses related to Workers Compensation insurance policies and employee benefits and unpaid premium taxes.

The non-current share of other liabilities is EURm 97 (96).

31 Contingent liabilities and commitments

EURm	2017	2016
Off-balance sheet items		
Guarantees	992	4
Investment commitments	3	657
IT acquisitions	2	2
Other irrevocable commitments	106	15
Total	1,103	677

Assets pledged as collateral for liabilities or contingent liabilities

EURm	2017		2016	
	Assets pledged	Liabilities/ commitments	Assets pledged	Liabilities/ commitments
Assets pledged as collateral				
Investments				
- Investment securities	218	129	231	147
EURm	2017	2016		
Assets pledged as security for derivative contracts, carrying value				
Investment securities	15	34		
Cash and cash equivalents	85	-		

The pledged assets are included in the balance sheet item Other assets or Cash and cash equivalents.

EURm	2017	2016
Commitments for non-cancellable operating leases		
Minimum lease payments		
not later than one year	32	34
later than one year and not later than five years	105	114
later than five years	54	52
Total	191	200
Lease and sublease payments recognised as an expense in the period		
- minimum lease payments	-37	-37
- sublease payments	0	0
Total	-37	-37

The contracts have been made mainly for 3 to 10 years.

EURm	2017	2016
Other contingent liabilities		
Contract liabilities	82	-
Adjustments to VAT liabilities	11	-
Other liabilities	3	-

Other contingent liabilities belong to Topdanmark.

The subsidiary If P&C Insurance Ltd provides insurance with mutual undertakings within the Nordic Nuclear Insurance Pool, Norwegian Natural Perils' Pool and the Dutch Terror Pool.

In connection with the transfer of property and casualty insurance business from the Skandia group to the If Group as of March 1, 1999, If P&C Holding Ltd and If P&C Insurance Ltd issued a guarantee for the benefit of Försäkringsaktiebolaget Skandia (publ.) whereby the aforementioned companies in the If Group mutually guarantee that companies in the Skandia group will be indemnified against any claims or actions due to guarantees or similar commitments made by companies in the Skandia group within the property and casualty insurance business transferred to the If Group.

If P&C Insurance Holding Ltd and If P&C Insurance Ltd have separately entered into contracts with Försäkringsaktiebolaget Skandia (publ.) and Tryg-Baltica Forsikrings AS whereby Skandia and Tryg-Baltica will be indemnified against any claims attributable to guarantees issued by Försäkringsaktiebolaget Skandia (publ.) and Vesta Forsikring AS, on behalf of Skandia Marine Insurance Company (U.K.) Ltd. (now Marlon Insurance Company Ltd.) in favor of the Institute of London Underwriters. Marlon Insurance Company Ltd. was disposed during 2007, and the purchaser issued a guarantee in favour of If for the full amount that If may be required to pay under these guarantees.

If P&C Insurance Company Ltd has outstanding commitments to private equity funds totalling EURm 11, which is the maximum amount that the company has committed to invest in the funds. Capital will be called to these funds over several years as the funds make investments.

With respect to certain IT systems If and Sampo use jointly, If P&C Insurance Holding Ltd has undertaken to indemnify Sampo for any costs caused by It that Sampo may incur in relation to the owners of the systems.

Sampo Group's Danish companies and Topdanmark Group's companies are jointly taxed, with Topdanmark A/S being the management company. Pursuant to the specific rules on corporation taxes etc. in the Danish Companies Act, the companies are liable for the jointly taxed companies and for any obligations to withhold tax from interests, royalties and dividend for companies concerned.

Topdanmark EDB II ApS has entered into a contract with Keylane A/S on procurement and implementation of a new administration system for Topdanmark Life insurance. In connection with the implementation, Topdanmark Livsforsikring A/S has undertaken to give support in fulfilling Topdanmark EDB II ApS' obligations in accordance with the contract with Keylane A/S.

32 Equity and reserves

Equity

EURm	2017	2016
1 January	560,000	560,000
Cancellation of shares on the joint-book entry	-4,648	-
31 December	555,352	560,000

At the end of the financial year, the mother company or other Group companies held no shares in the parent company.

Reserves and retained earnings

Legal reserve

The legal reserve comprises the amounts to be transferred from the distributable equity according to the articles of association or on the basis of the decision of the AGM.

Invested unrestricted equity

The reserve includes other investments of equity nature, as well as issue price of shares to an extent it is not recorded in share capital by an express decision.

Other components of equity

Other components of equity include fair value changes of financial assets available for sale and derivatives used in cash flow hedges, and exchange differences.

Changes in the reserves and retained earnings are presented in the Group's statement of changes in equity.

33 Related party disclosures

Key management personnel

The key management personnel in Sampo Group consists of the members of the Board of Directors of Sampo plc and Sampo Group's Executive Committee, and the entities over which the members of the key management personnel have a control.

Key management compensation

EURm	2017	2016
Short-term employee benefits	9	9
Post employment benefits	3	2
Other long-term benefits	7	14
Total	19	26

Short-term employee benefits comprise salaries and other short-terms benefits, including profit-sharing bonuses accounted for for the year, and social security costs.

Post employment benefits include pension benefits under the Employees' Pensions Act (TyEL) in Finland and voluntary supplementary pension benefits.

Other long-term benefits consist of the benefits under long-term incentive schemes accounted for for the year (see Note 34).

Related party transactions of the key management

The key management does not have any loans from the Group companies.

Associates

Outstanding balances with related parties/Associate Nordea

EURm	2017	2016
Assets	1,948	2,500
Liabilities	72	90

The Group's receivables from Nordea comprise mainly long-term investments in bonds and deposits. In addition, the Group has several on-going derivative contracts related to the Group's risk management of investments and liabilities.

34 Incentive schemes

Long-term incentive schemes 2011 I - 2017 I

The Board of Directors of Sampo plc has decided on the long-term incentive schemes 2011 I - 2017 I for the management and key employees of Sampo Group. The Board has authorised the CEO to decide who will be included in the scheme, as well as the number of calculated incentive units granted for each individual used in determining the amount of the incentive reward. In the schemes, the number of calculated incentive units granted for the members of the Group Executive Committee is decided by the Board of Directors. Some 130 persons were included in the schemes at the end of year 2017.

The amount of the performance-related bonus is based on the value performance of Sampo's A share and on the insurance margin (IM) and on Sampo's return on the risk adjusted capital (RoCaR). The value of one calculated incentive unit is the trade-weighted average price of Sampo's A-share at the time period specified in the terms of the scheme, and reduced by the starting price adjusted with the dividends per share distributed up to the payment date. The pre-dividend starting prices vary between eur 39.07 - 43.81. The maximum value of one incentive unit varies between eur 33.37 - 62.81, reduced by the dividend-adjusted starting price. In all the schemes, the incentive reward depends on two benchmarks. If the IM is 6 per cent or more, the IM-based reward is paid in full. If the IM is between 4 - 5.99 per cent, half of the incentive reward is paid. No IM-related reward will be paid out, if the IM stays below these. In addition, the return on the risk adjusted capital is taken into account. If the return is at least risk free return + 4 per cent, the RORAC-based incentive reward is paid out in full. If the return is risk free return + 2 per cent, but less than risk free return + 4 percent, the payout is 50 per cent. If the return stays below these benchmarks, no RORAC-based reward will be paid out.

Each plan has three performance periods and incentive rewards are settled in cash in three installments. The employee shall authorise Sampo plc to buy Sampo's A-shares with 50 per cent (scheme 2017 I) or 60 percent (schemes 2014 and 2011 I) of the amount of the reward after taxes and other comparable charges. The shares are subject to transfer restrictions for three years from the day of payout. A premature payment of the reward may occur in the event of changes in the group structure or in the case of employment termination on specifically determined bases. The fair value of the incentive schemes is estimated by using the Black-Scholes pricing model.

	2011 I/2	2014 I	2014 I/2	2017 I
Terms approved ^{*)}	14/09/ 2011	17/09/ 2014	17/09/ 2014	14/09/ 2017
Granted (1,000) 31 Dec. 2014	100	4,434	-	-
Granted (1,000) 31 Dec. 2015	70	4,380	62	-
Granted (1,000) 31 Dec. 2016	35	4,211	62	-
Granted (1,000) 31 Dec. 2017	0	2,874	62	4,092
End of performance period I 30 %	Q2-2015	Q2-2017	Q2-2018	Q2-2020
End of performance period II 35 %	Q2-2016	Q2-2018	Q2-2019	Q2-2021
End of performance period III 35 %	Q2-2017	Q2-2019	Q2-2020	Q2-2022
Payment I 30 %	9-2015	9-2017	9-2018	9-2020
Payment II 35 %	9-2016	9-2018	9-2019	9-2021
Payment III 35 %	9-2017	9-2019	9-2020	9-2022
Price of Sampo A at terms approval date ^{*)}	18.10	37.22	37.22	44.02
Starting price ^{**)}	24.07	38.26	43.38	43.81
Dividend-adjusted starting price at 31 December 2017	16.97	31.86	38.93	43.81
Sampo A closing price at 31 December 2016	45.80			
Total intrinsic value, meur	0	29	0	2
Total debt	30			
Total cost for the financial period, EURm (incl. social costs)	28			

^{*)} Grant dates vary

^{**)} Trade-weighted average for ten trading days from the approval of terms

Long-term incentive scheme of Topdanmark

Topdanmark's share option scheme is for its Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date in the prior financial year (average of all trades). The options may be exercised 3-5 years subsequent to the granting. The scheme is settled by shares.

The option scheme requires employment during the whole year of the allocation. Options are allocated at beginning of year and in connection with resignation in the year of allocation a proportional deduction in the number of allocated options is made.

	Strike price	Executive board	Senior executives	Resigned	Total
Total number of options (1,000)					
At 1 January 2017		339	1,179	265	1,701
Granted	26	96	352	0	407
Transferred		-112	-15	127	0
Exercised		-131	-530	-126	-326
At 31 December 2017		192	986	266	1,783
Average strike price at 31 December 2017		26	27	26	27
Per granting					
2013, exercise period January 2016 - 2018	18	0	12	18	30
2014, exercise period January 2017 - 2019	21	50	94	52	195
2015, exercise period January 2018 - 2020	30	39	249	75	363
2016, exercise period January 2019 - 2021	29	41	291	75	407
2017, exercise period January 2020 - 2022	26	62	341	46	448
At 31 December 2017		192	986	266	1,444
Average strike price exercised options 2017		17	19	18	18
Average market price on date of exercise 2017					28
Fair value of granting 2017		0	1		1
Fair value at 31 December 2017		2	9	3	14

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a share price of EUR 24. The interest rate corresponds to the zero coupon rate based on the swap curve on 31 December of the previous year. Future volatility is assumed to be 22% and the average life of the options approximately 4 years.

At 31 December 2017, there were 225,000 options which could be exercised.

35 Assets and liabilities related to assets held for sale

In October 2016, Mandatum Life Insurance Company announced that it will not continue the distribution agreement of insurance policies with Danske Bank Plc after 31 December 2016 and that it will use its right to sell the insurance portfolio acquired via Danske Bank to Danske Bank A/S. As a result of the valuation process the value of the insurance portfolio as at the 31 December 2016 is EUR 334 million. The theoretical result from the beginning of 2017 until the date of the transfer as determined in the valuation process will be deducted from the final sales price. This theoretical result for year 2017 is determined to be EUR 18.1 million and for year 2018 EUR 18.6 million. The actual result produced by the portfolio until the transfer remains with Mandatum Life. After the transfer has been completed the transaction is expected to have a negative impact of EUR 20 - 25 million on Mandatum Life's annual profit before taxes. As a result of the transaction rises a gross sales gain equalling the value of the insurance portfolio adjusted with the items above. In Sampo Group's consolidated accounts the goodwill of approximately EUR 75 million related to assets held for sale will be deducted from the sales gain. The transfer of the portfolio is expected to take place during 2018.

The insurance portfolio targeted in the agreement is mainly included in the "Unit-linked contracts" segment. Assets and liabilities are valued at book value. The effect of the with profit insurance portfolio on the investment result in the "Other contracts" segment is deemed insignificant. The insurance risk result in the "Other contracts" segment also consists mainly of other insurance portfolio than that targeted in the agreement. The effect of the transfer of the insurance portfolio is expected to weaken the result significantly and this will mainly show in the "Unit-linked contract" segment. The premium income of the insurance portfolio in 2017 was EUR 204 and claims cost EUR 252.

Assets and liabilities of the portfolio at 31 December 2017

Assets	
Financial assets	198
Investments related to unit-linked insurance contracts	3,100
Goodwill	75
Total	3,374
Liabilities	
Liabilities for insurance and investment contracts	198
Liabilities for unit-linked insurance and investment contracts	3,100
Total	3,299

36 Auditors' fees

EURm	2017	2016
Auditing fees	-3	-2
Ernst & Young	-2	-2
Other	0	-
Other fees	0	0
Ernst & Young	0	0
Other	0	-
Total	-3	-3

37 Legal proceedings

There are a number of legal proceedings against the Group companies outstanding on 31 Dec. 2017, arising in the ordinary course of business. The companies estimate it unlikely that any significant loss will arise from these proceedings.

38 Investments in subsidiaries

Name	Group holding %	Carrying amount
If P&C Insurance Holding Ltd	100	1,886
If P&C Insurance Ltd	100	1,678
If P&C Insurance AS	100	45
Support Services AS	100	0
If Livförsäkring Ab	100	7
Nordic Assistance AB	100	1
Topdanmark A/S	49.09	1,398
Topdanmark Kapitalforvaltning A/S	100	16
Topdanmark Forsikring A/S	100	860
Topdanmark Liv Holding A/S	100	267
Topdanmark Livsforsikring A/S	100	455
Topdanmark Ejendom A/S	100	334
Nykredit Livsforsikring	100	17
Mandatum Life Insurance Company Ltd	100	484
Mandatum Life Services Ltd	100	4
Mandatum Life Investment Services Ltd	100	2
Saka Hallikiinteistöt GP Oy	100	0
Mandatum Life Vuokratontit I GP Oy	100	0
Mandatum Life Fund Management S.A.	100	1
Mandatum Life Insurance Baltic SE	100	11
If IT Services A/S	100	0
Sampo Capital Oy	100	1

The table excludes property and housing companies accounted for in the consolidated accounts.

39 Risk management disclosures

Sampo Group's Risks and Core Risk Management Activities

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

Group's Risks

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

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 the general business environment can cause larger than expected fluctuations in the financial results and in the long run these can endanger the existence of Sampo Group's business models.

