

SAMPO **S** GROUP

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Risk Management

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Sampo Group's Operations, Risks and Earnings Logic

Sampo Group is engaged in three business areas. Non-life insurance and life insurance are conducted by subsidiaries If P&C Insurance Holding Ltd and Mandatum Life Insurance Company Ltd that are wholly owned by parent company Sampo plc. In addition to the insurance subsidiaries, Group's parent company Sampo plc held, as at 31 December 2013, an equity stake of 21.25 percent in Nordea Bank AB (publ) through which Sampo Group is engaged in banking business and exposed to respective risks. Nordea is Sampo plc's associated company and thus has a material effect on the Group's profits and risks. However, Nordea operates independently and the company's risk management is therefore not covered in Sampo Group's Annual Report.

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

There are virtually no overlaps between the subsidiaries' insurance businesses' risks and therefore

the subsidiaries' underwriting activities can be managed and developed as separate units supported by only limited group wide coordination. Investment activities, on the other hand, are centralized to manage risks at group level as well. The persons responsible for managing the subsidiaries' investments report directly to Sampo Group's Chief Investment Officer. Also the IT system architecture used in investment activities is the same throughout the Group facilitating consistent analysis and reporting of investment risks and assessment of risks at group level. Furthermore, the same basic principles are primarily followed in the investment activities of both subsidiaries, although the risk level of If P&C's investment portfolio is held significantly lower than the risk level of Mandatum Life's investment portfolio due to different features of their insurance liabilities and general risk appetites.

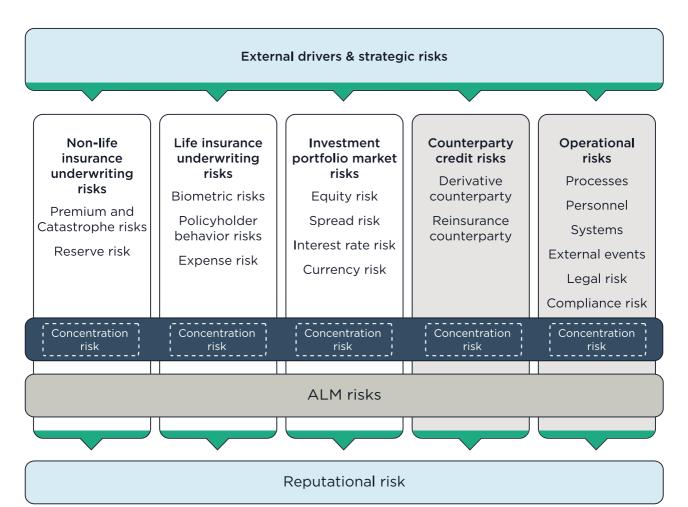
Sampo plc is a holding company and it has no business operations of its own, with the exception of the management of its own capital structure and liquidity position. The parent company's liquidity position varies significantly throughout the calendar year as the dividend distributions of the subsidiaries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

Risks

In Sampo Group the risks associated with business activities fall by definition into two main categories: strategic risks associated with external drivers

affecting the business environment and risks inherent in business operations.

Classification of Risks in Sampo Group



External Drivers and Strategic Risks

Strategic risk is the risk of losses due to changes in the competitive environment or lack of internal operational flexibility. Unexpected changes in general business environment can cause larger than expected fluctuations in financial results and in the long run they can endanger the existence of Sampo Group's business models. External drivers behind such changes are various, including for instance general economic development, development of the institutional environment and technological

innovations. As a result of these external drivers, business models of the industry can change, new competitors may appear and customer demand and behavior can change.

Due to the predominantly external nature of the drivers of and development in the competitive environment strategic risks are the responsibility of the executive level senior management. Proactive strategic decision-making is the central tool in managing strategic risks related to competitive advantage. Also, maintenance of internal operational

flexibility to be able to adjust the business model and cost structure when needed is an efficient tool in managing strategic risks. Although strategic risks are not covered by the economic capital model in Sampo Group they may, however, have an effect on the amount of actual capital base, if deemed prudent in existing business environment.

Risks Inherent in Business Operations

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

Successful management of underwriting and investment 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.

Earnings Risks

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

Non-life Insurance Underwriting Risks

In non-life insurance underwriting risk is often divided in premium and reserve risk in order to distinguish between the risks related to unexpired and expired contracts.

Premium Risk relates to future claims and originates from claim sizes being greater than expected, differences in timing of claims payments from expected, and differences in claims frequency from those expected. As a result the claims cost for future claims exceeds the expected level and there is a loss or adverse changes in the value of insurance liabilities.

Catastrophe risk can be seen as an extreme case of premium risk. It is the risk of low frequency, high severity events, such as natural catastrophes. These events lead to significant deviations in actual claims from the total expected claims.

Reserve risk only relates to incurred claims, i.e. existing claims, and originates from claim sizes being greater than expected, differences in timing of claims payments from expected, and differences in claims frequency from those expected. As a result technical provisions are not sufficient to cover the cost for already incurred claims and there is a loss or adverse changes in the value of insurance liabilities.

Life Insurance Underwriting Risks

Biometric risks refer to the risk that the company has to pay more mortality, disability or morbidity benefits than expected, or the company has to keep paying pension payments to the pension policy holders for a longer time (longevity risk) than expected when pricing the policies. When a low frequency, high severity event leads to a significant deviation in actual benefits and payments from the total expected payments, catastrophe risk has realized.

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

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

Investment Portfolio Market Risks

Market risks refer to fluctuations in the financial results and capital base caused by changes in market values of financial assets and liabilities as well as by changes in the economic value of insurance liabilities. The changes in market values and economic values are caused by movements in underlying market variables such as interest rates, inflation, foreign exchange rates, credit spreads and share prices. Furthermore, market risks include also risk of worsening market liquidity in terms of widening bid-ask spreads and the risk of unexpected changes in repayment schedules of assets. In both cases the market values of financial instruments in investment portfolios may change.

Risks and returns in different markets are considered when Sampo Group companies enter into investments or sell investments from investment portfolios. The fundamental distinction between market risks and underwriting risks is that relating to market risks Sampo Group is in most cases a price taker and not a price giver.

Some risks, such as counterparty credit risks and operational risks are indirect consequences of Sampo's business activities. They are one-sided risks, with no earnings potential related to them.

Accordingly, the risk management objective is to

mitigate these risks efficiently. Management of consequential risks is the responsibility of the business areas and the investment unit and the capital need for these risks is measured by independent risk management functions.

Consequential Risks

Counterparty Credit Risks

Counterparty risk is part of credit risk. In general credit risk refers to losses arising from occurred defaults of debtors (*issuer risk*) or other counterparties (*counterparty risk*) or from increases in assumed probability of defaults.

In the case of issuer risk the final loss depends on the investor's holding of the security at the time of default, mitigated by the recovery rate. In most cases issuer risk has already been fully priced as a lower market value before the event of default has occurred. In essence credit spread is the market price of credit risk. Similarly as other earnings risks, spread risk can be actively managed. Therefore, it is categorized in Sampo Group under investment portfolio market risks.

In the case of counterparty risk, the final loss depends on the positive mark-to-market value of derivatives or reinsurance recoverables at the time of default and on the recovery rate. Counterparty credit risk is mitigated by careful selection of counterparties, by diversification of counterparties to prevent risk concentrations and by using collateral techniques, e.g. ISDA Master Agreements backed by Credit Support Annexes.

Operational Risks

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

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

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

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

Some risks such as interest rate, currency and liquidity risks are by their nature linked to various activities simultaneously. In order to manage these risks efficiently Sampo Group companies have to have a detailed understanding of expected cash flows and their variance within companies' all activities. In addition, a thorough understanding of how expected cash flows and the market consistent values of assets

and liabilities may fluctuate at the total balance sheet level under different scenarios is needed. These balance sheet level risks are commonly defined as Asset and Liability Management (ALM) risks. The ALM risks are one of the focus areas of the senior management because of their complexity and relevance to risks and earnings in the long run.

ALM Risks

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

On balance sheet level, ALM risks contribute considerably to economic values, risks and capital need. Sampo Group companies analyse ALM risks and monitor ALM exposures actively and the risks are taken into account when managing investments and developing insurance products.

In addition to the risks relating to fluctuations in market values and economic values, ALM risks include liquidity risk. *Liquidity risk* is the risk that group companies are, due to lack of available liquid funds and/or access to relevant markets, unable to conduct their regular business activities in accordance with the strategy, or in extreme cases, are unable to settle their financial obligations when they fall due. Liquidity risk includes potential illiquidity of investments and unexpected non-renewal of insurance policies. Moreover, the availability and cost of refinancing and prices of financial derivatives affect the Group companies' ability to carry out normal business activities.

The sources of liquidity risk are either internal or external. If the company's rating declines or if the company's solvency otherwise appears jeopardised, its ability to raise funding, sign reinsurance contracts or enter into financial derivatives at a reasonable price is endangered. Moreover, policyholders may also not be willing to renew their policies. These effects may realize in a general market turmoil situation simultaneously with difficulties to sell investment assets.

Sampo Group manages the liquidity risk by maintaining both parent company's and the subsidiaries' creditworthiness and reputation on appropriate level. Also, diversification within business operations exposed to liquidity risks is sought. In particular the maturity diversification of expected cash flows generated from different business activities is under constant scrutiny. Since there is no unambiguous technique to quantify the capital need for liquidity risk, it is not directly taken into account in capital need estimates. Thus only the interest rate risk part of ALM risks is accounted for in the economic capital framework.

Concentration risks arise when the company's risk exposures are not diversified enough and as a result of this for instance an individual claim or financial market event could threaten the solvency or the financial position of the company. Risk concentrations may evolve within one risk class or across the risk classes defined above, with the exception of operational risks.

Concentration can be at the single-name level or at the level of homogenous group like a geographical area or an industry sector. Within operational risks concentration risks are of different nature and realize due to for example reliance on a single IT system or a single vendor. Another risk that can be realized over any activity is the reputational risk.

Concentration Risks at Different Levels

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

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

Reputational Risk

Reputational risk refers to the risk that adverse publicity regarding the company's business practices or associations, whether accurate or not, causes a loss of confidence in the integrity of the institution. Reputational risk is often a consequence of a materialized operational or compliance risk and realizes often as a deterioration of reputation amongst customers and other stakeholders.

In Sampo Group corporate culture, which is based on core values ethicality, loyalty, openness and entrepreneurship, is seen as a major tool in preventing reputational risk. These core values are reflected in Sampo Group's Corporate Governance system and

how Sampo deals with core stakeholders (i.e. customers, personnel, investors, other co-operation partners, tax authorities and supervising authorities) and other parties, who may have interest in Sampo's business

Earnings Logic

Sampo Group companies operate in business areas where profit generation based on risk taking and active management of risks are key components of earnings logic. Core competencies in managing the balance between risks, capitalization, liquidity and profitability in Sampo's business areas can be summarized as follows:

Appropriate selection and pricing of underwriting

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

Effective management of insurance exposures

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

Careful selection and execution of investment transactions

- Risk return ratios of separate investments are analyzed carefully.
- · Transactions are executed effectively at right time.

Effective Mitigation of Consequential Risks

- Counterparty credit risks are mitigated by selecting counterparties carefully, using risk mitigation techniques and increasing diversification.
- High quality and cost efficient business processes are maintained, continuity of operations is planned and recovery is ensured.

Effective management of investment portfolios and balance sheet

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

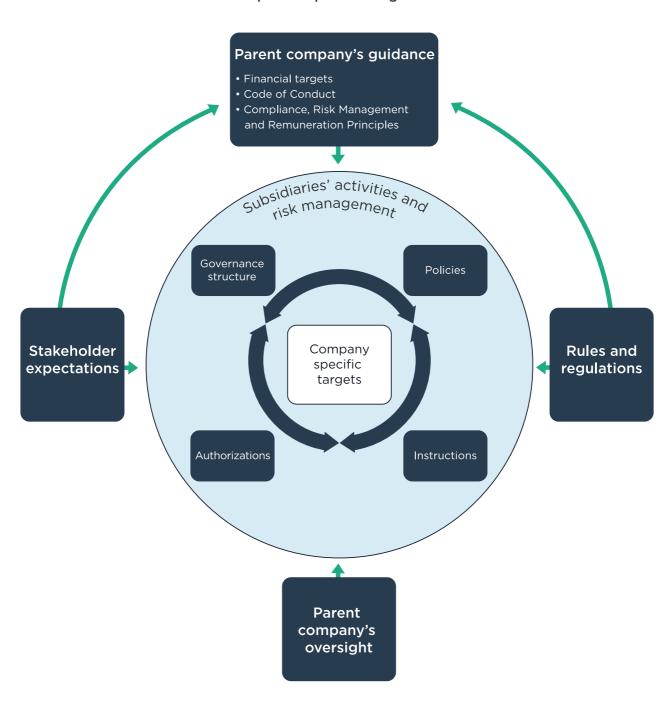
Employees' knowledge and skills are continuously developed to maintain the core competencies. In Sampo Group's businesses data, analytical tools converting the data into information to be used in different business areas and risk management processes are particularly important as well. When the above-mentioned core competencies are in place, a balance between earnings, risks and capitalization can be achieved on a company level.