External drivers behind such changes are varied, and include for instance general economic development, changes in values, development of the institutional and physical environment and technological innovations. External drivers are often connected to each other in many ways and because of them customer demand and behaviour can change, new competitors may appear and as a result business models of the industry can change. Currently the themes of sustainable business practices in general and especially the issues related

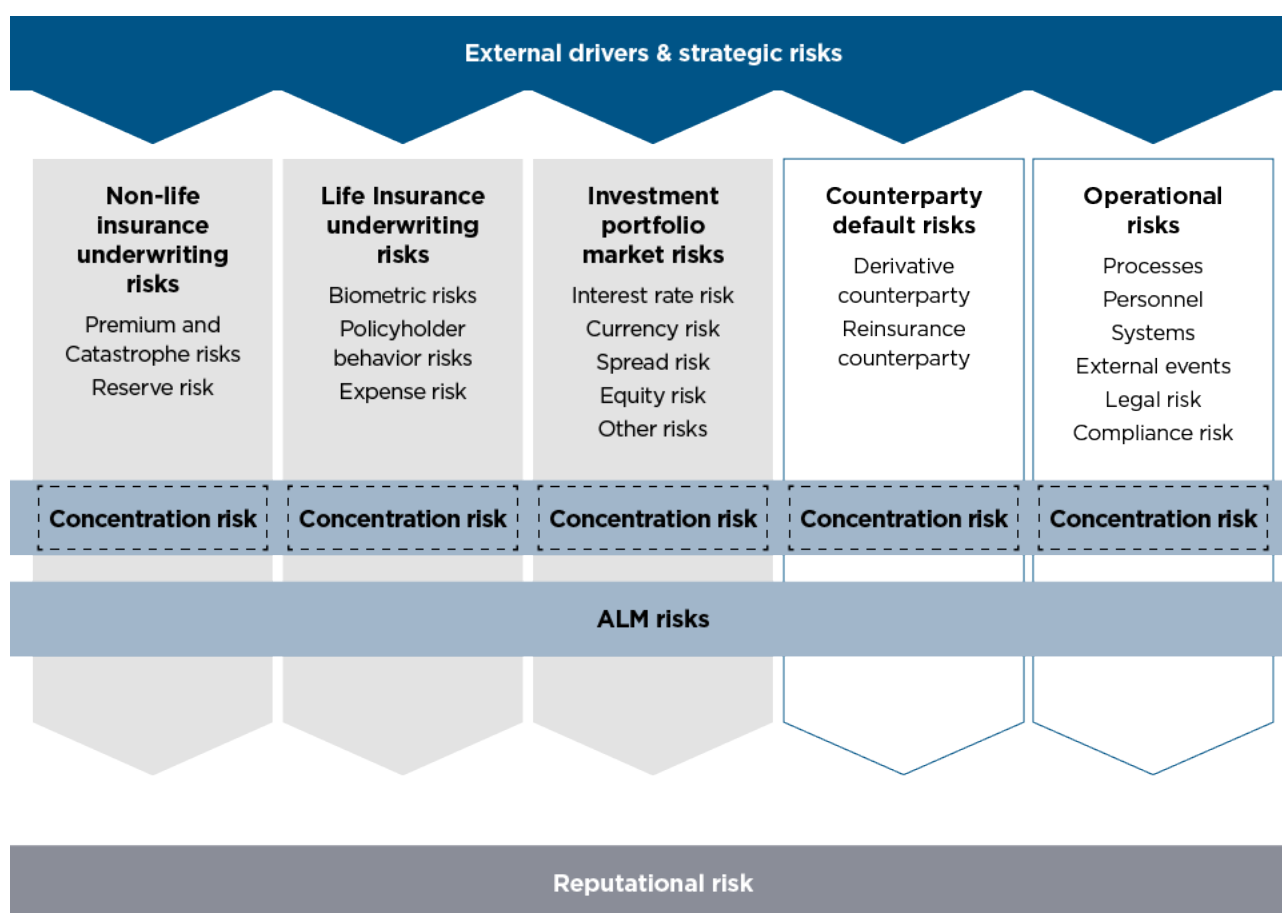
to environment, society and governance are changing the preferences and values of different stakeholders and hence as a result business environment is also changing in many different ways.

Due to the predominantly external nature of the drivers and development in the competitive environment, managing strategic risks is the responsibility of the executive level senior management. Proactive strategic decision-making is the central tool in managing strategic risks relating to business practices and competitive advantage. The maintenance of internal operational flexibility, in order to be able to adjust the business model and cost structure when needed is also an efficient tool in managing strategic risks. Although strategic risks are not covered by the capitalization process in Sampo Group they may have an effect on the amount and structure of the actual capital base, if this is deemed to be prudent in the 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 often manifests as a deterioration of reputation amongst customers and other stakeholders. Reputational risk is related to all activities shown in the figure Classification of Risks in Sampo Group. As the roots of reputational risk are varied, the tools to prevent it must be diverse and embedded within the corporate culture. The corporate culture, which is based on the core values of ethicality, loyalty, openness and entrepreneurship, is thus seen as an essential tool in preventing reputational risk in Sampo Group. These core values are reflected in how Sampo deals with environmental issues and its core stakeholders (i.e. customers, personnel, investors, other co-operation partners, tax authorities and supervisory authorities) and how Sampo Group has organized its Corporate Governance system.

Classification of Risks in Sampo Group



Risks Inherent in Business Operations

In its underwriting and investment operations, Sampo Group is consciously taking certain risks in order to generate earnings. These **earnings risks** are carefully selected and actively managed. Underwriting risks are priced to reflect their inherent risk levels and the expected return of investments is compared to the related risks. Furthermore, earnings related risk exposures are adjusted continuously and their impact on the capital need is assessed regularly.

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

Some risks, such as counterparty default risks and operational risks presented in the figure Classification of Risks in Sampo Group are indirect repercussions of Sampo's normal business activities. They are one-sided risks, which in principle have no related earnings potential. Accordingly, the risk management objective is to mitigate these risks efficiently rather than actively manage them. Mitigation of

consequential risks is the responsibility of the business areas and the investment unit. 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 simultaneously linked to various activities. In order to manage these risks efficiently, Sampo Group companies have to have a detailed understanding of expected cash flows and their variance within each of the company's activities. In addition, a thorough understanding is needed of how the market values of assets and liabilities may fluctuate at the total balance sheet level under different scenarios. These balance sheet level risks are commonly defined as Asset and Liability Management ("ALM") risks. In addition to interest rate, currency and liquidity risk, inflation risk and risks relating to GDP growth rates are central ALM risks in Sampo Group. The ALM risks are one of the focus areas of senior management because of their relevance to risks and earnings in the long run.

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

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

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

More detailed risk definitions can be found in [Appendix 2 \(Risk Definitions\)](#).

Core Risk Management Activities

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

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

At the company level, these resources are continuously developed. They are in use when the following core activities related to risk pricing, risk taking and active management of risk portfolios are conducted.

Appropriate selection and pricing of underwriting risks

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

Effective management of underwriting exposures

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

Careful selection and execution of investment transactions

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

Effective mitigation of consequential risks

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

Effective management of investment portfolios and the balance sheet

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

At the group level, the risk management focus is on group-wide capitalization and liquidity. It is also essential to identify potential risk concentrations and to have a thorough understanding of how reported profits of companies would develop under different scenarios. 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 profits, risks and capitalization can be achieved on both a company and group level and shareholder value can be created.

Further information on Sampo Group's steering framework and risk management process can be found in Sampo Group's Annual Report in Sampo Group's Risk Management Disclosure, in [Appendix 1 \(Sampo Group Steering Framework and Risk Management Process\)](#) and [Appendix 3 \(Selected Management Principles\)](#).

If P&C Group

P&C, 2017, the If P&C insurance portfolio is well diversified across Business Areas, Countries and Lines of Business. The six Lines of Business are segmented in accordance with insurance class segmentation used in IFRS.

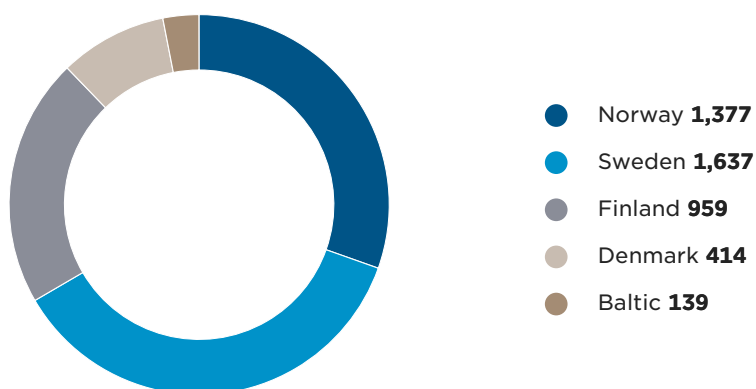
Underwriting Risks

As shown in the below figure Breakdown of Gross Written Premiums by Business Area, Country and Line of Business, If

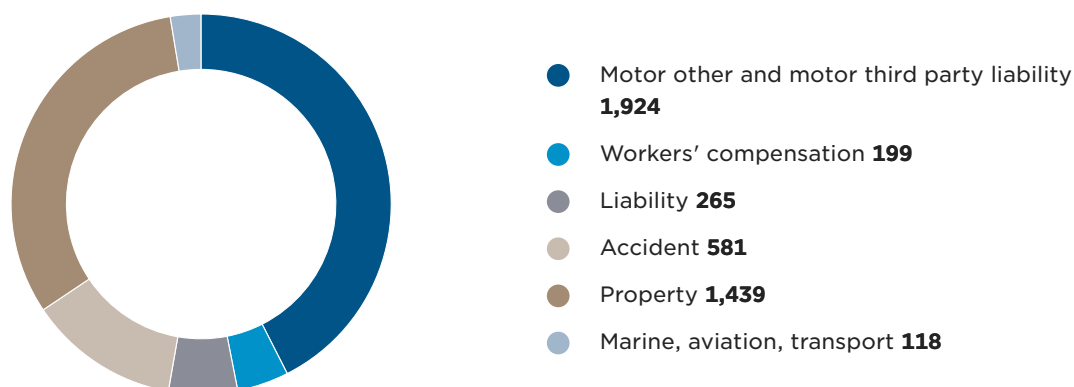
Breakdown of Gross Written Premiums by Business Area If P&C, 2017, total EUR 4,526 million



Breakdown of Gross Written Premiums by Country If P&C, 2017, total EUR 4,526 million



Breakdown of Gross Written Premiums by Line of Business If P&C, 2017, total EUR 4,526 million



The following adjustments from IFRS LoB's to Solvency II LoBs are made:

- IFRS Line of Business Motor other and Motor third party liability (1,924) include Solvency II Line of Business Motor vehicle liability insurance (590) and Other motor insurance (1,334).
- IFRS Line of Business Accident (581) includes Solvency II Line of Businesses Income protection insurance (397), Other Life (38), Medical expense insurance (131) and Assistance (14).

The item Other (including group eliminations) is not shown in the breakdowns above but 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.

Premium and Catastrophe Risk and Their Management and Control

Despite the diversified portfolio, risk concentrations and consequently 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 to natural catastrophes, single large claims could have an impact on the

insurance operations' result. The negative economic impact of natural catastrophes and single large claims is effectively mitigated by having a well-diversified portfolio and a group wide reinsurance program in place.

The sensitivity of the 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 2017 and 31 December 2016.

Sensitivity Test of Underwriting Result If P&C, 31 December 2017 and 31 December 2016 (unaudited)

Key figure	Current level (2017)	Change in current level	Effect on pretax profit, EURm	
			2017	2016
Combined ratio, business area Private	84.0%	+/- 1 percentage point	+/- 26	+/- 26
Combined ratio, business area Commercial	88.0%	+/- 1 percentage point	+/- 12	+/- 12
Combined ratio, business area Industrial	88.7%	+/- 1 percentage point	+/- 4	+/- 4
Combined ratio, business area Baltics	88.9%	+/- 1 percentage point	+/- 1	+/- 1
Net premiums earned (EURm)	4,294	+/- 1 per cent	+/- 43	+/- 43
Net claims incurred (EURm)	2,959	+/- 1 per cent	+/- 30	+/- 29
Ceded written premiums (EURm)	168	+/- 10 per cent	+/- 17	+/- 17

The Underwriting Committee ("UWC") shall give its opinion on and propose actions in respect of various issues related to underwriting risk. The committee also considers and proposes changes to the Underwriting Policy ("UW Policy"), which is the principal document for underwriting, and sets

general principles, restrictions and directions for the underwriting activities. This document shall be reviewed and decided at least yearly by the Boards of Directors.

The Chairman of the 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 monitors 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 the Commercial Business Area 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.

If P&C's Reinsurance Policy stipulates guidelines for the purchase of reinsurance. The need and optimal choice of reinsurance is evaluated by looking at the expected cost versus the benefit of the reinsurance, the impact on result volatility and impact on capital requirements. The main tool for this evaluation is If P&C's internal model in which frequency of claims, large claims and natural catastrophes are modelled.

A group-wide reinsurance program has been in place in If P&C since 2003. In 2017, retention levels were between SEK 100 million (approximately EUR 10.2 million) and SEK 250 million (approximately EUR 25.4 million) per risk and SEK 250 million (approximately EUR 25.4 million) per event.

Reserve Risk and Its Management and Control

The main reserve risks for If P&C are stemming from uncertainty in the claim amounts caused by higher claim inflation and increases in life expectancy than expected, with the consequences that both annuities and lump sum payments would increase.

In the table Technical Provisions by Line of Business and Major Geographical Area, If P&C, 31 December 2017 below, If P&C's technical provisions and durations are presented by Line of Business and Major Geographical Area. When the breakdown of technical provisions is compared to the breakdown of gross written premiums it can be seen that Finland's and Sweden's share of technical provisions is larger than the share of gross written premiums. This is mainly due to Sweden and Finland having a long duration of Motor other and Motor third party liability and Finland also having a long duration of Workers compensation. The long duration is mainly due to annuities in these lines of business, which increases the amount of technical provisions. The duration of the provisions, and thus the sensitivity to changes in interest rates, varies with each product portfolio. The weighted average duration for 2017 across the product portfolios was 6.5 years.

Technical Provisions by Line of Business and Major Geographical Area If P&C, 31 December 2017

	Sweden		Norway		Finland		Denmark		Total	
	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration
Motor other and MTPL	2,516	7.5	536	1.4	1,033	12.7	160	1.8	4,245	7.8
Workers' compensation	0	0.0	218	5.0	1,199	12.1	252	6.7	1,669	10.4
Liability	268	2.7	127	1.4	122	3.0	74	1.9	591	2.4
Accident	327	4.9	372	5.7	156	4.3	94	1.7	948	4.8
Property	407	1.2	475	0.9	226	1.1	99	1.0	1,207	1.0
Marine, aviation, transport	21	1.9	48	0.6	10	0.9	23	1.2	101	1.0
Total	3,537	6.1	1,775	2.5	2,746	10.5	701	3.1	8,760	6.5

As on Sampo's annual report 2017 figures are excluding Baltic, total EUR 140 million.

Reserves are exposed mainly to inflation and discount rates and to some extent to life expectancy. 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, 2017.

Sensitivities of Technical Provisions If P&C, 2017

Technical provision item	Risk factor	Change in risk parameter	Country	Effect EURm 2017
Nominal provisions	Inflation increase	Increase by 1%-point	Sweden	183.8
			Denmark	11.7
			Norway	53.3
			Finland	37.4
Annuities and estimated share of claims provisions to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	24.6
			Denmark	1.6
			Finland	66.2
Discounted provisions (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1%-point	Sweden	66.2
			Denmark	13.3
			Finland	299.3

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 output from this analysis is illustrated both before and after reinsurance in the claims cost trend tables. These are disclosed in the [Note 25](#) to the Financial Statements.

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 other and Motor third party liability and Workers' compensation. 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 Motor other and Motor third party liability and Workers' compensation, legislation differs significantly between countries. Some of the Finnish, Swedish and Danish technical provisions for these lines include annuities which are sensitive to changes in mortality assumptions and discount rates. The proportion of technical provisions related to Motor other and Motor third party liability and Workers' compensation was 68 per cent.

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 total provisions is sufficient. On If P&C Group level the Chief Actuary issues a quarterly report on the adequacy of technical provisions.

The Actuarial Committee is a preparatory and advisory board for If P&C's Chief Actuary. The committee secures a

comprehensive view over reserve risk, discusses and gives recommendations on policies and guidelines for calculating technical provisions.

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

The actuarial estimates are based on historical claims and existing exposures 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 property and casualty provisions, the Chain Ladder and Bornhuetter-Fergusson methods are generally used, combined with projections of the number of claims and average claims costs. For life provisions, the IBNR calculations are based on the estimated claims cost (risk premium) over the average time from claim occurrence to reporting.

Market Risks

Fixed income investments and listed equity instruments form a major part of investment portfolio of EUR 11,685 million (EUR 12,192 million in 2016). A large part of the fixed income investments was at 31 December 2017 concentrated to financial institutions. The role of real estate, private equity, biometric and other alternative investments is immaterial.

The composition of the investment portfolios by asset classes in If P&C at year end 2017 and at year end 2016 and average maturities of fixed income investments are shown in the table Investment Allocation, If P&C, 31 December 2017.