At group level the focus is on group wide capitalization and liquidity. In addition to the company level core competencies, at group level it is essential to identify potential risk concentrations and to have a thorough understanding of how reported profits of companies would behave under different scenarios in general. These concentrations and correlations have an effect on group level capitalization and liquidity and they may have an effect on group level management actions.

Sampo Group Steering Model and Risk Management Process

Sampo Group's steering model as well as the legal structure of the Group is straightforward and simple.

Sampo Group's Steering Model



- The Group's parent company Sampo plc steers the subsidiaries by setting capital and return on equity (RoE) targets for the subsidiaries and by defining preconditions for the subsidiaries' operations in the form of the group wide principles. In addition to the opinions of the Sampo plc Board of Directors, the stakeholders' expectations and external regulations affect the principles set by Sampo plc.
- 2. Subsidiaries organize their activities independently taking into account the specific characteristics of their own operations and the group wide
- principles. The stakeholders' expectations and external regulations affect the subsidiaries' activities directly as well.
- Sampo plc reviews the Group as a business
 portfolio and is active especially in matters related
 to the Group's capitalization and risks as well as
 related to the parent company's capital structure
 and liquidity.

Further information on Sampo Group's structure is available at www.sampo.com/group/group-structure.

Parent Company's Guidance

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

The basis for capitalization is the internally estimated amount of economic capital which reflects the capital employed in the company's measurable risks. In addition, the perceived riskiness of the company's business environment is taken into account in assessing capitalization. Capitalization may also be affected by rating targets. Currently the only target is If P&C's A rating.

These three aspects, together with the regulatory capital requirement, are the main aspects when parent company is assessing the adequate level of capitalization for each subsidiary and the amount of dividends distributed by the subsidiaries to the parent company. In Sampo Group, the excess capital from an operational point of view is held by the parent

company Sampo plc, which capitalizes the subsidiaries, if needed.

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

In addition to these guidelines, the external regulatory environment and expectations of different stakeholders on Sampo Group's operations impact Sampo plc's Board of Directors' decisions in general and thereby also the guidance given by the parent company. Further information on Sampo Group's stakeholders is available at Code of Conduct at www.sampo.com/corporate-governance/code-of-conduct.

Subsidiaries' Activities and Risk Management

Sampo Group's subsidiaries independently decide on the governance structure of their own operations as well as on the policies, limits, authorizations and instructions relating to specific areas in accordance with the guidelines defined by the parent company.

The executive management of the subsidiaries have extensive experience in the insurance industry as well as in financial and risk management. The members of the subsidiaries' Boards of Directors, who are mainly in senior management positions in Sampo plc, have also complementary investment, financial, risk and capitalization as well as mergers and acquisitions expertise. The members of different committees and governing bodies represent expertise related to business and other functions. The subsidiaries' operations are monitored by the different governing bodies and ultimately by the Boards of Directors.

Since only the main guidelines are prepared by the parent company, the subsidiaries' managements have the power and responsibility to incorporate the specific characteristics of their own operations to the company specific policies and instructions. The regulatory environment and stakeholders' expectations are naturally also directly reflected in the organization of the subsidiaries' operations.

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

The risk management process consists of continuous activities that are partly a responsibility of the personnel involved in business activities and partly a responsibility of independent risk management specialists. The responsibilities of business lines and independent risk management are clear. In addition in Sampo Group these functions are in a continuous dialogue.

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

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

Governance structure **Policies** Continuous analysis of opportunities Cost efficient Strategic and and high quality operational flexibility processes Independent measurement and control Risk management targets Balance between risks, capital and earnings Instructions **Authorizations**

Company Level Risk Management System

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

- Risk management governance structure and authorizations (see Risk Governance section)
- Companies' own risk policies and more detailed instructions related to risk management
- Prudent valuation, risk measurement and reporting procedures

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

Financial and risk management functions are explicitly responsible for **independent measurement and control**, including monitoring of operations in general as well as profitability, risk and capitalization calculations.

In addition to the statutory financial statements and solvency figures, Sampo Group companies also use internal performance, risk and capital measures based generally on fair values of assets and liabilities. Capital adequacy is assessed internally by comparing the available capital (adjusted solvency capital "ASC") to the amount of capital needed. ASC includes, in addition to the capital components included in the Solvency I framework, other loss absorbing items

(equalization provision, discounting effects) which will be part of capital base in Solvency II framework.

The assessment of capital need includes the following phases:

- The Economic capital model is used to define the capital needed for measurable risks of current activities (Economic Capital "EC");
- An additional risk buffer is added over the measured EC. General uncertainty of business environment, less quantifiable risks (e.g. strategic risks, low probability and high impact events, liquidity risks) and potential model risks affect the size of the additional buffer;
- Because earnings are the first buffer against potential losses, expected profitability is also taken into account when considering the buffer needed over the EC.

Independent Measurement and Control - Output Examples:

- Detailed reporting on risks to subsidiaries' and Sampo plc's Risk Committees and the Boards of Directors.
- EC and ASC is reported internally at least on a quarterly basis.
- Regulatory and rating agency capital charges and capital positions are reported internally on a quarterly basis.
- Internal and regulatory capitalization figures are disclosed quarterly as well.

Business lines and financial and risk management functions are both active in supporting the business with **continuous analysis and assessment of opportunities**. This can be seen as a separate phase in the risk management process since a significant part of the time in insurance and investment business units

is consumed on a daily basis on assessing different business opportunities and especially their risk return ratios. In financial and risk management functions, on the other hand, considerable amount of time is spent on risk assessment and capital planning.

Continuous Analysis of Opportunities - Output Examples:

- · Business opportunities and respective earnings potential and capital consumption are identified.
- Product and service development, investment opportunities and respective earnings potential and capital need
- · Plans for intra-group and external dividends.
- Initiatives on hybrid and senior debt issuance.

Actions, i.e. transactions representing the actual insurance and investment operations are performed in accordance with the given authorizations, risk policies and other instructions. These actions are the responsibility of business and centralized functions such as the investment unit. Activities related to capitalization and liquidity positions are included in this part of the process. In Sampo Group, proactive

profitability, risk and capital management actions are seen as the most important phase in the risk and capital management process. Hence, risk policies, limits and decision making authorizations are set up in a way that they, together with profitability targets, facilitate business and investment units to take carefully considered risks.

Actions - Output Examples:

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

High quality execution of the tasks above contributes to the achievement of the three central **targets** of the risk management process:

Balance between risks, capital and earnings

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

Cost efficient and high quality processes

 Client service processes and internal operative processes are cost efficient and of high quality;

- Decision making is based on accurate, adequate and timely information;
- Continuity of operations is ensured and in case of discontinuity events recovery is fast and comprehensive.

Strategic and operational flexibility

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

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

Parent Company's Oversight and Activities

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

At group level the central focus areas are potential concentrations arising from the Group companies'

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

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

Risk Governance

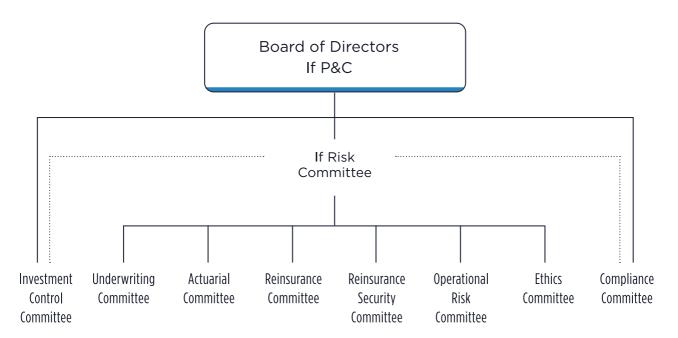
This section describes Sampo Group's and its subsidiaries' governance framework from a risk management perspective. A more detailed description of Sampo Group's corporate governance and internal control system is included in the Corporate Governance section.

responsibilities the Boards of Directors approve the Risk Management Policy and the other risk steering documents, ensure that the management and follow-up of risks are satisfactory, monitor risk reports and approve risk management plans. The reporting lines of different governing bodies in If P&C are described in the figure Risk Governance in If P&C.

Risk Governance in If P&C

The main risk steering mechanism used by the Boards of Directors is the policy framework. As part of their

Risk Governance in If P&C



The If Risk Committee (IRC) assists the Chief Executive Officers (CEOs) and the Boards of Directors of If P&C in fulfilling their responsibilities pertaining to the risk management process. The IRC reviews, discusses and gives input on risk issues raised from the relevant risk committees, experts and line organization. Furthermore, the IRC also monitors that If P&C's short-term and long-term aggregate risk profile is aligned with its risk strategy and capital adequacy requirements. The Risk Control unit within the Risk Management department is, on behalf of the Chief Risk Officer (CRO), responsible for coordinating and analyzing the information reported to the IRC.

The responsibility to identify, evaluate, control and mitigate risks lies within the line organization. There are separate committees in place for key risk areas. These committees have the responsibility to monitor that risks are managed and controlled as decided by the Boards of Directors. The chairmen of the committees are responsible for the reporting to the IRC. The risk committees in If P&C do not have a decision mandate.

Policies are in place for each risk area specifying restrictions and limits chosen to reflect and secure that the risk level at all times complies with the overall risk appetite and capital adequacy constraints of If

P&C. The committees shall also monitor the effectiveness of policies and give input to changes and updates if needed.

The responsibilities of the respective risk committees are:

- The Investment Control Committee (ICC) is responsible for monitoring the implementation of and compliance with the Investment and Asset Coverage Policies. The committee shall consider and propose changes to the policies. The Chairman is responsible for the reporting of policy deviations and other issues dealt with by the committee.
- The Underwriting Committee (UWC) shall give its opinion on and propose actions in respect of various issues related to underwriting risk. The committee shall also consider and propose changes to the Underwriting Policy. The Chairman is responsible for the reporting of policy deviations and other issues dealt with by the committee.
- The Actuarial Committee (AC) is a preparatory and advisory body for If P&C's Chief Actuary. The committee shall secure a comprehensive view over reserve risk, discuss and give recommendations on policies and guidelines for technical provisions, as well as consider and propose changes to the Risk Data Policy.
- The Reinsurance Committee (RC) is a collaboration forum for reinsurance related issues and shall give its opinion on and propose actions in respect of such issues. The committee shall consider and propose changes to the Reinsurance Policy and the Internal Reinsurance Policy. The Chairman is responsible for the reporting of policy deviations and other issues dealt with by the committee.
- The Reinsurance Security Committee (RSC) shall give input and suggestions to decisions in respect of various issues regarding reinsurance credit risk

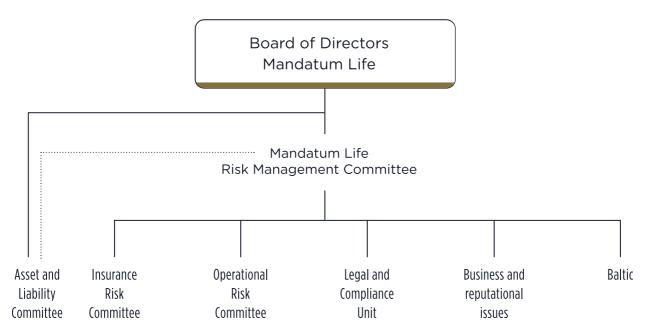
- and risk exposure, as well as proposed deviations from the Reinsurance Security Policy. The Chairman is responsible for the reporting of policy deviations and other issues dealt with by the committee.
- The Operational Risk Committee (ORC) is responsible for preparing a comprehensive overview of the operational risk status in If P&C. The committee shall consider and propose changes to policies and instructions regarding operational risks. The Chairman is responsible for the reporting of issues dealt with by the committee.
- The Ethics Committee (EC) discusses and coordinates ethics issues in If P&C. The committee gives recommendations on ethical issues and proposes changes to the Ethics Policy. The Chairman is responsible for the reporting on ethics risk and other issues dealt with by the committee.
- The Compliance Committee (CC) is an advisory body for the Chief Compliance Officer regarding compliance issues. The task of the committee is to secure a comprehensive view of compliance risk and activities in If P&C.