Investment Allocation

If P&C, 31 December 2017 and 31 December 2016

Asset class	If P&C 31 Dec 2017			If P&C 31 Dec 2016		
	Market value, EURm	Weight	Average maturity, years	Market value, EURm	Weight	Average maturity, years
Fixed income total	10,200	87%	2.7	10,624	87%	2.8
Money market securities and cash	575	5%	0.1	992	8%	0.3
Government bonds	1,040	9%	2.5	1,231	10%	3.1
Credit bonds, funds and loans	8,584	73%	2.9	8,401	69%	3.1
Covered bonds	3,084	26%	2.6	2,967	24%	3.1
Investment grade bonds and loans	3,490	30%	2.9	3,404	28%	2.9
High-yield bonds and loans	1,344	12%	2.8	1,461	12%	3.0
Subordinated / Tier 2	343	3%	4.7	278	2%	4.5
Subordinated / Tier 1	323	3%	3.2	292	2%	3.9
Hedging swaps	0	0%	-	0	-0%	-
Policy loans	0	0%	0.0	0	0%	0.0
Listed equity total	1,448	12%	-	1,527	13%	-
Finland	0	0%	-	0	0%	-
Scandinavia	151	1%	-	1,147	9%	-
Global	1,298	11%	-	380	3%	-
Alternative investments total	39	0%	-	44	0%	-
Real estate	20	0%	-	22	0%	-
Private equity	19	0%	-	23	0%	-
Biometric	0	0%	-	0	0%	-
Commodities	0	0%	-	0	0%	-
Other alternative	0	0%	-	0	0%	-
Trading derivatives	-3	0%	-	-3	0%	-
Asset classes total	11,685	100%	-	12,192	100%	-
FX Exposure, gross position	207	0%	-	99	-	-

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

The performance and market risk is actively monitored and controlled by the Investment Control Committee on a monthly basis and reported to the ORSA Committee quarterly. In addition, the allocation limits, issuer and counterparty limits, the sensitivity limits for interest rates and credit spreads as well as regulatory capital requirements are regularly monitored.

Market Risks of Fixed Income and Equity Instruments

Spread Risk and Equity Risk

Spread risk and equity risk are derived only from the asset side of the balance sheet. Exposures in fixed income and equity instruments are presented by Sectors, Asset Classes and Rating in below table that also include 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 Sector, Asset Class and Rating If P&C, 31 December 2017

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non- rated	Fixed income total	Listed equities	Other	Counterparty risk	Total	Change 31 Dec 2016
Basic Industry	0	0	31	58	1	0	52	143	40	0	0	183	23
Capital Goods	0	0	89	53	0	0	30	173	521	0	0	694	-4
Consumer Products	0	106	222	301	0	0	76	706	311	0	0	1,017	49
Energy	0	41	30	0	53	0	154	278	6	0	0	284	-137
Financial Institutions	0	968	1,250	444	22	0	26	2,710	28	0	6	2,744	-370
Governments	92	0	0	0	0	0	0	92	0	0	0	92	-31
Government Guaranteed	43	77	0	0	0	0	0	120	0	0	0	120	-36
Health Care	7	10	32	42	0	0	8	99	66	0	0	166	23
Insurance	0	0	40	63	27	0	22	152	0	0	60	212	-5
Media	0	0	0	0	0	0	22	22	0	0	0	22	-13
Packaging	0	0	0	0	0	0	5	5	0	0	0	5	0
Public Sector, Other	674	155	0	0	0	0	0	829	0	0	0	829	-123
Real Estate	0	6	92	80	8	0	489	674	0	20	0	694	91
Services	0	0	0	65	23	0	89	177	0	0	0	177	-12
Technology and Electronics	8	0	36	0	0	0	34	78	5	0	0	83	-21
Telecommunications	0	0	0	120	0	0	49	169	60	0	0	229	18
Transportation	0	72	7	53	0	0	167	299	7	0	0	306	-73
Utilities	0	0	31	244	46	0	44	364	0	0	0	364	-77
Others	0	26	0	0	0	0	12	39	0	0	0	39	22
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	3,020	63	0	0	0	0	0	3,084	0	0	0	3,084	117
Funds	0	0	0	0	0	0	0	0	403	19	0	422	20
Clearing House	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	3,845	1,525	1,860	1,523	180	0	1,279	10,212	1,448	39	66	11,765	-538
Change 31 Dec 2016	-17	-413	-162	274	-142	0	45	-413	-78	-5	-42	-538	

Most of the fixed income exposures are in investment grade issues and currently the role of Nordic covered bonds and Nordic banks as issuers is central. Within fixed income investments part of the money market securities, cash and investment grade government bonds form a liquidity buffer.

In regards to equities most of the equity investments are in Scandinavian markets that are selectively picked direct

investments. When investing in non-Nordic equities, funds or other assets, third party managed investments are mainly used. The changes of Equity positions during the year can be seen from the table Breakdown of Listed Equity Investments by Geographical Regions, If P&C, 31 December 2017 and 31 December 2016.

Breakdown of Listed Equity Investments by Geographical Regions If P&C, 31 December 2017 and 31 December 2016

If P&C	31 Dec 2017		31 Dec 2016	
	%	EURm	%	EURm
Denmark	0%	5	1%	9
Norway	10%	149	13%	195
Sweden	62%	891	62%	944
Finland	0%	0	0%	0
Western Europe	10%	151	11%	162
East Europe	0%	0	0%	0
North America	6%	87	6%	88
Latin America	2%	28	2%	25
Far East	9%	137	7%	105
Japan	0%	0	0%	0
Total		1,448		1,527

Market Risks of Balance Sheet

Asset and Liability Management (ALM) Risk

The ALM risk is taken into account through the risk appetite framework and its management and governance are based on If P&C's Investment Policies.

In general to maintain the ALM risk within the overall risk appetite, the cash flows of insurance liabilities are matched by investing in fixed income instruments denominated in same currencies as liabilities or in case assets with healthy risk return ratios are not available in liability's currency derivatives are used. During the current low interest rate environment the liquidity of assets has been special focus of investment strategy.

Interest Rate Risk

In general If P&C Group is negatively affected when interest rates are decreasing or staying at low levels, because the longer duration of liabilities in If P&C Group than the duration of assets. If P&C has over the years decreased its combined ratio to counteract falling interest rates. Interest rate sensitivity in terms of the average duration of fixed income investments in If P&C was 1.4. The respective duration of insurance liabilities in If P&C was 6.5. Interest rate risk is managed by changing the duration of assets and interest rate derivatives based on the market view and risk appetite.

In the financial accounts most of the technical provisions are nominal, while a significant part, namely the annuity and annuity IBNR reserves, are discounted using interest rates in accordance with regulatory rules. Thereby If P&C is, from a financial 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 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, 2017 in [the Non-life Underwriting Risks](#) section.

Currency Risk

If P&C writes insurance policies that are mostly denominated in the Scandinavian currencies and in euro. In If P&C, the FX-transaction risk is reduced by matching technical provisions with investment assets in the corresponding currencies or by using currency derivatives. Hence, the so called structural FX risk is first mitigated as a rule after which If P&C can open short or long FX positions (active FX risk) within its FX risk limits. The transaction risk positions of If P&C against SEK are shown in the table Transaction Risk Position, If P&C 31 December 2017. 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, 31 December 2017

	Base currency	EUR	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
If P&C	SEKm										
Insurance operations		-3,472	-96	0	-2	-25	-2,125	-9	-820	-15	-6,564
Investments		1,876	1,495	0	0	0	2,147	0	68	1	5,587
Derivatives		1,494	-1,397	0	3	28	56	9	750	11	955
Total transaction risk, net position, If P&C		-101	2	0	1	3	79	0	-2	-4	-22
Sensitivity: SEK -10%		-10	0	0	0	0	8	0	0	0	-2

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

In addition to transaction risk, If P&C is also exposed to translation risk which at group level stems from foreign operations with other base currencies than SEK.

Liquidity Risk

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 which are responsible for liquidity planning. Liquidity risk is reduced by having investments that are readily tradable in liquid

markets. The available liquid financial assets, being that part of the assets which can be converted into cash at a specific point in time, are analysed and reported to the ORSA Committee.

The maturities of technical provisions and financial assets and liabilities are presented in the table Cash Flows According to Contractual Maturity, If P&C, 31 December 2017. The average maturity of fixed income investments was 2.7 years in If P&C. 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, 31 December 2017

EURm	Carrying amount total			Cash flows						
	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	2018	2019	2020	2021	2022	2023-2032	2033-
If P&C										
Financial assets	13,115	1,883	11,232	2,836	2,098	2,321	2,322	1,426	325	318
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Financial liabilities	940	15	925	-722	-12	-13	-326	-3	0	0
of which interest rate swaps	2	0	2	-1	-1	-1	0	-3	0	0
Net technical provisions	8,900	0	8,900	-3,019	-1,048	-628	-504	-310	-2,038	-1,885

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 their nature, are associated with a certain degree of uncertainty.

If P&C Group has a relatively low amount of financial liabilities and thus Group's respective refinancing risk is relatively small.

Counterparty Default Risks

In If P&C the major three sources of counterparty risk are reinsurance, financial derivatives and other receivables.

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

Reinsurance Counterparty Risk

In If P&C reinsurance is used regularly and If P&C have number of programs in place. If P&C is using reinsurance to (i) utilize its own capital base efficiently and reduce cost of capital, (ii) limit large fluctuations of underwriting results and (iii) have access to reinsurers' competence base. The Reinsurance Committee ("RC") is a collaboration forum for reinsurance related issues in general 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 reporting policy deviations and other issues dealt with by the committee.

The distribution of reinsurance receivables and reinsurers' portion of outstanding claims on 31 December 2017 per rating category is presented in the table Reinsurance Recoverables and Pooled Solutions, If P&C, 31 December 2017 and 31 December 2016.

Reinsurance Recoverables and Pooled Solutions If P&C, 31 December 2017 and 31 December 2016

Rating	31 Dec 2017		31 Dec 2016	
	Total EURm	% of total	Total EURm	% of total
AAA	0	0%	0	0%
AA+ - A-	59	27%	102	41%
BBB+ - BBB-	1	1%	2	1%
BB+ - C	0	0%	0	0%
D	0	0%	0	0%
Non-rated	0	0%	2	1%
Captives and statutory pool solutions	160	73%	140	57%
Total	220	100%	246	100%

Because the recoverables and pooled solutions reported above are not covered by collaterals the whole amount is exposed to counterparty risk.

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 reporting policy deviations and other issues dealt with by the committee. If P&C has a Reinsurance Security Policy that sets requirements for the reinsurers' minimum credit ratings and the maximum exposure to individual reinsurers. Also, the own credit-analysis plays a central role when counterparties are selected.

As seen from above table most of the reinsurers are having either AA- or A- rating. The ten largest individual reinsurance recoverables amounted to EUR 165 million, representing 72 per cent of the total reinsurance recoverables. If P&C's largest non-captive individual reinsurer is Munich Re (AA-)

accounting for 39 per cent of the total non-captive reinsurance recoverables.

The cost of risk transfer related to the reinsurance recoverables and pooled solutions amounted to EUR 52.3 million. Of this amount, 100 per cent was related to reinsurance counterparties with a credit rating of A- or higher.

Counterparty Risk Related to Financial Derivatives

In If P&C, the default risk of derivative counterparties is a by-product of managing market risks. In If P&C the role of long term interest rate derivatives has been immaterial and counterparty risk stems mainly from short-term FX-derivatives. The counterparty risk of bilaterally settled derivatives is mitigated by careful selection of counterparties; by diversification of counterparties to prevent risk concentrations and by using collateral techniques, e.g. ISDA Master Agreements backed by Credit Support Annexes. During 2016 If P&C started to settle interest rate swaps in central clearing houses, which while further mitigating bilateral counterparty risk also exposes If P&C to the systemic risk related to centralised clearing parties.

Topdanmark Group

Underwriting Risks

Non-Life Underwriting and Risks

As shown in the below figure Breakdown of Gross Written Premiums by Business Area, Country and Line of Business, Topdanmark's insurance portfolio is diversified across Business Areas and Lines of Business.

Breakdown of Gross Written Premiums by Business Area

Topdanmark, 2017, total EUR 1,216 million



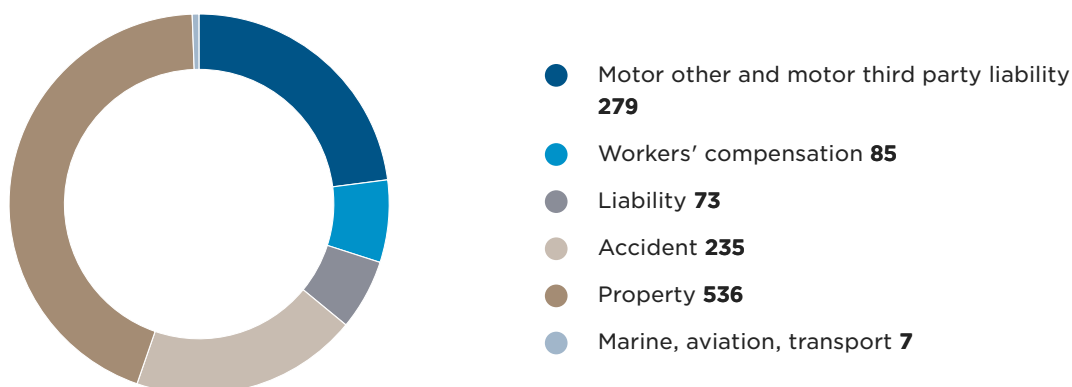
Breakdown of Gross Written Premiums by Country

Topdanmark, 2017, total EUR 1,216 million



Breakdown of Gross Written Premiums by Line of Business

Topdanmark, 2017, total EUR 1,216 million



Premium and Catastrophe Risk and Their Management and Control

The main underwriting risk that influence the performance is catastrophe events. However, Topdanmark Forsikring has a very comprehensive reinsurance programme in place contributing to the low level of underwriting risk. The largest retention level of DKK 100 million plus reinstatement for each event is on storm events. The maximum retention on fire events is DKK 25 million and in workers' compensation up to DKK 1 billion is covered with a retention of DKK 50 million.

With certain restrictions, terror is covered by the reinsurance contracts. A national guarantee scheme of DKK 15 billion covering terror claims including an element of NBCR (nuclear, biological, chemical, radiological) has been established. In January 2017, the market retention was DKK 9.9 billion. To cover this market retention the Danish non-life companies have established a NBCR terror pool. In this pool for 2017, reinsurance cover was DKK 4.5 billion after DKK 0.5 billion.

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

- Collection of data on risk and historical damage
- Use of collected and processed data in profitability reporting, risk analyzes and in the internal model
- Ongoing follow-up on risk developments as well as quarterly forecasts for future risk development
- Correct pricing using statistical model tool including customer scoring tools

- Reinsurance cover that reduces the risk especially for disaster damage
- Ongoing follow-up on the risk picture and reinsurance coverage in the Risk Committee.

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

In the private market segment, customer scoring is used and customers are divided into groups according to their expected profitability levels. The customer scoring has two roles. First it helps to maintain the balance between the individual customer's price and risk. Secondly it facilitates the fairness between individual customers by ensuring that no customers are paying too large premiums to cover losses from customers who pay too small premiums.

The historical profitability of major SME customers with individual insurance schemes is monitored using customer assessment systems.

In addition to the above described analysis Topdanmark continuously improves its administration systems to achieve more detailed data which in turn enables it to identify the claims trends at an earlier point in time and compile information on the constituent parts of the various types of claims.

The non-life risk scenarios can be found in the next table.

Non-Life Insurance Risk Scenarios

Topdanmark Forsikring, 31 December 2017 and 31 December 2016

Risk scenarios

EURm after taxation and pension return tax	2017	2016
Non-life insurance		
Underwriting risk		
Combined ratio - 1bp increase	-9.4	-9.3
Provision risk		
Provision on own account - 1% increase	-13.1	-13.2
Storm claims up to DKK 5,100m	-10.5	-10.5

Reserve Risk and Its Management and Control

The insurance lines of business are divided into short-tail i.e. those lines where the period from notification until settlement is short and long-tail i.e. those lines where the period from notification until settlement is long. Examples of

short-tail lines in Topdanmark Forsikring are building, personal property and comprehensive motor insurance. Long-tail lines relate to personal injury and liability such as workers' compensation, accident, motor third party insurance and commercial liability.

Composition of Topdanmark's Non-Life Overall Provisions for Outstanding Claims

31 December 2017 and 31 December 2016

Provisions for outstanding claims, %	2017	2016
Short-tail	11.0	12.7
Annuity provisions in workers' compensation	23.0	24.3
Other claims provisions in workers' compensation	25.2	23.0
Accident	27.2	25.6
Motor personal liability	10.0	10.7
Commercial liability	3.5	3.6

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

The reserve risk is calculated using Topdanmark's partial internal model for insurance risk.

Workers' compensation claims provision has by far the biggest risk, followed by the other long-tail claims provisions which mainly consist of personal injury claims.

During such a long period of settlement, the levels of compensation could be significantly affected by changes in legislation, case-law or practice in the compensation of damages adopted by, for example, the Danish Labour Market Insurance which decides on compensation for injury and loss of earnings potential in all cases of serious industrial injuries. The practice adopted by the Danish Labour Market Insurance also has some impact on the levels of compensation for accident and personal injury within motor, liability and commercial liability insurance.

The provisioning risk represents mostly the ordinary uncertainty of calculation and claims inflation, i.e. an increase in the level of compensation due to the annual increase in compensation per policy being higher than the level of general indexation or due to a change in judicial practice/legislation. The sufficiency of the provisions is tested in key lines by calculating the provisions using alternative models as well, and then comparing the compensation with information from external sources.

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

Life Underwriting Risks

During the latest two years, premiums were split between products as follows.

Sources of Gross Life Premiums Topdanmark, 2017 and 2016

EURm	2017	2016
With-profits schemes	74.9	89.2
Unit-linked schemes	220.7	195.3
Group life	68.3	71.8
Regular premiums	363.9	356.4
With-profits schemes	52.9	63.5
Unit-linked schemes	691.3	578.2
Single Premiums	744.2	641.7
Gross premiums	1,108.2	998.0

The focus of new sales is on unit-linked schemes and their premiums are almost 83 per cent of the gross premium income. The above table also shows that single premium products are more common than regular premium products. However, the regular premiums are growing steadily while the single premiums are fluctuating more from year to year.

The risk inherent in the life business is first of all related to the with-profit technical provisions. When the majority of new contracts are written as unit-link contracts, the risk will not increase as much as the volume of premiums and total provisions.

Result of Life Insurance Topdanmark, 2017 and 2016

EURm	2017	2016
Investment return on shareholders' equity	14.6	9.6
Sales and administration	-3.4	-5.7
Insurance risk	2.3	1.7
Risk premium	19.8	19.8
Profit on life insurance	33.4	25.4

The main risks of Topdanmark Livsforsikring can be summarized as follows:

- Limited loss-absorbing buffers combined with low interest rates environment
- Disability risk
- Longevity risk

Falling interest rates and, in particular, sustained low interest rates along with prolonged lives represent a significant risk scenario for insurers with guaranteed benefits as there will be a reduction of the individual bonus potentials used for loss absorption.

When an insured event occurs, the effect on the profit will depend on the size of loss absorbing capacity (LAC) of the reserves. When the loss absorbing capacity is higher than the losses, the customers themselves cover the losses.

Life Insurance Underwriting Risk Control

In general Topdanmark Livsforsikring has continuous focus on the solvency position, the changes in the individual risks and the development of the loss-absorbing buffers. The latter is important because over time it can level out the market and insurance risks within the individual risk groups. Hence, the loss-absorbing buffers are a crucial part of the with profit concept in leveling of yields and claims over time.

The scenario-based Solvency Capital Requirement is calculated quarterly. When deemed necessary, due to market developments, the frequency of calculation is increased and, if necessary, the number and type of scenarios are increased.

Trends in product claim levels are assessed on top of the calculation of the insurance provisions. Profitability models are applied systematically as a follow-up on customer and portfolio levels. This assessment is used to identify price adjustment needs.

Loss Absorbing Buffers in the Event of Low Interest Rates

Customers' individual and collective bonus potential together creates the loss absorbing buffers in life insurance against any losses incurred by customers on investment activities.

Low interest rates mean that the market value of the guarantees granted is high, and hence the related individual bonus potential is low. The lower the individual bonus potential, the higher the risk of any losses to be absorbed wholly or partially by shareholder's equity. If interest rates are high, the same losses could, to a larger degree, be absorbed by the bonus potential.

Declines in the collective bonus potential are most frequent, due to the investment return being lower than the annual addition of interest to deposits. Declines in collective bonus potential are also possible if interest rates are relatively high.

In order to protect shareholders' equity, in general it will be relevant to reduce market risks in the event of lower interest rates.

All policies have been split into contribution groups according to the guaranteed benefit scheme. For all contribution groups there are separate loss absorbing buffers and hence in each contribution group, the separate investment policy must be in line with risk taking capacity to ensure the ability to meet the guaranteed benefits. Market risk is adjusted continuously in accordance with the risk capacity of the contribution groups, and the movements in interest rates are monitored so that risk reducing actions can be taken when needed.

Disability

Disability risk is the risk of increased disability intensity or declines in the rates of resumption of work. Losses may incur due to an increase in disability frequency or due to inadequate health evaluation when the policy is written.

Extra costs, due to a permanent change in disability risk, will be partially covered by individual and collective bonus potential. The remainder affects profit/loss for the year and consequently shareholders' equity.

Longevity

Longevity risk is the risk that customers with life dependent policies, primarily annuities, live longer than expected. That will increase provisions for lifetime products.

Extra costs, due to longer lifetimes, will be partially covered by individual and collective bonus potential. The remainder affects profit/loss for the year and consequently shareholders' equity.

Following risk reduction measures and methods are used in Topdanmark Livsforsikring:

- All policies in the average return environment are divided according to the granted benefit guarantee and the investment policy is organized to ensure the ability to honor the guarantees
- Market risk can be adjusted freely in relation to the individual customer groups' risk capacity
- Normal fluctuations in ROI and risk results in the average interest rate environment are captured by bonus potentials per contribution group
- The individual bonus potentials in the average return environment are protected by cross-border protection
- Reinsurance
- Prices for death and disability are adjusted continuously in relation to the market situation and the observed injury history
- New subscription basis changes as needed

Establishment of business processes that ensure that the products are sold at the right price / risk mix

The life risk scenarios can be found in the next table.

Risk Scenarios in Life Insurance

Topdanmark, 31 December 2017 and 31 December 2016

Risk scenarios			
EURm after taxation and pension return tax		2017	2016
Life insurance			
Disability intensity - 35% increase*		-1.4	-1.6
Mortality intensity - 20% decline		-3.7	-4.2

*35% increase first year, subsequently 25%, coincident with 20% decline in reactivation rates

To monitor effectivity of the above risk reduction methods over time Topdanmark Risk Committee continuously monitors the company's risk profile and reinsurance cover. Also forecasts are followed up.

Market Risks

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

However, market risks shall be limited to the extent that is considered appropriate, even if it is highly probable that the company gains the profit even in the very unfavourable financial market scenarios. In addition, large risk exposures or highly correlated risks shall be covered to prevent unnecessary losses and market risks originating from insurance operations. The investment portfolio shall be managed in a way that market risk taking shall not endanger the normal operations or implementation of planned actions in unfavourable market conditions.

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

When selecting the investment assets, a portfolio composition that matches the risk features of the corresponding liabilities is sought. The purpose of the policy

is also to ensure that the company has implemented effectively the organization, systems and processes necessary to identify, measure, monitor, manage and report on investment risks to which it is exposed.

At the same time, the policy sets the framework for investment of customers' savings, schemes of right to bonus and link savings (customer funds) in Topdanmark Livsforsikring, so that the company can continue to offer attractive savings products to its clients with competitive returns in relation to the accepted investment risks.

In addition to Investment Policies, companies have a capital plan and a capital emergency plan if sudden changes occur in the asset or liability side.

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

Asset Allocations -Topdanmark Group Excluding Life Insurance

As described earlier, in life insurance different contribution groups have their own investment strategies and their loss absorbing buffers and hence it is not relevant to assess allocations and returns of these assets in isolation to their respective contribution groups.

Hence, in the two below tables the assets' allocations and annual investment returns without assets covering life insurance liabilities are presented.

Investment Allocation Topdanmark Group Excluding Life Insurance 31 December 2017 and 31 December 2016

Asset class	Topdanmark 31 Dec 2017		Topdanmark 31 Dec 2016	
	Market value, EURm	Weight	Market value, EURm	Weight
Fixed income total	2,218	78%	2,081	77%
Government and mortgage bonds	1,874	66%	1,672	62%
Credit bonds	6	0%	29	1%
Index linked bonds	38	1%	52	2%
CDOs	78	3%	75	3%
Money market securities and cash	223	8%	253	9%
Listed equity total	127	4%	122	5%
Danish equities	36	1%	40	1%
Equities outside Denmark	91	3%	82	3%
Alternative investments total	187	7%	177	7%
Real estate	145	5%	134	5%

Private equity	42	1%	43	2%
Assets related to I/A	327	11%	310	12%
Asset classes total	2,859	100%	2,690	100%

The exposure in equities outside Denmark and credit bonds has been adjusted by the use of derivatives. Private Equity also includes direct holdings in non-listed equities. The class of "Assets related to I/A" (illness/accident) comprises the investments in Topdanmark Livsforsikring, (the life insurance company) corresponding to the size of the illness/accident provisions.

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

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

Credit bonds are composed of a well-diversified portfolio, primarily exposed to businesses in Europe and in the United States, predominantly in the investment grade segment. Index linked bonds comprise bonds – primarily Danish mortgage bonds – for which the coupon and principal are index-linked.

The CDO category primarily includes positions in CDO equity tranches. The underlying assets consist for the most part of senior secured bank loans, while the remaining part consists primarily of investment grade investments in corporate bonds. The real estate portfolio comprises mainly owner-occupied real estate.

Assets related to illness/accident insurance comprise the investments in Topdanmark Livsforsikring corresponding to the size of the illness/accident provisions.

Investment Allocation: Life Insurance

The asset allocation covering life insurance liabilities over all contribution groups is presented in the below table.

Investment Allocation Topdanmark Livsforsikring, 31 December 2017 and 31 December 2016

Asset class	Topdanmark 31 Dec 2017		Topdanmark 31 Dec 2016	
	Market value, EURm	Weight	Market value, EURm	Weight
Fixed income total	2,021	66%	2,040	65%
Government and mortgage bonds	1,614	52%	1,540	49%
Index linked bonds	129	4%	149	5%
Credit and emerging market bonds	278	9%	351	11%
Listed equity total	489	16%	592	19%
Listed shares	489	16%	592	19%
Alternative investments total	702	23%	543	17%
Land and buildings	498	16%	479	15%
Unlisted shares	152	5%	14	0%
Shares in associated companies	52	2%	50	2%
Other investments	-127	-4%	-49	-2%
Other investments assets	-107	-3%	-34	-1%
Derivates to hedge against the net change in assets and liabilities	-19	-1%	-15	-0%
Asset classes total	3,085	100%	3,125	100%

Assets total relates to the products with guarantees and profit sharing. The exposure in equities outside Denmark and credit bonds has been adjusted by the use of derivatives. Unlisted shares include Private Equity and Hedge funds. Other investments assets include money markets securities, cash and derivatives.

Market Risks of Balance Sheet

Interest Rate Risk

Interest rate risk exposure is net of assets, liabilities and derivative instruments whose carrying amount is dependent on the interest rate level. In regards to insurance liabilities Topdanmark is exposed to interest rate risk due to provisions for outstanding claims in non-life insurance and guaranteed benefits in life insurance.

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

When assessing the value and sensitivity of insurance provisions Topdanmark uses the Solvency II discount curve that has its basis on market yield curve with volatility adjustment (VA). The VA component of DKK yield curve comprises a corrective element based on the spreads of Danish mortgage bonds and European credit bonds. The VA

component was 51bp at the end of 2016 and 30bp at end of 2017.

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

Equity Risk

The Danish part of the equity portfolio is composed on the basis of OMXCCAP index. The rest of the equity holdings are in the foreign equity portfolio that is based on MSCI World DC in its original currency. As a net result Topdanmark Group's equity holdings are well-diversified.

Breakdown of Listed Equity Investments by Geographical Regions Topdanmark Group, 31 December 2017 and 31 December 2016

Topdanmark	31 Dec 2017		31 Dec 2016	
	%	EURm	%	EURm
Denmark	20%	162	23%	176
Norway	1%	8	1%	8
Sweden	1%	8	1%	8
Finland	0%	0	0%	0
Western Europe	22%	177	19%	148
East Europe	0%	0	0%	0
North America	55%	438	55%	420
Latin America	0%	0	0%	0
Far East	0%	0	0%	0
Japan	0%	0	0%	0
Total		793		761

Real Estate Risk

The real estates are all located in Denmark, with the material part in the areas of Copenhagen and Århus. The holding on group level is diversified over office buildings and residential buildings.

Spread Risk

Most of Topdanmark's interest-bearing assets comprise of AAA rated Danish mortgage bonds and debt issued or guaranteed by top-rated European states. The risk of losses is considered to be minor due to the high credit quality of the

issuers and because investments have been made at spreads in balance with the company's desired risk ratio levels. The portfolio is well diversified both geographically and with regard to type of debtor and therefore the exposure to the concentration of risks is insignificant.

Investment policy stipulates that the portfolio must be well-diversified also in counterparties and that the portfolio must not be particularly exposed to individual counterparties. The main source of spread risk is the government and mortgage bonds. Due to high allocation of these investments in the portfolios, spread risk is the most material source of market risk SCR.

Concentration Risk

Topdanmark's fixed income investments by rating classes are presented in the table Interest-bearing Assets by Rating, Topdanmark, 2017 and 2016.

Interest-bearing Assets by Rating
Topdanmark, 31 December 2017 and 31 December 2016

Interest-bearing assets by rating, %	2017	2016
AAA+AA	77.8	77.8
A	2.9	2.7
BBB	0.6	0.3
<BBB	11.6	12.6
Money market deposits	7.1	6.7

The company has no significant concentrations on the investment side, except for the category "Treasury and mortgage bonds" that consists primarily of Danish government and AAA-rated Danish mortgage bonds.

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

Currency Risk

In practice the only source of currency risk is investment assets, because insurance liabilities are in Danish Kroner. The currency risk is mitigated by derivatives and net exposures in different currencies are minor except in Euros.

Currency risk is assessed based on SCR. The value of base currency is shocked by 25 per cent against most of the currencies except 2.39 per cent against EUR where the largest exposure exists.

Inflation Risk

Future inflation is implicitly included in a number of the models Topdanmark uses to calculate its provisions. The general principles regarding the inclusion of an allowance for inflation differs between Workers' compensation and illness/accident insurance. In the former the provisions are calculated on the basis of the expected future indexation of wages and salaries, and in latter on the basis of the expected net price index.

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

Market Risk Sensitivities

of 1 percentage point parallel change in interest rates would be less than 10 per cent drop in equity or property prices.

In the below table is a summary of selected market risks sensitivities. It can be seen from the table that the net effect

Market Risk Sensitivities
Topdanmark, 31 December 2017 and 31 December 2016

Risk scenarios		2017	2016
EURm After taxation and pension return tax			
Market risk			
Interest-bearing assets	1 bp increase	-62.4	-79.5
Provisions for claims and benefits etc.	in effective interest rate	68.8	90.3
Index-linked bonds	5% loss	-2.8	-4.9
Equities	10% loss	-10.6	-11.0
CDOs < AA	10% loss	-8.0	-7.2
Properties	10% loss	-17.7	-16.7
Annual currency loss with an up to 2.5% probability		-0.8	-2.8

Liquidity Risk

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

investments are complemented by a large portfolio of liquid listed Danish government and mortgage bonds.

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

The maturity structure of technical provisions is presented in the next table.

Cash Flows for Provisions
Topdanmark, 31 December 2017 and 31 December 2016

EURm	Book value	1 year	2-6 years	7-16 years	17-26 years	27-36 years	>36 years
Provisions for claims							
2016	1,774	543	692	382	171	74	23
2017	1,748	542	701	390	160	76	11
Life insurance provisions guarantees and profitsharing							
2016	3,286	354	994	1,411	663	219	72
2017	3,232	347	938	1,424	689	219	61

In the table the discounted cash flows related to the insurance activities are shown in general level. In cash flows for life insurance provisions, repurchase and rewrite to paid-up policies are included in 2017. Comparative figures for 2016 have not been adjusted. Life insurance provisions for unit-linked products are covered by corresponding investment assets and therefore not stated in the table.