Risk Governance in Mandatum Life

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

The Managing Director of Mandatum Life has the overall responsibility for the risk management according to Board of Directors' instructions. The reporting lines of different governing bodies in Mandatum Life are described in the figure Risk Governance in Mandatum Life.

Risk Governance in Mandatum Life



- The Risk Management Committee (RMC)
 coordinates and monitors all risks in Mandatum Life.
 The Committee is chaired by the Managing Director.
 Risks are divided into main groups which are
 insurance, market, operational, legal and
 compliance risks as well as business and reputation
 risks. Risks related to the Baltic subsidiary are also
 included. Each risk area has a responsible person in
 the Committee.
- Mandatum Life's Asset and Liability Committee
 (ALCO) controls that the investment activities are
 conducted within the limits defined in the
 Investment Policy approved by the Board and
 monitors the adequacy of liquidity, profitability and
 solvency capital in relation to the risks in the
 balance sheet. ALCO prepares a proposal of
 Investment Policy to the Board of Directors. ALCO
 reports to the Board and meets at a minimum on a
 monthly basis.
- The Insurance Risk Committee is responsible for maintaining the Underwriting Policy and monitoring the functioning of the risk selection and claims processes. The Committee also reports all deviations from the Underwriting Policy to the RMC. The Insurance Risk Committee is chaired by the Chief Actuary who is responsible for ensuring that the principles for pricing policies and for the calculation of technical provisions are adequate and in line with the risk selection and claims processes. The Board approves the insurance policy pricing and the central principles for the calculation of

- technical provisions. In addition, the Board defines the maximum amount of risk to be retained on the company's own account and approves the reinsurance policy annually.
- The Operational Risk Committee (ORC) analyzes
 and handles operational risks, e.g. in relation to new
 products and services, changes in processes and
 risks as well as realized operational risk incidents.
 Significant observations are reported to the Risk
 Management Committee and to the Board of
 Directors quarterly. ORC is also responsible for
 maintaining and updating the continuity and
 preparedness plans as well as the Internal Control
 Policy.
- The Legal and Compliance Unit is taking care of compliance matters and Head of the Unit is a member of the Risk Management Committee.
- Managing director is responsible for business and reputational risk issues and he is also the Chairman of the Risk Management Committee.
- The Baltic subsidiary has its own risk management procedures. All major incidents are also reported to Mandatum Life's Risk Management Committee. The Chairman of the Baltic Subsidiary is a member of the Risk Management Committee.

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

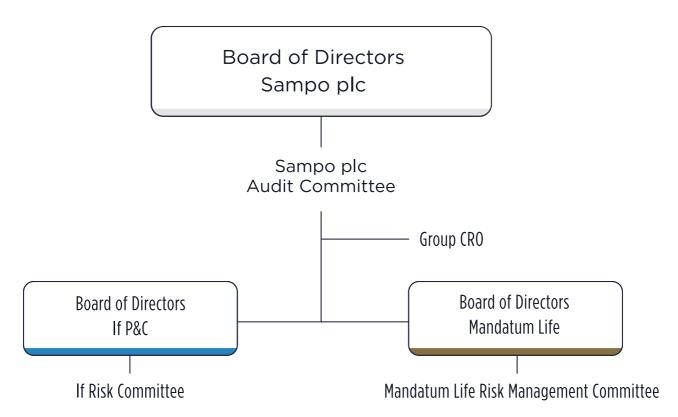
Risk Governance at Group Level

The Board of Directors of Sampo plc is responsible for ensuring that the Group's risks are properly managed and controlled. The Board of Directors of the parent company defines financial and capitalization targets for the subsidiaries and approves group level principles steering the subsidiaries' activities as described in section Sampo Group Steering Model and

Risk Management Process. The risk exposures and capitalization reports of the subsidiaries are consolidated at group level on a quarterly basis and reported to the Board and to the Audit Committee of Sampo plc.

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

Risk Governance in Sampo Group



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

The Group Chief Risk Officer (CRO) is responsible for the appropriateness of risk management on Sampo Group level. The CRO's responsibility is to monitor Sampo Group's aggregated risk exposure as a whole and coordinate and monitor company specific and group level risk management.

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

Underwriting Risks

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

the focus is mainly on the first component and hence on the underwriting risk. Discount rate risk and its effect on technical provisions are also described in this section. The interest rate risk affecting the economic value of liabilities is covered later in ALM risk section.

Non-life Insurance Underwriting Risks

Underwriting risk is the risk of loss or of adverse changes in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.

Non-life Insurance Underwriting Risks

External drivers

Natural disasters, catastrophes, technical development, medical innovations, changes in climate, business cycles, inflation, health costs, wages etc.

Changes in the timing, frequency or severity of fires, motor accidents, windstorms, floods, thefts etc.

Premium and catastrophe risks

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

Changes in longevity, latent factors precedents etc.

Reserve risk

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

Changes in expected liability cash flows

Changes in economic value of liabilities

Changes in technical provisions

Changes in market interest rates

Changes in administrative discount rates

Premium Risk and Catastrophe Risk

Premium risk is the risk of loss or of adverse changes in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events which have not occurred by the balance sheet date.

Catastrophe risk is the risk of loss or of adverse changes in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

Premium Risk and Catastrophe Risk Management and Control

The Underwriting Policy (UW Policy) is the principal document for underwriting, and sets general principles, restrictions and directions for the underwriting activities. The Board of Directors of If P&C approves the UW Policy at least once a year.

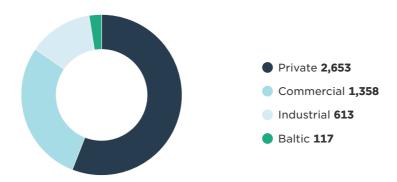
The UW Policy is supplemented with guidelines outlining in greater detail how to conduct underwriting within each business area. These guidelines cover areas such as tariff and rating models for pricing, guidelines in respect of standard

conditions and manuscript wordings, as well as authorities and limits. In accordance with the Instructions for the Underwriting Committee, the Committee is responsible for monitoring compliance with the established underwriting principles.