Because of the above reasons Topdanmark's liquidity risk is primarily related to the parent company Topdanmark A/S.

Topdanmark A/S finances its activities and dividend programme by receiving dividend from its subsidiaries.

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

Counterparty Default Risks

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

The main sources of counterparty risk are deposits made to individual banks, derivative contracts with banks and current receivables from reinsurance companies with the addition of potential receivables that will arise in case of a 200-year event of disaster.

Reinsurance

Within insurance activities the reinsurance companies' ability to pay is the most important risk factor. Topdanmark minimises this risk by primarily buying reinsurance cover from reinsurance companies with a minimum rating of A- and by spreading reinsurance cover over many reinsurers. Accordingly, almost all of its storm cover has been placed with various reinsurance companies with rating A- or better.

For reinsurance counterparties, the Board approves security guidelines for how large a portion of a reinsurance contract

can be placed per a separate reinsurer. This portion is dependent on the reinsurer's rating as well as on Topdanmark's own assessment of the reinsurer. Typically the largest risk concentrations may occur in case of catastrophe, including storms and cloudbursts, through one or more single major disaster events.

Financial Derivative Activities

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

Mandatum Life Group

Underwriting Risks

The development of insurance liabilities during 2017 is shown in the table Analysis of the Change in Provisions before Reinsurance, Mandatum Life, 2017.

Analysis of the Change in Provisions before Reinsurance
Mandatum Life, 31 December 2017

EURm	Liability 2016	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	Other	Liability 2017	Share %
Mandatum Life									
Unit-linked, excl. Baltic	6,279	827	-544	-70	0	2	407	6,901	59%
Individual pension insurance	1,313	60	-18	-15	0	0	69	1,411	12%
Individual life	2,346	243	-219	-22	0	0	143	2,491	21%
Capital redemption operations	1,977	454	-304	-25	0	0	130	2,231	19%
Group pension	643	71	-4	-9	0	2	65	768	7%
With profit and others, excl. Baltic	4,804	116	-452	-35	131	1	-7	4,558	39%
Group pension insurance, segregated portfolio	1,142	4	-59	-1	24	0	-45	1,065	9%
Basic liabilities, guaranteed rate 3.5%	715	4	-59	-1	24	0	5	687	6%
Reserve for decreased discount rate (3.5% -> 0.50%)	275	0	0	0	0	0	-14	261	2%
Future bonus reserves	153	0	0	0	0	0	-36	117	1%
Group pension	2,117	35	-208	-6	67	1	-9	1,997	17%
Guaranteed rate 3.5%	1,885	4	-179	-3	64	0	-27	1,744	15%
Guaranteed rate 2.5%, 1.5% or 0.0 %	232	31	-29	-3	4	0	18	253	2%
Individual pension insurance	899	10	-139	-5	33	0	26	825	7%
Guaranteed rate 4.5%	695	6	-86	-4	28	0	-16	624	5%
Guaranteed rate 3.5%	137	3	-27	-1	4	0	17	134	1%
Guaranteed rate 2.5% or 0.0%	67	1	-27	0	1	0	26	67	1%

Individual life insurance	180	32	-33	-10	6	0	-12	162	1%
Guaranteed rate 4.5%	58	4	-6	-1	3	0	-4	54	0%
Guaranteed rate 3.5%	86	10	-11	-3	3	0	-5	80	1%
Guaranteed rate 2.5% or 0.0%	35	18	-16	-6	0	0	-3	28	0%
Capital redemption operations	28	0	-2	0	0	0	0	26	0%
Guaranteed rate 3.5%	0	0	0	0	0	0	0	0	0%
Guaranteed rate 2.5% or 0.0%	28	0	-2	0	0	0	0	26	0%
Future bonus reserves	0	0	0	0	0	0	0	0	0%
Reserve for decreased discount rate	273	0	0	0	0	0	52	325	3%
Longevity reserve	105	0	0	0	0	0	0	105	1%
Assumed reinsurance	2	1	-1	0	0	0	-2	1	0%
Other liabilities	59	34	-11	-13	0	0	-18	51	0%
Total, excl. Baltic	11,083	943	-996	-104	131	2	399	11,459	98%
Baltic	178	24	-27	-3	1	0	6	180	2%
Unit-linked liabilities	161	21	-23	-2	0	0	9	165	1%
Other liabilities	17	3	-3	0	1	0	-2	15	0%
Mandatum Life group total	11,261	967	-1,023	-107	132	2	406	11,638	100%

Biometric Risks

Mandatum Life's main biometric risks are longevity, mortality and disability. In general the long duration of policies and restriction of Mandatum Life's right to change policy terms and conditions and tariffs increases biometric risks. A definition of the biometric risk can be found in [Appendix 2 \(Risk Definitions\)](#). If the premiums turn out to be inadequate and cannot be increased, technical provisions have to be supplemented by an amount corresponding to the increase in expected losses.

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, almost 70 years. In the unit-linked group pension and individual pension portfolio the longevity risk is less significant because most of these policies are fixed term annuities including death cover compensating the longevity risk.

The annual longevity risk result and longevity trend 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 2017 technical provision by EUR 105 million (105) including a EUR 87 million longevity reserve for the segregated group pension portfolio. The cumulative longevity risk result has been positive since these revisions. The longevity risk result of group pension for the year 2017 was EUR 6.8 million (2.9).

The 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 overall, although the different risk results vary considerably. In the longer term, disability and morbidity risks are mitigated by the company's right to raise insurance premiums for existing policies in case the claims experience deteriorates.

The table Claim Ratios after Reinsurance, Mandatum Life, 2017 and 2016 shows the insurance risk result in Mandatum Life's Finnish life insurance policies. The ratio of the actual to expected claims costs was 76 per cent in 2017 (79). 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 12 million to EUR 24 million.

Claim Ratios After Reinsurance Mandatum Life, 2017 and 2016

EURm	2017			2016		
	Risk income	Claim expense	Claim ratio	Risk income	Claim expense	Claim ratio
Life insurance	47.6	23.5	49%	43.2	21.2	49%
Mortality	29.0	12.0	41%	24.8	11.8	48%
Morbidity and disability	18.6	11.5	62%	18.4	9.4	51%
Pension	85.6	77.5	91%	80.8	76.2	94%
Individual pension	12.8	13.5	105%	12.0	12.8	107%
Group pension	72.8	64.0	88%	68.8	63.4	92%
Mortality (longevity)	68.2	61.4	90%	63.9	61.0	95%
Disability	4.6	2.6	57%	4.9	2.4	49%
Mandatum Life	133.2	101.0	76%	124.0	97.4	79%

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

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

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

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

claims expenditure assumed in insurance premiums of every risk cover.

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

Policyholder Behavior and Expense Risks

From an Asset and Liability Management point of view surrender risk is not material 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. Surrender risk is therefore only relevant in individual life and capital redemption policies of which the related technical provisions amounts to less than 5 per cent (below EUR 200 million) of the total with profit technical provisions. Furthermore, the supplements to technical provisions are not paid out at surrender which also reduces the surrender risk related to the with profit policies. Due to the limited surrender risk, the future cash flows of Mandatum Life's insurance liabilities are quite predictable.

Policy terms and tariffs cannot usually be changed materially during the lifetime of the insurance, which increases the expense risk. The main challenge is to keep the expenses related to insurance administrative processes and complex IT infrastructure at an effective and competitive level. In year 2017, the expense result of Mandatum Life Group was EUR 33 million (26). Mandatum Life does not defer insurance

acquisition costs. Since 2012 the expense result has grown significantly, especially due to increased fee income from unit-linked business.

Expense Result

Mandatum Life Group, years 2008-2017

Year	Expense result, EURm
2017	33.2
2016	26.1
2015	26.8
2014	19.6
2013	15.3
2012	6.8
2011	9.8
2010	7.8
2009	5.2
2008	7.3

Market Risks

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

Mandatum Life's market risks arise mainly from equity investments and interest rate risk related to fixed income assets and insurance liabilities with a guaranteed interest rate. The most significant interest rate risk in the life insurance business is that fixed income investments will not, over a long period of time, generate a return at least equal to the guaranteed interest rate of technical provisions. The probability of this risk increases when market interest rates fall and stay at a low level. The duration gap between balance sheet's technical provisions and fixed income investments is constantly monitored and managed. Control levels based on internal risk capacity model are used to manage and ensure adequate capital in different market situations.

Mandatum Life has prepared for low interest rates on the liability side by e.g. reducing the minimum guaranteed interest rate in new contracts and by supplementing the technical provisions by applying a lower discount rate. In addition, existing contracts have been changed to accommodate improved management of reinvestment risk. Guarantees and other main features of with profit liabilities are presented in Section [Underwriting Risks and Performance](#).

Fixed income investments and listed equity instruments form a major part of the investment portfolio, but the role of alternative investments - real estate, private equity, biometric and other alternative investments - is also material being 11.7 per cent.

Investment allocations and average maturities of fixed income investments as at year-end 2017 and 2016 are presented in the table Investment Allocation Mandatum Life, 31 December 2017 and 31 December 2016.

Investment Allocation

Mandatum Life, 31 December 2017 and 31 December 2016

Asset Class	Mandatum Life 31 Dec 2017			Mandatum Life 31 Dec 2016		
	Market value, EURm	Weight	Average maturity, years	Market value, EURm	Weight	Average maturity, years
Fixed income total	3,953	63%	2.5	3,938	60%	2.7
Money market securities and cash	904	14%	0.0	859	13%	0.5
Government bonds	54	1%	2.5	64	1%	5.1
Credit bonds, funds and loans	2,994	48%	3.2	3,009	46%	3.3
Covered bonds	163	3%	2.0	178	3%	2.6
Investment grade bonds and loans	1,793	29%	2.8	1,586	24%	2.7
High-yield bonds and loans	760	12%	3.2	884	13%	3.7
Subordinated / Tier 2	55	1%	7.3	52	1%	8.1
Subordinated / Tier 1	223	4%	6.6	310	5%	4.7
Hedging swaps	0	0%	-	0	0%	-
Policy loans	0	0%	1.8	6	0%	1.9
Listed equity total	1,578	25%	-	1,737	26%	-
Finland	494	8%	-	623	9%	-
Scandinavia	0	0%	-	1	0%	-
Global	1,084	17%	-	1,114	17%	-
Alternative investments total	731	12%	-	907	14%	-
Real estate	214	3%	-	278	4%	-
Private equity*	226	4%	-	269	4%	-
Biometric	16	0%	-	26	0%	-
Commodities	0	0%	-	0	0%	-
Other alternative	274	4%	-	334	5%	-
Trading derivatives	2	0%	-	0	0%	-
Asset classes total	6,263	100%	-	6,582	100%	-
FX Exposure, gross position	679	0%	-	833	-	-

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

Market Risks of Fixed Income and Equity Exposures

Fixed income and equity exposures are presented by Sector, Asset Class and Rating together with counterparty risk

exposures relating to reinsurance and derivative transactions. Due to differences in the reporting treatment of derivatives, the figures in the table may not be fully comparable with other tables in this annual report.

Exposures by Sector, Asset Class and Rating

Mandatum Life, 31 December 2017

EURm	AAA	AA+	A+	BBB+	BB+	Non-rated	Fixed income total	Listed equities	Other	Counterparty risk	Total	Change 31 Dec 2016
		AA-	A-	BBB-	C D							
Basic Industry	0	0	13	8	24	0	38	82	63	0	145	-124
Capital Goods	0	0	38	10	0	0	101	148	160	0	308	36
Consumer Products	0	24	104	79	30	0	33	270	238	0	508	-77

Energy	0	27	0	0	0	0	18	45	7	0	0	52	-28
Financial Institutions	0	481	1,463	244	24	0	0	2,212	38	1	2	2,253	191
Governments	0	0	0	0	0	0	0	0	0	0	0	0	-18
Government Guaranteed	0	0	0	0	0	0	0	0	0	0	0	0	0
Health Care	0	29	17	8	42	0	58	153	47	0	0	200	11
Insurance	0	0	1	52	0	0	0	54	3	8	0	64	-14
Media	0	0	14	0	0	0	16	30	0	0	0	30	-11
Packaging	0	0	0	0	19	0	9	28	1	0	0	28	-40
Public Sector, Other	0	37	42	0	0	0	0	80	0	0	0	80	9
Real Estate	0	0	1	32	0	0	37	70	0	185	0	255	-56
Services	0	0	0	20	49	0	66	135	86	0	0	221	-10
Technology and Electronics	15	0	44	0	27	0	11	96	119	0	0	215	-17
Telecommunications	0	0	0	45	8	0	16	69	32	0	0	102	-6
Transportation	0	0	4	3	11	0	8	26	27	0	0	53	9
Utilities	0	2	1	115	25	0	0	142	0	0	0	142	-24
Others	0	0	0	0	4	0	2	7	0	36	0	42	-37
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	141	12	0	10	0	0	0	163	0	0	0	163	-15
Funds	0	0	0	0	0	0	142	142	760	500	0	1,402	-120
Clearing House	0	0	0	0	0	0	0	0	0	0	4	4	-1
Total	155	612	1,741	626	263	0	555	3,952	1,578	731	6	6,267	-342
Change 31 Dec 2016	-22	-223	485	-90	-220	0	84	14	-159	-176	-21	-342	

The role of non-investment grade bonds is material in Mandatum Life's portfolio although it has decreased from its highs. Within fixed income investments part of the money market securities issued by Nordic banks and cash in Nordic banks form a liquidity buffer within fixed income investments. At the moment the total amount of these investments is higher than what is needed for liquidity purposes.

Nordic equity exposure include almost only direct investments to Finnish equities and they account for almost one third of equity exposure. Two thirds of equity investments are globally allocated consisting mainly of fund investments, but the role of direct investments are increasing in that part of the portfolio as well.

Breakdown of Listed Equity Investments by Geographical Regions Mandatum Life, 31 December 2017 and 31 December 2016

Mandatum Life	31 Dec 2017		31 Dec 2016	
	%	EURm	%	EURm
Denmark	0%	0	0%	0
Norway	0%	0	0%	0
Sweden	0%	0	0%	1
Finland	31%	494	36%	623
Western Europe	40%	637	31%	541
East Europe	1%	20	1%	19
North America	16%	251	24%	420
Latin America	0%	0	0%	0
Far East	11%	176	8%	135
Japan	0%	0	0%	0
Total		1,578		1,737

Alternative Investments

The role of alternative investments has been material in Mandatum Life over the years. The current allocation weight is 12 per cent. The weight of these investments will be maintained at current levels.

Within total portfolio the size of private equity investments has declined. At the same time Mandatum Life has increased its commitments in selectively picked high yield credit funds. These asset classes have been managed, in most cases, by external asset managers with the exception of the real estate portfolio which is managed by Sampo Group's own 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 of real estate companies and it has been quite stable.

Market Risks of Balance Sheet

The Board of Directors of Mandatum Life annually approves 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 and they are based on the features of insurance liabilities, risk taking capacity and shareholders return requirements.

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, the risk bearing capacity is also based on the amount of the future bonus reserve. Different control levels are based on the fixed stress scenarios of assets.

The Investment Policy for other investment assets defines the control levels for the maximum acceptable risk and respective measures to manage the risk. The control levels are set above the Solvency II SCR and are based on predetermined capital stress tests. The general objective of these control levels and respective guidelines is to maintain the required solvency. When the above mentioned control levels are breached, the ALCO reports to the Board which then takes responsibility for 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 predictable, because in most of the company's with profit products, surrenders and premiums are restricted. In addition the company's claims costs do not contain a significant inflation risk element.

The long-term target for investments is to provide sufficient return to cover the guaranteed interest rate plus bonuses

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

Interest Rate Risk

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

The average duration of fixed income investments was 2.1 years including the effect of hedging derivatives. The respective duration of insurance liabilities was around 10 years. Interest rate risk is managed at the balance sheet level by changing the duration of assets and by using interest rate derivatives.

Currency Risk

Currency risk can be divided into transaction and translation risk. Mandatum Life is exposed to transaction risk, which refers to currency risk arising from contractual cash flows in foreign currencies.

In Mandatum Life, transaction risk arises mainly from investments in currencies other than euro as the company's technical provisions are almost completely denominated in euro. Mandatum Life does not automatically close its FX position in foreign currencies, but the 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 Mandatum Life against EUR are shown in the table Transaction Risk Position, Mandatum Life, 31 December 2017. 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 Mandatum Life, 31 December 2017

	Base currency	EUR	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
Mandatum Life	EURm										
Technical provisions		0	0	0	0	-2	0	0	0	0	-2
Investments		0	2,054	4	136	52	9	186	20	143	2,603
Derivatives		0	-1,744	-3	-134	77	102	-182	-13	-30	-1,928
Total transaction risk, net position, Mandatum Life		0	310	1	2	127	111	4	7	113	674
Sensitivity: EUR -10%		0	31	0	0	13	11	0	1	11	67

Liquidity Risks

Liquidity risk is relatively immaterial because liability cash flows in most lines of business are fairly stable and predictable and an adequate share of the investment assets are in cash and short-term money market instruments.

In life companies in general, a large change in surrender rates could influence the liquidity position. However in Mandatum Life, only a relatively small part of the insurance policies can be surrendered and it is therefore possible to forecast short-

term cash flows related to claims payments with a very high accuracy.

The maturities of technical provisions and financial assets and liabilities are presented in the table Cash Flows According to Contractual Maturity, Mandatum Life, 31 December 2017. The average maturity of fixed income investments was 2.5 years in Mandatum Life. The table shows the financing requirements resulting from expected cash inflows and outflows arising from financial assets and liabilities as well as technical provisions.

Cash Flows According to Contractual Maturity Mandatum Life, 31 December 2017

EURm	Carrying amount total			Cash flows						
	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	2018	2019	2020	2021	2022	2023-2032	2033-
Mandatum Life										
Financial assets	6,210	3,287	2,923	486	381	773	345	768	397	16
of which interest rate swaps	2	0	2	0	0	0	0	0	1	2
Financial liabilities	168	0	168	-9	-4	-5	-5	-5	-64	-215
of which interest rate swaps	-1	0	-1	0	0	0	0	1	-2	0
Net technical provisions	4,026	0	4,026	-503	-328	-328	-300	-275	-1,908	-1,391

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 their nature, are associated with a certain degree of uncertainty.

Mandatum Life has one issued financial liability and thus refinancing risk is immaterial.

Counterparty Default Risks

In Mandatum Life the major three sources of counterparty risk are financial derivatives, reinsurance, and other receivables. Counterparty default risk arising from reinsurance or receivables from policyholders and other

receivables related to commercial transactions is very limited.

Counterparty Risk Related to Financial Derivatives

In Mandatum Life, the default risk of derivative counterparties is a by-product of managing market risks. This stems from the fact that Mandatum Life is a frequent user of long-term interest rate derivatives in addition to FX-forwards and options.

The counterparty risk of bilaterally settled derivatives is mitigated by careful selection of counterparties; by diversification of counterparties to prevent risk concentrations and by using collateral techniques, e.g. ISDA Master Agreements backed by Credit Support Annexes. During 2016 Sampo Group companies started to settle interest rate swaps in central clearing houses, which while further mitigating bilateral counterparty risk also exposes Sampo Group companies to the systemic risk related to centralised clearing parties.

Risk Considerations at Sampo Group Level and Sampo plc

Sampo Group is first and foremost exposed to general performance of Nordic economies. However, Nordic economies typically are at any given time in different stages of their economic cycles, because of reasons like different economic structures and separate currencies. Also geographically Nordics as a large area is more a source of underwriting diversification than a concentration. Hence, inherently Nordic area is a good basis for diversified business.

To further maintain diversification of businesses Sampo Group proactively prevents concentrations to the extent possible by segregating the duties of separate business areas. As a result, separate companies have very few overlapping areas in their underwriting and investments activities. In spite of proactive strategic decisions on segregation of duties, concentrations in underwriting and investments may appear and hence liabilities and assets are monitored at the Group level to identify potential concentrations at single-name or risk factor level.

It is regarded that current business model where all companies have their own processes and agreements with counterparties is preventing accumulation of counterparty default risks and operational risks. Hence, these risks are managed at company level and it is considered that need to monitor them at group level is remote.

In addition to “segregation of duties at strategic level” - principle Sampo Group has two principles proactively preventing group risks. The amount of intragroup exposures between group companies are few and parent company is the only source of liquidity and the main source of capital within Group. These principles effectively prevent the contagion risk and hence potential problems of one company will not affect directly the other group companies.

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

Underwriting Risks at Sampo Group

With respect to the underwriting businesses carried out in the subsidiary companies, it has been established that If P&C, Topdanmark and Mandatum Life all operate within Nordics, but mostly in different geographical areas and in different lines of business and hence their underwriting risks are different by nature. There are some common risk factors like the life expectancy in Finland. Also in Denmark If P&C and Topdanmark have some overlapping areas. However, there are no material underwriting risk concentrations in the normal course of business.

Consequently, business lines as such are contributing diversification benefits rather than a concentration of risks. This general risk picture has not changed with increased holding in Topdanmark, because it underwrites mainly Danish risks with focus on client bases which only marginally overlap with If P&C's client bases.

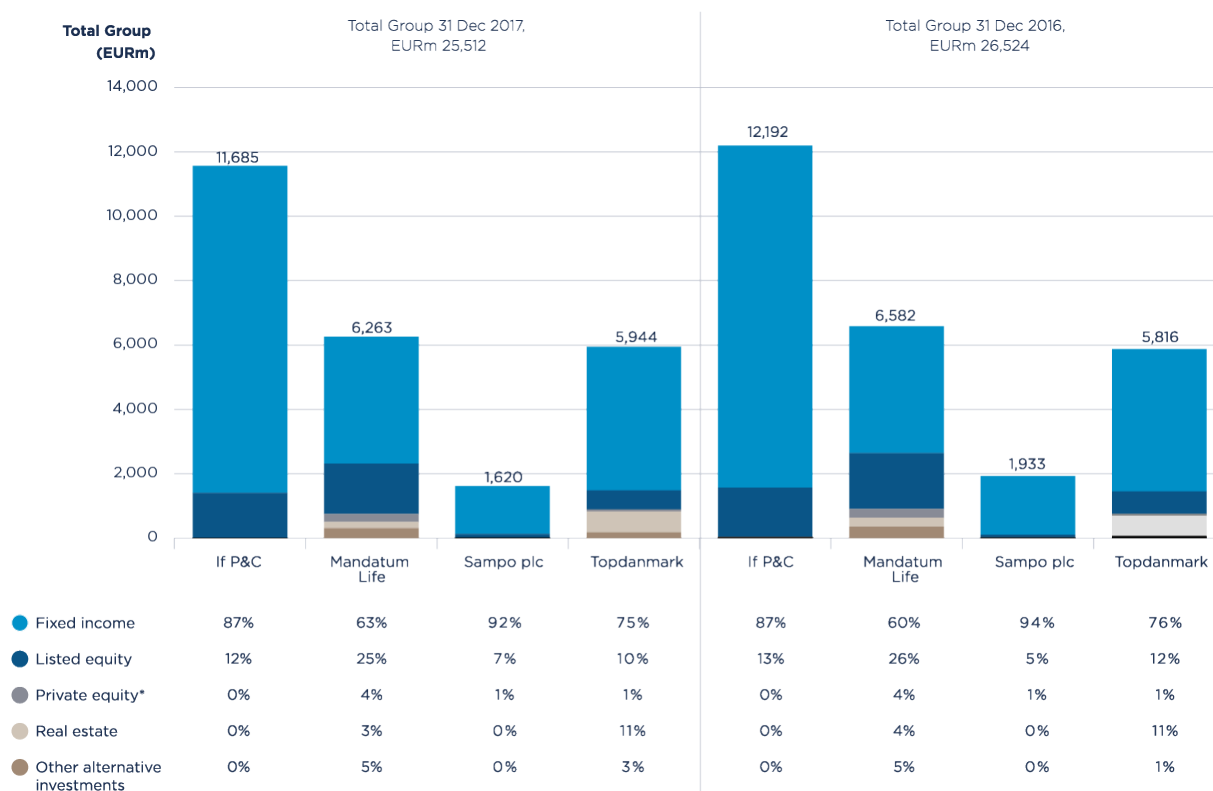
Market Risks at Sampo Group Level

For all subsidiaries, their insurance liabilities and the company specific risk appetite are the starting points for their investment activities. The insurance liabilities including loss absorbing buffers as well as the risk appetite of Mandatum Life, If P&C and Topdanmark differ, and as a result the structures and risks of the investment portfolios and balance sheet of the three companies differ respectively.

The total amount of Sampo Group's investment assets as at 31 December 2017 was EUR 25,512 million (EUR 26,524 million) as presented in the below figure. Mandatum Life's and Topdanmark's investment assets presented here do not include assets which cover unit-linked contracts.

Development of Investment Portfolios

If P&C, Mandatum Life, Sampo plc and Topdanmark, 31 December 2017 and 31 December 2016



Sampo plc's figures don't include debt instruments issued by the insurance subsidiaries.

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

Investment activities and market risk taking are arranged pro-actively in such a way that there is virtually no overlap between the wholly-owned subsidiaries' single-name risks except with regards to Nordic banks where companies have their extra funds in forms of the short-term money market assets and cash. From asset side diversification perspective Topdanmark is a positive factor, because the role of Danish assets is dominant in portfolios and especially the role of Danish covered bonds is central. In Sampo Group's other insurance companies' portfolios the weight of Danish investments has been immaterial.

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

Holdings by Industry, Geographical Area and Asset Class

In regards to **Fixed Income and Equity Exposures** Financial Institutions and covered bonds have material weight in group-wide portfolios whereas the role of public sector investments is quite limited. Most of these assets are issued by Nordic corporates and institutions. Most corporate issuers, although being based in Nordic countries, are operating at global markets and hence their performance is not that dependent on Nordic markets. This together with steadily growing portion of non-Nordic names in portfolios, is decreasing the concentration risk related to Nordics.

Exposures by Sector, Asset Class and Rating
Sampo Group excluding Topdanmark, 31 December 2017

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-rated	Fixed income total	Listed equities	Other	Counterparty risk	Total	Change 31 Dec 2016
Basic Industry	0	0	44	66	25	0	113	248	104	0	0	351	-78
Capital Goods	0	0	127	63	0	0	131	321	682	0	0	1,002	32
Consumer Products	0	131	326	380	30	0	109	976	549	0	0	1,525	-28
Energy	0	68	30	0	53	0	172	323	13	0	0	336	-165
Financial Institutions	0	2,100	3,258	930	46	0	26	6,360	118	1	9	6,489	-428
Governments	92	0	0	0	0	0	0	92	0	0	0	92	-49
Government Guaranteed	43	77	0	0	0	0	0	120	0	0	0	120	-36
Health Care	7	39	50	50	42	0	65	253	113	0	0	383	-55
Insurance	0	0	41	115	27	0	5	206	3	25	60	277	-19
Media	0	0	14	0	0	0	38	52	0	0	0	52	-25
Packaging	0	0	0	0	19	0	14	33	1	0	0	33	-40
Public Sector, Other	674	192	42	0	0	0	0	908	0	0	0	908	-114
Real Estate	0	6	92	112	8	0	526	744	0	207	0	951	35
Services	0	0	0	85	72	0	155	312	122	0	0	434	-15
Technology and Electronics	23	0	79	0	27	0	45	175	123	0	0	298	-37
Telecommunications	0	0	0	165	8	0	65	238	92	0	0	331	12
Transportation	0	72	11	55	11	0	203	353	34	0	0	387	-55
Utilities	0	2	32	359	70	0	44	506	0	0	0	506	-101
Others	0	26	0	0	4	0	15	45	0	36	0	82	-14
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	3,161	75	0	10	0	0	0	3,247	0	0	0	3,247	102
Funds	0	0	0	0	0	0	142	142	1,187	521	0	1,850	-96
Clearing House	0	0	0	0	0	0	0	0	0	0	17	17	13
Total, Excluding Topdanmark	4,000	2,788	4,146	2,391	443	0	1,885	15,653	3,140	790	87	19,670	-1,163
Change 31 Dec 2016	-38	-1,198	641	163	-362	0	71	-722	-210	-182	-48	-1,163	

Most of the financial institutions and covered bonds are in the Nordic countries as can be seen in the table Fixed Income

Investments in Financial Sector, Sampo Group excluding Topdanmark, 31 December 2017.

Fixed Income Investments in Financial Sector

Sampo Group excluding Topdanmark, 31 December 2017

EURm	Covered bonds	Cash and money market securities	Long-term senior debt	Long-term subordinated debt	Total	%
Sweden	2,092	42	721	365	3,221	33.6%
Finland	108	1,584	243	6	1,942	20.3%
Norway	670		324	291	1,285	13.4%
United States			670		670	7.0%
Denmark	204	3	277	142	626	6.5%
United Kingdom	12	517	68	18	615	6.4%
France	21	179	58		258	2.7%
Netherlands			226	18	244	2.5%
Canada	111		113		224	2.3%
Switzerland			147		147	1.5%
Australia	17		92		109	1.1%
Iceland			91		91	1.0%
Germany			50	0	50	0.5%
Guernsey			25		25	0.3%
Estonia		22			22	0.2%
New Zealand			19		19	0.2%
Luxembourg	10				10	0.1%
Bermuda				10	10	0.1%
Cayman Islands			5		5	0.0%
Total	3,247	2,348	3,129	852	9,576	100.0%

The public sector exposure includes government bonds, government guaranteed bonds and other public sector investments as shown in the table Fixed Income Investments in Public Sector, Sampo Group excluding Topdanmark, 31 December 2017. The public sector has had a relatively minor

role in Sampo Group's portfolios and these exposures have been mainly in the Nordic countries. In Topdanmark's portfolios AAA-rated government bonds and covered bonds have a material role.

Fixed Income Investments in Public Sector

Sampo Group excluding Topdanmark, 31 December 2017

EURm	Governments	Government guaranteed	Public sector, other	Total market value
Sweden	92		592	684
Norway			211	211
Finland		77	88	165
Germany		33		33
Japan			17	17
Denmark		10		10
Total	92	120	908	1,120

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

The listed equity investments of Sampo Group totaled EUR 3,934 million at the end of year 2017 (EUR 4,113 million). At the end of year 2017, the listed equity exposure of If P&C was EUR 1,448 million (EUR 1,527 million). The proportion of listed equities in If P&C's investment portfolio was 12.4 per

cent. In Mandatum Life, the listed equity exposure was EUR 1,578 million at the end of year 2017 (EUR 1,737 million) and the proportion of listed equities was 25.2 per cent of the investment portfolio. In Topdanmark Group, the listed equity exposure was EUR 793 million at the end of year 2017 (EUR 761 million). Within Topdanmark Group, the allocation to listed equity is higher in the life company.

The geographical core of Sampo Group's equity investments is in the Nordic companies. The proportion of Nordic companies' equities corresponds to 46 per cent of the total equity portfolio. This is in line with Sampo Group's investment strategy of focusing on Nordic companies.

However, these Nordic companies are mainly competing in global markets: only a few are purely domestic companies. Hence, the ultimate risk is not highly dependent on the Nordic economies. 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 strategic point of view other geographical areas have recently provided interesting investment opportunities. A breakdown of the listed equity exposures of Sampo Group is shown in the figure Breakdown of Listed Equity Investments by Geographical Regions, Sampo Group 31.12.2017.

Breakdown of Listed Equity Investments by Geographical Regions Sampo Group, 31 December 2017 and 31 December 2016

Sampo Group	2017		2016	
	%	EURm	%	EURm
Denmark	4%	167	5%	185
Norway	4%	157	5%	202
Sweden	24%	945	23%	953
Finland	14%	549	17%	700
Western Europe	25%	977	21%	861
East Europe	1%	20	0%	19
North America	20%	776	23%	929
Latin America	1%	28	1%	25
Far East	8%	313	6%	239
Japan	0%	0	0%	0
Total		3,934		4,113

Largest Holdings by Single Name

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

excluding Topdanmark, 31 December 2017. The largest single name investments in Topdanmark's portfolios are in AAA-rated Danish covered bonds.