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

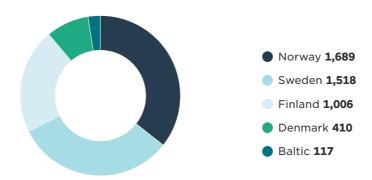
The insurance portfolio is well diversified, given the fact that If P&C has a large customer base and the business is underwritten in different geographical areas and across several lines of businesses. The degree of diversification is shown in the figure Breakdown of Gross Written Premiums by Business Area, Country and Line of Business, If P&C, 2013.

Breakdown of Gross Written Premiums by Business Area If P&C, 2013, total 4,768 EURm



Breakdown of Gross Written Premiums by Country

If P&C, 2013, total 4,768 EURm



Breakdown of Gross Written Premiums by Line of Business





The item Other (including group eliminations) is not shown in the breakdowns above but it is included in total gross written premiums.

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

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

A group wide reinsurance program has been in place in If P&C since 2003. In 2013, retention levels were between SEK 100 million (approximately EUR 11.3 million) and SEK 250 million (approximately EUR 28.2 million) per risk and SEK 200 million (approximately EUR 22.6 million) per event.

Sensitivity of underwriting result and hence underwriting risk is presented by changes in certain key figures in the table Sensitivity Test of Underwriting Result, If P&C, 31 December 2013 and 31 December 2012.

Sensitivity Test of Underwriting Result

If P&C, 31 December 2013 and 31 December 2012

Effect on pretax profit, EURm

Key figure	Current level (2013)	Change in current level	2013	2012
Combined ratio, business area Private	87.8%	+/- 1 percentage point	+/- 26	+/- 25
Combined ratio, business area Commercial	88.6%	+/- 1 percentage point	+/- 13	+/- 13
Combined ratio, business area Industrial	91.5%	+/- 1 percentage point	+/- 5	+/- 4
Combined ratio, business area Baltics	88.4%	+/- 1 percentage point	+/- 1	+/- 1
Net premiums earned	4,505	+/- 1 per cent	+/- 45	+/- 44
Net claims incurred	3,215	+/- 1 per cent	+/- 32	+/- 31
Ceded written premiums	208	+/- 10 per cent	+/- 21	+/- 26

Reserve Risk

Reserve risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing and amount of claim settlements for events which have occurred at or prior to the balance sheet date.

As part of the claims provisions are annuities, If P&C is exposed to revision risk, which is defined as the risk of loss, or of adverse change in the value of insurance and reinsurance liabilities, resulting from fluctuations in the level, trend, or volatility of revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured. Revision risk is part of reserve risk.

The technical provisions for unearned premiums is intended to cover anticipated claims costs and operating expenses during the remaining term of insurance contracts in force. Since claims are paid after they have occurred, it is necessary to set provisions for claims outstanding. The technical provisions are the sum of provisions for unearned premiums and provisions for claims outstanding.

Technical provisions always include a degree of uncertainty as the provisions are based on estimates of the size and the frequency of future claim payments. The uncertainty of technical provisions is normally greater for new portfolios for which complete run-off statistics are not yet available, and for portfolios including claims that take a long time to settle. Workers' Compensation (WC), Motor Third Party Liability (MTPL), Personal Accident and Liability insurance, are products with the latter characteristics.

Reserve Risk Management and Control

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

The Actuarial Committee is a preparatory and advisory board for If P&C's Chief Actuary. The committee makes recommendations concerning guidelines for technical calculations. The committee also monitors technical provisions and provides advice to If P&C's Chief Actuary regarding the adequacy of these provisions.

If P&C's actuaries analyze the uncertainty of technical provisions. The actuaries continuously monitor the level of provisions to ensure that they comply with established guidelines. The actuaries also develop methods and systems to support these processes.

The actuarial estimates are based on historical claims data 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 provisions, the Chain Ladder and Bornhuetter-Fergusson methods are generally used, combined with projections of the number of claims and the average claim costs.

The anticipated inflation trend is taken into account when calculating all provisions and is of the utmost importance for claims settled over a long period of time, such as Motor Third Party Liability (MTPL) and Workers' Compensation (WC). The anticipated inflation is based on external assessments of the inflation trend in various areas, such as the consumer price index and payroll index, combined with If P&C's own estimation of cost for various types of claims. For lines of business such as MTPL and WC, legislation differs significantly between countries. Some of the

Finnish, Swedish and Danish technical provisions for these lines include annuities that are sensitive to changes in mortality assumptions and discount rates. The proportion of technical provisions that are related to MTPL and WC is 68 per cent.

Technical provisions and the economic durations broken down by line of business and major geographical area is shown in the table Technical Provisions by Line of Business and Major Geographical Area, If P&C, 31 December 2013.

Technical Provisions by Line of Business and Major Geographical Area If P&C, 31 December 2013

	Sw	Sweden		Norway		Finland		Denmark		Total	
Total	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration	EURm	Duration	
Motor other and MTPL	2,606	6.9	738	2.1	916	10.5	141	1.6	4,402	6.6	
Workers' compensation	0	0.0	360	5.1	1,085	10.8	251	6.7	1,696	9.1	
Liability	294	3.7	162	2.7	127	2.5	76	2.0	659	3.1	
Accident	255	4.4	350	2.4	149	2.6	76	1.3	830	2.9	
Property	406	1.0	498	0.9	212	1.2	126	0.7	1,242	1.0	
Marine, aviation, transport	27	1.2	41	0.7	6	1.1	15	0.8	89	0.9	
Total	3,588	5.6	2,150	2.3	2,496	8.7	684	3.4	8,918	5.6	

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, 2013.

Sensitivities of Technical Provisions

If P&C, 2013

Technical provision item	Risk factor	Change in risk parameter	Country	Effect EURm
Nominal reserves	Inflation increase	Increase by 1%-point	Sweden	185.7
			Denmark	11.0
			Norway	56.5
			Finland	27.7
Annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	12.0
			Denmark	0.5
			Finland	31.7
Discounted reserves (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1%-point	Sweden	64.0
			Denmark	9.1
			Finland	175.6

If P&C's technical provisions are further analyzed by claims years. The outputs of this analysis are illustrated both before and after reinsurance in the

claims cost trend tables. These are disclosed in the Note 27 to the Financial Statements.