Largest Individual Exposures by Issuer and by Asset Class

Sampo Group excluding Topdanmark, 31 December 2017

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	1,606	8%	562	1,039	0	601	138	299	0	4
Danske Bank	1,134	6%	785	347	0	99	218	30	0	3
BNP Paribas	735	4%	698	37	0	0	37	0	0	0
Skandinaviska Enskilda Banken	675	3%	276	398	0	248	137	13	0	0
Svenska Handelsbanken	669	3%	-1	669	0	616	39	14	0	0
DnB	536	3%	0	536	0	226	205	105	0	0
Sweden	519	3%	0	519	0	0	519	0	0	0
Swedbank	516	3%	-1	517	0	352	154	11	0	0
Norway	320	2%	0	320	0	0	218	102	0	0
Volvo	256	1%	0	103	0	0	68	36	153	0
Total Top 10 Exposures	6,965	36%	2,319	4,485	0	2,143	1,733	609	153	8
Other	12,408	64%								
Total investment assets	19,372	100%								

The largest high-yield and non-rated fixed income investment single-name exposures are presented in the table Ten Largest Direct High Yield and Non-rated Fixed Income Investments, Sampo Group excluding Topdanmark, 31

December 2017. Furthermore, the largest direct listed equity exposures are presented in the table Ten Largest Direct Listed Equity Investments, Sampo Group, 31 December 2017.

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

Sampo Group excluding Topdanmark, 31 December 2017

Largest direct high yield and non-rated fixed income investments	Rating	Total fair value, EURm	% of total direct fixed income investments
High Street Shopping	NR	117	0.8%
Sponda	NR	89	0.6%
Teollisuuden Voima	BB+	80	0.5%
SkandiaBanken	NR	76	0.5%
IVG Polar	NR	57	0.4%
Ellevio	NR	52	0.3%
YIT	NR	46	0.3%
Grönlandet Södra	NR	44	0.3%
Aker BP	BB	44	0.3%
Nets	BB	40	0.3%
Total top 10 exposures		646	4.2%

Other direct fixed income investments	14,630	95.8%
Total direct fixed income investments	15,276	100.0%

Top 10 listed equity investments	Total fair value, EURm	% of total direct equity investments
Volvo	153	7.8%
Nobia	125	6.4%
Amer Sports	100	5.1%
ABB	90	4.6%
Veidekke	87	4.4%
Asiakastieto	70	3.6%
Sectra	66	3.4%
Husqvarna	64	3.3%
Hennes & Mauritz	61	3.1%
TeliaSonera	60	3.1%
Total top 10 exposures	875	44.9%
Other direct equity investments	1,076	55.1%
Total direct equity investments	1,952	100.0%

Balance Sheet Concentrations

In general Sampo Group is structurally dependent on the performance of Nordic economies as already described earlier. Sampo Group is also economically exposed to the low level of interest rates. The lower the rates and the “flatter” the yield curve, the more challenging the environment is for the current business models especially when duration of insurance liabilities is longer than asset duration in If P&C and Mandatum Life. In Topdanmark interest rate risk of balance sheet is minor and hence Topdanmark is not increasing interest rate risk at group level.

Sampo Group would benefit materially in case interest rates would rise, because economic value of insurance liabilities would decrease more than value of assets backing them. At the same time net interest income of Nordea should increase as well. During 2017 interest rates have continued their slow rise that started at the end of Q3/2016.

The Role of Sampo plc

Sampo plc is the long-term investor in Nordic financials and source of liquidity within the group. Hence, the healthy funding structure and the capacity to generate funds if needed are on continuous focus.

As of 31 December 2017 Sampo had long term strategic holdings of EUR 8,958 million and they were funded mainly by capital of EUR 7,714 million and senior debt of EUR 3,177 million. Average remaining maturity of senior debt was 3.7 years and EUR 1,250 million of it had a maturity longer than 5 years. Senior debt is used to fund other financial assets as well. The average maturity of sub-ordinated loans and fixed income instruments of EUR 554 million was three years. Funding structure of strategic holdings and other holdings can be considered strong.

The capacity to generate funds is dependent on leverage and liquidity buffers which can be inferred from the table Sampo plc Balance Sheet Structure, 31 December 2017 and 31 December 2017.

Sampo plc Balance Sheet Structure

31 December 2017 and 31 December 2016

EURm	31 Dec 2017	31 Dec 2016
Assets total	10,939	11,196
Liquidity	1,199	1,439
Investment Assets	235	179
Real estate	2	2
Fixed income	58	28
Equity & Private equity	175	148
Sub-ordinated loans	496	637
Equity holdings	8,958	8,900
Subsidiaries	3,401	2,370
Associated	5,557	6,530
Other assets	50	41
EURm	31 Dec 2017	31 Dec 2016
Liabilities total	10,939	11,196
CP's issued	293	671
LT Senior debt	2,884	2,877
Private placements	138	132
Bonds issued	2,746	2,745
Sub-ordinated debt	0	0
Capital	7,714	7,549
Undistributable capital	98	98
Distributable capital	7,616	7,451
Other liabilities	48	99

Leverage of Sampo plc was modest at year end by several measures.

- The financial leverage measured as the portion of debt within all liabilities was 29 (32) per cent.
- Sampo's net debt of EUR 1,424 (1,443) million is modest when compared to Sampo's equity holdings and financial assets.
- The gross debt divided by estimated market value of equity holdings, the ratio would be around 15 per cent.

In regards to liquidity, the liquid funds of Sampo plc were EUR 1,199 (1,439) million. At the end of May 2018 when all expected cash flows from dividends and other transactions have been settled the liquidity will normalize to below EUR 100 million which is adequate for normal cash management purposes. Furthermore, a remarkable portion of sub-ordinated loans issued by group-companies (496) and other investment assets (235) can be sold in case liquidity is needed. Short-term liquidity can be considered to be adequate.

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

Sampo Group has also a buffer for own funds. Because sub-ordinated loans presented in the table Sampo plc Balance Sheet Structure, 31 December 2017 and 31 December 2016 are issued by If P&C, Mandatum Life, Nordea and Topdanmark, they are eliminated from Group's own funds. In case these assets would be sold, in addition to liquidity in Sampo plc, also own funds would be created and Sampo Group Solvency ratio would increase marginally.

When Sampo plc is managing its funding and capital structure and liquidity it takes into account that some of its operative companies have other base currencies (SEK, DKK) than EUR and all its operative business areas are exposed to low interest rates. These risks may affect Sampo's decisions on issuance of debt instruments and composition of liquidity portfolio.

This is why part of Sampo plc's debt instruments are issued in SEK and interest rate duration is maintained relatively short. However, the market view is also affecting decisions and for instance at the moment SEK-dividends paid by If P&C are still in SEK and SEK debt is converted into EUR using cross-currency swaps, due to tactical market-view reasons.

Sampo Group Capitalization

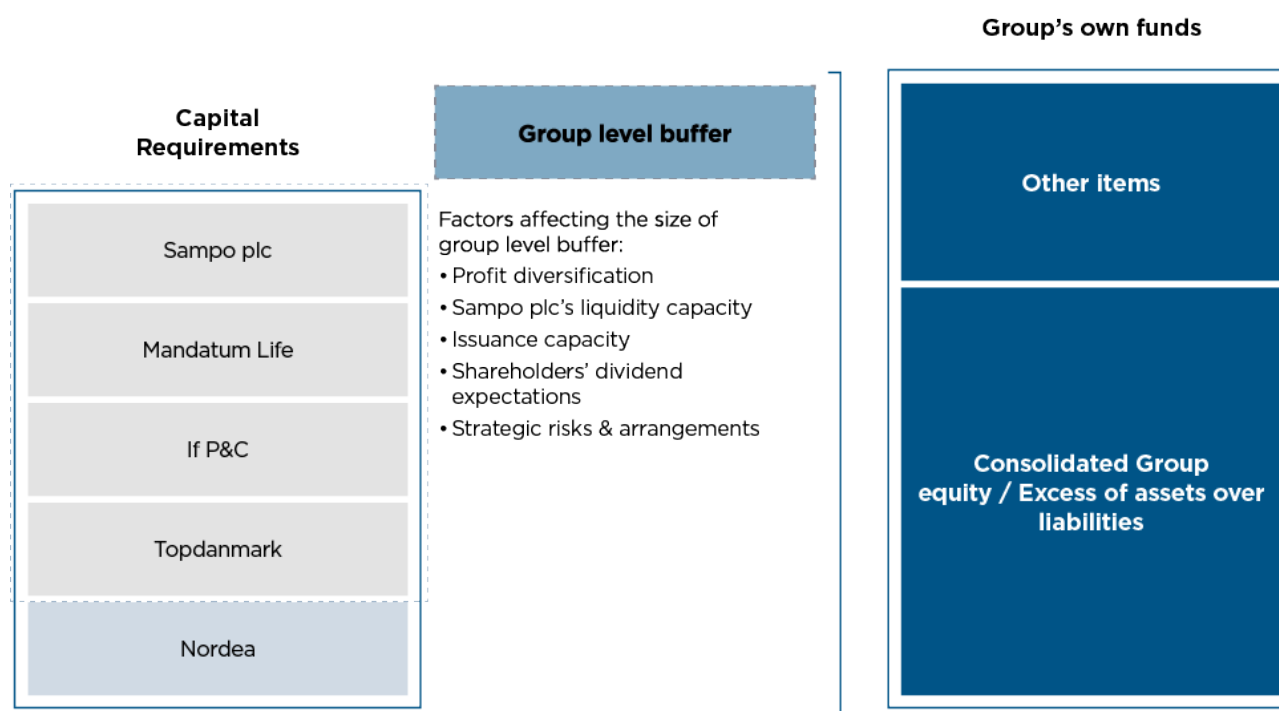
Capitalization at Group Level

The sub-group level balance of profits, risks and capital is the primary focus of Sampo Group. When all sub-groups are well

capitalized as a result the Group should be adequately capitalized as well.

However, at Sampo Group level there are more factors affecting capitalization than at the sub-group level. These factors are illustrated in the figure Sampo Group's Capitalization Framework.

Sampo Group's Capitalization Framework



Group's capital requirement is dependent mainly on the capital requirements of the business areas. The parent company's contribution to Group capital need is minor most of the time, because Sampo plc does not have any business activities of its own other than the management of its capital structure and liquidity portfolio.

Diversification benefit exists at two levels, within the companies and between the companies. The former is included in the companies' SCRs; for the latter there are different estimation methods as described later in the document.

Conceptually, **Group's own funds** is the difference between the market value of assets and liabilities plus the subordinated liabilities. This difference has accrued during the lifetime of the Group and it includes the following main components:

- Accrued profits that have not been paid as dividends over the years.

- Market value adjustment to the book values of assets and liabilities.
- Issued capital and subordinated liabilities meeting Solvency II requirements.

Due to the use of the same sectoral rules in both Solvency II and financial conglomerate calculations, there is no material difference between Sampo's Solvency II or FICO own funds.

At the Group level, the capital requirement and own funds are both exposed to foreign currency translation risk. Translation risk may realize when the actual capital and the capital needs of If P&C and Topdanmark are converted from their reporting currencies to euros. When the reporting currencies of If P&C and Topdanmark depreciate, the actual amount of Group's capital in euros decreases and the capital requirements of If P&C and Topdanmark will be lower in euro terms. Translation currency risk is monitored internally and its effect on Sampo Group's solvency on a going concern basis is analyzed regularly. However, internally no capital need is set for translation risk, because it realizes only when a sub-group is divested.

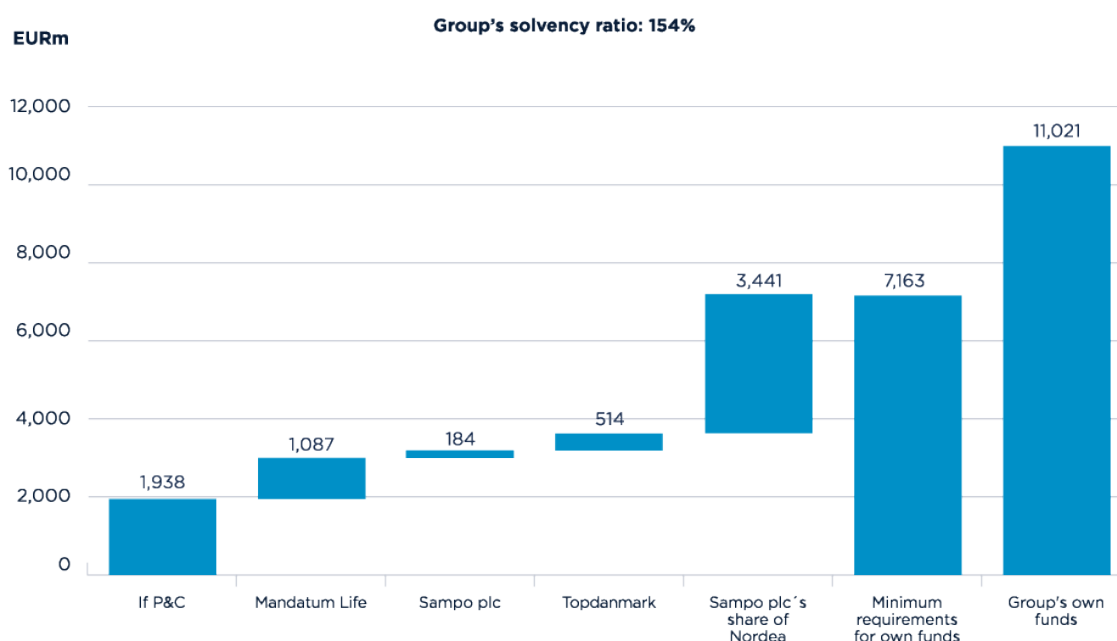
Group level buffer is the difference between the amount of Group's own funds and the Group capital requirement. In addition to the sub-group level factors – expected profits and their volatility, business growth prospects and ability to issue Solvency II compliant capital instruments – there are Group level factors that are also relevant when considering the size of the Group level buffer. The most material Group level factors affecting the size of buffer are (i) correlation of sub-groups' reported profits; (ii) parent company's capacity to generate liquidity; (iii) probability of strategic risks and arrangements within industry; and (iv) shareholders dividend expectations.

The principles of Sampo Group capitalization and the calculation methods are described in Appendix 4 in detail. Topdanmark treatment in Solvency II and FICO changed in 2017 and hence the 2016 figures are not comparable.

Group's Own Funds and Solvency According to Conglomerate Rules (unaudited)

Sampo Group's FICO solvency, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (2004/699), is presented in the figure Sampo Group's FICO solvency, 31 December 2017. The Group solvency ratio remained at the same level as year before and was 154 per cent. Topdanmark was consolidated to the Group's SCR and own funds in Q3/2017. Prior to that, the deduction and aggregation method was applied to the Topdanmark holding. This meant that the part corresponding to Sampo's share of Topdanmark's disclosed SCR was included in Sampo's SCR and own funds.

Sampo Group's FICO Solvency 31 December 2017 (unaudited)



Group's own funds consist of Group consolidated equity and sectoral items of financial institutions and insurance companies, minus intangible assets, foreseeable dividends and other adjustments. Group consolidated equity including non-controlling interest, EUR 13,508 million as of 31.12.2017, accounts for most of the own funds and is considered as Tier 1 capital for solvency purposes. Sectoral items, most of which come from Nordea's additional Tier 1 and Tier 2 capital and from the valuation adjustments of If P&C, Mandatum Life and Topdanmark, accounted for EUR 2,517 million (EUR 2,254

million). The deductions in total were EUR 5,004 million (EUR 3,251 million).

The Group level capital requirement is sum of the parts presented in the above figure and no diversification benefit between business areas is taken into account. As of 31.12.2017 the total minimum requirements for own funds were EUR 7,163 million (EUR 7,088 million). Group solvency (Group's own funds – minimum requirements for own funds) was EUR 3,858 million (EUR 3,849 million).

40 Events after the balance sheet date

In the meeting of 7 Feb. 2018, the Board of Directors decided to propose at the Annual General Meeting on 19 April 2018 a dividend distribution of EUR 2.60 per share, or total EUR 1.443.914.810, for 2017. The dividends to be paid will be accounted for in the equity in 2018 as a deduction of retained earnings.