Life Insurance Underwriting Risks

Life insurance risks encompass underwriting risk and discount rate risk in technical provisions. Underwriting

risk includes biometric, policyholder behavior and expense risks.

Life Insurance Underwriting Risks

External drivers

Pandemics, catastrophes, medical innovations, inflation, health costs, wages, business cycles, taxation, legislation etc.

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

Biometric risks

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

Changes in policyholders' behavior

Policyholder behavior risks

- Actual rate of policy lapses differs from expected
- Rate of actual surrenders differs from expected

Changes in general expenses and/or direct underwriting costs

Expense risk

- Amount of expenses incurred is greater than expected
- Timing of expenses incurred is earlier than expected

Changes in expected liability cash flows

Changes in economic value of liabilities

Changes in technical provisions

Changes in market interest rates

Changes in administrative discount rates

Biometric Risks

Biometric risks in life insurance refer mainly to the risk that the company has to pay more mortality, disability or morbidity benefits than expected or the company has to keep paying pension payments to the pension policyholders for a longer time (longevity risk) than expected when pricing the policies. The specific case in which a single event or series of single events of major magnitude lead to a significant deviation in actual benefits and payments from the total expected payments is called catastrophe risk.

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

The table Claim Ratios After Reinsurance, Mandatum Life, 2013 and 2012 shows the insurance risk result in Mandatum Life's Finnish life insurance policies. The ratio of the actual claims costs to the assumed was 79 per cent in 2013 (82 per cent in 2012). Sensitivity of the insurance risk result can also be assessed on the basis of the information in the table. For instance the increase of mortality by 100 per cent would increase the amount of benefit payments from EUR 16 million to EUR 32 million.

Claim Ratios After Reinsurance Mandatum Life, 2013 and 2012

		2013		2012				
EURm	Risk income	Claim expense	Claim ratio	Risk income	Claim expense	Claim ratio		
Life insurance	47.4	27.1	57%	42.4	25.2	59%		
Mortality	29.8	16.1	54%	25.9	14.9	57%		
Morbidity and disability	17.6	11.0	62%	16.5	10.3	62%		
Pension	57.5	55.5	97%	57.7	57.3	99%		
Individual pension	9.1	9.8	108%	9.5	10.1	106%		
Group pension	48.4	45.7	94%	48.2	47.2	98%		
Mortality (longevity)	43.9	43.3	99%	43.5	44.2	102%		
Disability	4.5	2.4	52%	4.7	3.0	64%		
Mandatum Life	104.8	82.6	79%	100.1	82.5	82%		

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

The annual longevity risk result and longevity trend is analyzed regularly. The assumed life expectancy related to the technical provisions for group pensions was revised in 2002 and additional changes were made in 2007. The cumulative longevity risk result has been positive since these revisions. The longevity risk result of group pension for the year 2013 was EUR 0.6 million (EUR -0.7 million in 2012).

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

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

New gender neutral pricing is fully in-force for all new retail policies with biometric risks. This creates more uncertainty for the future, although changes are not expected to have a significant impact on risk result.

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

Policyholder Behavior and Expense Risks

Uncertainty related to the behavior of the policyholders is a major risk as well. The policyholders have the right to cease paying premiums (*lapse risk*) and the possibility to interrupt their policies (*surrender risk*). Ability to keep lapse and surrender rates in a low level is a crucial success factor especially for the expense result of unit-linked business.

From ALM point of view surrender and lapse risks are less significant because in Mandatum Life, over 90 per cent of with profit policies are pension policies in which surrender is possible only in exceptional cases. For ALM risk, surrender risk is therefore only relevant in individual life and capital redemption policies of which the related technical provisions amounts to only 6 per cent (EUR 237 million) of the total with profit technical provisions. Furthermore, the supplements to technical provisions are not paid out at surrender which also reduces the surrender risk related to the with profit policies. Surrender and lapse risks are taken into account when the company is analyzing its ALM risk.

The company is also exposed to *expense risk*, which is a risk that the future operating expenses exceed the level that was anticipated when pricing the insurances. 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 efficient level. In year 2013, expense result was EUR 14.2 million (EUR 5.8 million in 2012). Mandatum Life does not defer insurance acquisition costs.

Discount Rate Risk in Technical Provisions

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

In most with profit policies, the guaranteed interest rate is 3.5 per cent. In individual policies sold in Finland before 1999, the guaranteed interest rate is 4.5 per cent, which is also the statutory maximum discount rate of these policies. With respect to these policies, the maximum discount rate used when discounting technical provisions has been decreased to 3.5 per cent. As a result, technical provisions have been supplemented with EUR 75 million in 2013 (EUR 71 million in 2012). In addition, EUR 44 million has been reserved to lower the interest rate of with profit liabilities to 2.25 per cent in 2014 and EUR 26 million for the year 2015 to lower the interest rate of with profit liabilities to 2.75 per cent, i.e. Mandatum Life has set up an extra reserve of EUR 146 million as part of technical provisions.

The provisions related to each product type and guaranteed interest rates are shown in the table Analysis of the Change in Provisions before Reinsurance, Mandatum Life, 2013. The table also shows the change in each category during 2013.