Sampo plc's Financial Statements

Sampo plc's Income Statement

EURm	Note	2017	2016
Other operating income	1	18	17
Staff expenses			
Salaries and remunerations		-16	-13
Social security costs			
Pension costs		-1	-2
Other		-1	-1
Depreciation and impairment			
Depreciation according to plan		0	0
Other operating expenses	2	-14	-18
Operating profit		-14	-17
Financial income and expense	4		
Income from shares in Group companies		890	1,004
Income from other shares		563	563
Other interest and financial income			
Group companies		21	15
Other		16	19
Other investment income and expense		-66	-31
Other interest income		11	22
Interest and other financial expense			
Group companies		0	0
Other		-50	-63
Exchange result		26	55
Profit before taxes		1,396	1,567
Income taxes			
Income taxes for the financial year		0	-1
Tax from previous years		0	0
Deferred taxes		0	-1
Profit for the financial year		1,396	1,565

Sampo plc's Balance Sheet

EURm	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets		0	0
Property, plant and equipment			
Buildings		1	1
Equipment		0	0
Other		2	2
Investments			
Shares in Group companies		3,401	2,370
Receivables from Group companies	5	266	298
Shares in participating undertakings		5,557	6,530
Receivables from participating undertakings		230	339
Other shares and participations	6	175	148
Other receivables	7	58	28
Short-term receivables			
Deferred tax assets	14	3	7
Other receivables	8	20	6
Prepayments and accrued income	9	26	26
Cash at bank and in hand		1,199	1,439
TOTAL ASSETS		10,939	11,196
LIABILITIES			
Equity			
Share capital	10	98	98
Fair value reserve		45	28
Invested unrestricted equity		1,527	1,527
Other reserves		273	273
Retained earnings		4,376	4,059
Profit for the financial year		1,396	1,565
		7,714	7,549
Liabilities			
Long-term liabilities			
Bonds		2,884	2,877
Short-term liabilities			
Debt securities		293	671
Other liabilities	12	11	58
Accruals and deferred income	13	36	41
TOTAL LIABILITIES		10,939	11,196

Sampo plc's Statement of Cash Flows

EURm	2017	2016
Operating activities		
Profit before taxes	1,396	1,567
Adjustments:		
Unrealised gains and losses arising from valuation	0	1
Realised gains and losses on investments	-8	26
Other adjustments	-502	-563
Adjustments total	-509	-535
Change (+/-) in assets of operating activities		
Investments *)	119	40
Other assets	-17	31
Total	102	71
Change (+/-) in liabilities of operating activities		
Financial liabilities	7	-9
Other liabilities	-47	-25
Paid interests	-39	-14
Paid taxes	-12	-10
Total	-91	-58
Net cash from operating activities	898	1,044
Investing activities		
Investments in group and associated undertakings	501	-422
Net investment in equipment and intangible assets	0	0
Net cash from investing activities	501	-422
Financing activities		
Dividends paid	-1,286	-1,192
Issue of debt securities	1,042	2,271
Repayments of debt securities in issue	-1,395	-1,002
Net cash used in financing activities	-1,639	78
Total cash flows	-239	699
Cash and cash equivalents at 1 January	1,439	739
Cash and cash equivalents at 31 December	1,199	1,439
Net change in cash and cash equivalents	-239	699

*) Investments include both investment property and financial assets.

Additional information to the statement of cash flows:

EURm	2017	2016
Interest income received	40	84
Interest expense paid	-62	-71
Dividend income received	1,453	1,567

Notes to Sampo plc's Financial Statements

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Sampo Plc

Summary of significant account policies

The presentation of Sampo Plc's financial statements together with the notes has been prepared in accordance with the Finnish Accounting Act and Ordinance. The accounting principles applied to the separate financial statements of Sampo plc do not materially differ from those of the Group, prepared in accordance with the International Financial Reporting Standards (IFRSs). The financial assets are measured at fair value derived from the markets.

Notes on the Income statement 1-4

1 Other operating income

EURm	2017	2016
Income from property occupied for own activities	0	0
Other	18	17
Total	18	17

2 Other operating expenses

EURm	2017	2016
Rental expenses	-1	-1
Expense on property occupied for own activities	0	0
Other	-13	-17
Total	-14	-18

Item Other includes e.g. administration and IT expenses and fees for external services.

3 Auditors' fees

EURm	2017	2016
Authorised Public Accountants Ernst & Young Oy		
Auditing fees	-0.2	-0.2
Tax consultancy	-0.0	-
Other fees	-0.2	-0.1
Total	-0.4	-0.3

4 Financial income and expense

EURm	2017	2016
Dividend income in total	1,453	1,567
Interest income in total	43	56
Interest expense in total	-50	-63
Gains on disposal in total	9	0
Losses on disposal in total	0	-26
Exchange result	26	55
Other	-71	-5
Total	1,410	1,584

Notes on the assets 5–9

5 Receivables from group companies

EURm	2017	2016
Cost at beginning of year	298	296
Additions	86	2
Disposals	-119	-
Carrying amount at end of year	266	298

Receivables are subordinated loans issued by subsidiaries. More information in the consolidated note 29 Financial liabilities.

6 Other shares and participations

EURm	2017			2016		
	Fair value	Recognised in p/l	Recognised in fair value reserve	Fair value	Recognised in p/l	Recognised in fair value reserve
Available-for-sale equity securities	175	3	-15	148	-27	9

7 Other investment receivables

EURm	2017			2016		
	Fair value	Recognised in p/l	Recognised in fair value reserve	Fair value	Recognised in p/l	Recognised in fair value reserve
Bonds	58	4	-14	28	0	-6

8 Other receivables

EURm	2017	2016
Trading receivables	1	0
Derivatives	0	2
Other	19	5
Total	19	6

9 Prepayments and accrued income

EURm	2017	2016
Accrued interest	13	10
Derivatives	3	12
Other	10	4
Total	26	26

Notes on the liabilities 10–13

10 Movements in the parent company's equity

EURm	Restricted equity			Unrestricted equity		Total
	Share capital	Fair value reserve	Invested unrestricted capital	Other reserves	Retained earnings	
Carrying amount at 1 January 2016	98	8	1,527	273	5,254	7,159
Dividends					-1,204	-1,204
Recognition of undrawn dividends					9	9
Financial assets available-for-sale						
- recognised in equity		-2				-2
- recognised in p/l		22				22
Profit for the year					1,565	1,565
Carrying amount at 31 December 2016	98	28	1,527	273	5,624	7,549

EURm	Restricted equity			Unrestricted equity		Total
	Share capital	Fair value reserve	Invested unrestricted capital	Other reserves	Retained earnings	
Carrying amount at 1 January 2017	98	28	1,527	273	5,624	7,549
Dividends					-1,288	-1,288
Recognition of undrawn dividends					39	39
Financial assets available-for-sale						0
- recognised in equity		24				24
- recognised in p/l		-6				-6
Profit for the year					1,396	1,396
Carrying amount at 31 December 2017	98	45	1,527	273	5,772	7,714

Distributable assets

EURm	2017	2016
Parent company		
Profit for the year	1,396	1,565
Retained earnings	4,376	4,059
Invested unrestricted capital	1,527	1,527
Other reserves	273	273
Total	7,571	7,424

11 Share capital

Information on share capital is disclosed in Note 32 in the consolidated financial statements.

12 Other liabilities

EURm	2017	2016
Unredeemed dividends	0	38
Derivatives	4	3
Guarantees for derivate contracts	7	17
Other	1	1
Total	11	58

13 Accruals and deferred income

EURm	2017	2016
Deferred interest	14	25
Derivatives	6	1
Other	16	15
Total	36	41

Notes on the income taxes 14

14 Deferred tax assets and liabilities

EURm	2017	2016
Deferred tax assets		
Losses	14	14
Deferred tax liabilities		
Fair value reserve	-11	-7
Total, net	3	7

Notes on the liabilities and commitments 15–16

15 Pension liabilities

The basic and supplementary pension insurance of Sampo plc's staff is handled through insurances in Varma Mutual Insurance Company and in Mandatum Life Insurance Company Limited.

16 Future rental commitments

EURm	2017	2016
Not more than one year	1	1
Over one year but not more than five years	4	4
Over five years	1	1
Total	6	5

Notes on the staff and management 17–19

17 Staff numbers

EURm	2017 Average during the year	2016 Average during the year
Full-time staff	56	56
Part-time staff	4	3
Temporary staff	3	2
Total	63	61

18 Board fees and management remuneration

EUR thousand		2017	2016
Managing Director	Kari Stadigh	3,690	4,936
Members of the Board of Directors			
Björn Wahlroos		175	160
Christian Clausen		96	80
Jannica Fagerholm		115	80
Adine Grate Axén		96	80
Veli-Matti Mattila		90	80
Risto Murto		90	80
Eira Palin-Lehtinen		115	100
Per Arthur Sørli		96	80

In addition to the above, the company has in accordance with the decision of the Annual General Meeting in 2017 compensated transfer tax of in total EUR 3,345.22 related to the acquisition of the company shares (EUR 916.80 pertaining to the Vice Chairman and EUR 2,428.42 pertaining to the other members of the Board).

Pension liability

The Group CEO is entitled to a defined contribution pension in accordance with the pension contract in force. The annual pension premium is fixed at EUR 400,000.

19 Pension contributions to the ceo, deputy ceo and the members of the board

EUR thousand	Supplementary pension costs	Statutory pension costs	Total
Pension contributions paid during the year			
President/CEO ¹⁾	400	172	572
Former Chairmen of the Board			
Kalevi Keinänen ²⁾	10	-	10
Former Presidents/CEO:s			
Harri Hollmen ³⁾	23	-	23
	433	172	605

¹⁾ The Group CEO is entitled to a defined contribution pension in accordance with the pension contract in force. The annual pension premium is fixed at EUR 400,000. The supplementary pension premiums for 2016 included payments to a supplementary TEL-L group pension plan, which based on changes in legislation was removed as of 31 December 2016 and forms a paid-up policy.

²⁾ Group pension agreement with a retirement age of 60 years and a pension benefit of 66 per cent of the pensionable TyEL-salary (TyEL: Employee's Pension Act). No annual index adjustment in 2017.

³⁾ Group pension agreement with a retirement age of 60 and a pension benefit of 60 per cent of the pensionable TyEL-salary. No annual index adjustment in 2017.

Notes on shares held 20

20 Shares held as of 31 Dec, 2017

Company name	Percentage of share capital held	Carrying amount EURm
Group undertakings		
P&C insurance		
If Skadeförsäkring Holding AB, Stockholm Sweden	100.00	1,886
P&C and life insurance		
Topdanmark A/S, Copenhagen Denmark	48.90	1,398
Life insurance		
Mandatum Life Ltd, Helsinki Finland	100.00	484
Other		
Sampo Capital Oy, Helsinki Finland	100.00	1

Approval of the Financial Statements and the Board of Directors' Report

Helsinki, 7 February 2018

Sampo Plc

Board of Directors

Christian Clausen

Jannica Fagerholm

Adine Grate Axén

Veli-Matti Mattila

Risto Murto

Eira Palin-Lehtinen

Per Arthur Sørli

Björn Wahlroos

Kari Stadigh

Chairman

Group CEO

Auditor's Report

To the Annual General Meeting of Sampo plc

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Sampo plc (business identity code 0142213-3) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that

are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 36 to the consolidated financial statements and note 3 to the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of insurance contract liabilities</p> <p><i>We refer to the Summary of significant accounting policies, Accounting policies regarding management judgment and key sources of estimation uncertainties and Notes 25, 26 and 35.</i></p> <p>At 31.12.2017 the Group has insurance contract liabilities representing amounting to mEUR 30,158 (31.12.2016: mEUR 20,600) which represents 84 % of the Group's total liabilities and it is thus the single largest liability of the Group. The insurance contract liabilities comprise life and non-life insurance contract liabilities.</p> <p>The life insurance contract liabilities are based on estimate of future claims payments. The estimate is based on assumptions which include uncertainty. Changes in assumptions can result in material impacts to the valuation of the liabilities. Key assumption areas include interest rate and life expectancy of policy holders.</p> <p>The estimation of non-life insurance contract liabilities involves significant assumptions to be made in provisions for claims outstanding. Key assumption areas include inflation rate and life expectancy of beneficiaries. The liabilities are based on a best estimate of ultimate cost of all claims incurred but not settled, whether reported or not, together with claims handling costs.</p>	<p>Our audit procedures included evaluation of the governance around the overall Group reserving process, and included testing the operating effectiveness of key controls over the identification, measurement and management of the Group's calculation of insurance liabilities.</p> <p>We evaluated the appropriateness of methodologies and assumptions used, and independently re-projected the reserve balances for certain classes of business.</p> <p>We involved our internal actuarial specialists to assist us in assessing the appropriateness of assumptions used.</p> <p>We assessed the adequacy of disclosures relating to insurance contracts liabilities.</p>
<p>Valuation of financial assets</p> <p><i>We refer to the Summary of significant accounting policies, Accounting policies regarding management judgment and key sources of estimation uncertainties and Notes 9, 14-19 and 35.</i></p> <p>The Group's investment portfolio excluding investments in associates represents amounts to mEUR 33,615 (2016: mEUR 24,386 which represents 68 % of the Group's total assets. Fair value measurement can be subjective, specifically in areas where fair value is based on a model based valuation. Valuation techniques for private equity funds, non-listed bonds and non-listed equities involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could lead to different estimates of fair value. Specific areas of audit focus include the valuation of level 2 and 3 assets according to IFRS where valuation techniques use unobservable inputs. Of financial assets level 2 assets amount to mEUR 7,096 and level 3 assets to mEUR 1,231 (refer to note 16).</p> <p>This matter is a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).</p>	<p>Our audit procedures included testing the effectiveness of controls in place over recording fair values of assets using unobservable input.</p> <p>We performed additional procedures for areas of higher risk and estimation, involving our valuation specialists.</p> <p>In respect of the investments in private equity funds, we evaluated and tested the procedures of the Group to determine the fair value of these investments. The procedures include assessment of fund net asset value based on the fair value of underlying investment, independent broker valuations and evidence of underlying financial data.</p> <p>We assessed the adequacy of disclosures relating to the financial assets.</p>

Associated company Nordea

We refer to the Summary of significant accounting policies and note 13

The value of the Nordea shares in the consolidated balance sheet amounts to mEUR 7,578 (31.12.2016: mEUR 7,554). The Group's ownership in Nordea Bank Abp is 21.25%. Nordea Bank Abp is an associated company of the Group, and is accounted for based on equity accounting. The holding in Nordea Bank Abp represents 15% of the Group's total assets.

Our audit procedures included testing the effectiveness of controls in place over recognizing the Group's share of Nordea's financial information, and assessing a potential indicator of impairment by comparing the book value of the Nordea holding to the market value of the Group's ownership at the reporting date. We assessed the adequacy of disclosures relating to associated companies.

Acquisition of Topdanmark A/S

We refer to the Summary of significant accounting policies and note Business acquisitions.

Topdanmark A/S has been consolidated as a subsidiary as of 30.9.2017, which is determined to be the acquisition date. The company was previously accounted for as an associated entity. The acquisition is a business combination achieved in stages where the previously held equity interest in Topdanmark A/S is remeasured at fair value, and the gain is recognized in profit.

The business combination is a key audit matter due to the valuation processes and –methods related to the acquisition and as it involves estimates by management. Management's judgement and estimates are specifically connected to determination of the acquisition date and determination of the fair values of acquired assets and liabilities, relating to e.g. allocation of the purchase consideration to identified intangible assets as customer relationships and trademark.

- Our audit procedures included assessing the determination of the acquisition date.
- We involved our internal valuation specialists to assess the valuation processes and –methods based on which the acquired assets and liabilities have been identified and the fair values have been determined.
- We tested the determination of the purchase consideration and the accounting treatment of the business combination achieved in stages.

We assessed the adequacy of disclosures relating to the business combination.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 10.4.2002, and our appointment represents a total period of uninterrupted engagement of 16 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions based on the assignment of the Audit Committee

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 28 February 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Kristina Sandin
Authorized Public Accountant



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