Analysis of the Change in Provisions before Reinsurance Mandatum Life, 2013

EURm	Liability 2012	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	Other	Liability 2013	Share %
Mandatum Life parent company									
Unit-linked total	3,699	880	-323	-52	0	0	271	4,475	52
Individual pension insurance	894	81	-8	-13	0	0	60	1,014	12
Individual life	1,301	311	-144	-14	0	0	75	1,530	18
Capital redemption operations	1,140	430	-166	-18	0	0	103	1,489	17
Group pension	364	57	-5	-6	0	0	33	442	5
With-profit and others total	4,052	156	-394	-36	139	3	-11	3,910	46
Group pension	2,411	64	-188	-7	80	3	-28	2,335	27
Guaranteed rate 3.5%	2,321	53	-181	-6	77	2	-53	2,213	26
Guaranteed rate 2.5% or 0.0%	90	11	-6	-1	3	0	25	122	1
Individual pension insurance	1,216	21	-156	-6	51	0	16	1,141	13
Guaranteed rate 4.5%	1,015	14	-125	-5	44	0	2	945	11
Guaranteed rate 3.5%	157	4	-22	-1	5	0	9	153	2
Guaranteed rate 2.5% or 0.0%	44	2	-9	-0	1	0	6	43	1
Individual life insurance	253	32	-36	-10	8	0	-14	233	3
Guaranteed rate 4.5%	72	5	-8	-2	3	0	-2	68	1
Guaranteed rate 3.5%	121	11	-15	-4	4	0	-7	109	1
Guaranteed rate 2.5% or 0.0%	61	17	-13	-6	1	0	-4	56	1
Capital redemption operations	6	0	-1	0	0	0	-1	4	0
Guaranteed rate 3.5%	0	0	0	0	0	0	0	0	0
Guaranteed rate 2.5% or 0.0%	6	0	-1	0	0	0	-1	4	0
Future bonus reserves	0	0	0	0	0	0	0	0	0
Reserve for decreased discount rate	118	0	0	0	0	0	28	146	2
Assumed reinsurance	2	4	-1	0	0	0	0	6	0
Other liabilities	47	34	-12	-12	1	0	-12	45	1
Mandatum Life parent company total	7,751	1,036	-716	-88	139	3	260	8,385	98
Subsidiary Mandatum Life Insurance Baltic SE	153	32	-25	-3	1	0	2	159	2
Unit-linked	134	29	-22	-2	0	0	3	142	2
Others	19	3	-3	-1	1	0	-1	18	0
Mandatum Life group total	7,904	1,068	-741	-91	139	3	262	8,544	100

Unit linked business has been Mandatum Life's main focus area since year 2001. Since that the trend of unit linked technical provisions have been upward and annual average change in technical provisions has been + 26 per cent per annum. Due to the nature of unit linked business, volatility between years is relatively high.

In contrast, the trend of with profit technical provisions is downward, especially portfolios with highest 4.5 per cent and 3.5 per cent guarantees.

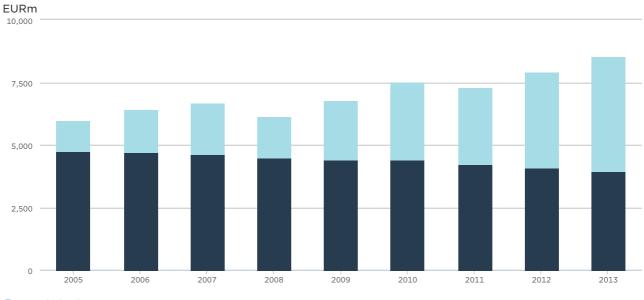
Technical provisions with highest guarantees fell by EUR 197 million. In total, with profit technical provisions decreased by EUR 143 million including a strengthening of the discount rate reserves by EUR 28 million.

Unit-linked technical provisions exceeded with profit technical provisions during year 2013.

The development of the structure and amount of Mandatum Life's technical provisions is shown in the

figure Development of With Profit and Unit-linked Technical Provisions, Mandatum Life, 2004–2013.

Development of With Profit and Unit-linked Technical Provisions Mandatum Life, 2004-2013



Unit-linked

With-profit

The table Expected Maturity of Insurance and Investment Contracts before Reinsurance, Mandatum Life, 31 December 2013 shows the expected maturity and duration of insurance and investment contracts of Mandatum Life. The sensitivity of technical provisions

to changes in discount rates can be assessed on the basis of the durations shown in the table.

Expected Maturity of Insurance and Investment Contracts before Reinsurance Mandatum Life, 31 December 2013

EURm	Duration	2014- 2015	2016- 2017	2018- 2022	2023- 2027	2028- 2032	2033- 2037	2038
Mandatum Life parent company								
Unit-linked total	8.6	759	688	1,254	884	785	357	429
Individual pension insurance	11.4	66	112	257	234	196	143	172
Individual life	7.6	327	279	432	286	235	111	106
Capital redemption operations *)	7.2	336	255	448	264	280	49	74
Group pension	11.3	29	42	117	100	74	54	77
With-profit and others total	8.6	870	699	1,280	867	589	395	604
Group pension	10.0	383	353	752	576	423	305	477
Guaranteed rate 3.5%	10.0	362	338	724	554	406	292	453
Guaranteed rate 2.5% or 0.0%	9.9	21	15	28	21	17	13	24
Individual pension insurance	6.4	302	278	430	230	122	55	57
Guaranteed rate 4.5%	6.4	251	230	368	198	101	44	48
Guaranteed rate 3.5%	6.4	39	38	50	26	18	9	7
Guaranteed rate 2.5% or 0.0%	5.8	12	10	12	6	3	2	2
Individual life insurance	9.9	49	52	73	50	38	32	67
Guaranteed rate 4.5%	10.8	16	14	22	16	12	12	28
Guaranteed rate 3.5%	10.2	20	22	35	24	19	15	30
Guaranteed rate 2.5% or 0.0%	7.8	12	16	17	9	7	5	9
Capital redemption operations *)	6.9	1	0	1	1	1	0	0
Guaranteed rate 3.5%	0.0	0	0	0	0	0	0	0
Guaranteed rate 2.5% or 0.0%	6.9	1	0	1	1	1	0	0
Future bonus reserves	1.0	0	0	0	0	0	0	0
Reserve for decreased discount rate	3.3	89	13	21	11	5	3	3
Assumed reinsurance	0.5	6	0	0	0	0	0	0
Other liabilities	1.0	41	3	2	0	0	0	0
Mandatum Life parent company total	8.6	1,629	1,386	2,534	1,751	1,374	752	1,033
Subsidiary Mandatum Life Insurance Baltic SE		15	17	38	16	27	9	37
Unit-linked		12	13	32	14	26	9	37
Others		4	3	7	2	1	0	0
Mandatum Life group total		1,644	1,403	2,572	1,767	1,401	761	1,070

^{*)} Investment contracts

Life Insurance Risk Management

Biometric risks are managed by careful risk selection, by pricing to reflect the risks and costs, by setting upper limits for the protection granted and by use of reinsurance.

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

Risk selection is part of the day-to-day business routines in Mandatum Life. Mandatum Life's Underwriting Policy sets principles for risk selection and limits for sums insured. Compliance with the principles and limits set in the Underwriting Policy are monitored continuously.

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

Technical provisions are analyzed and the possible supplement needs are assessed regularly.

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

Investment Portfolio Market Risks

In general, market risks refer to fluctuations in the financial results and capital position caused by changes in market values of financial assets and liabilities as well as economic value of insurance liabilities

The risks caused by changes in interest rates, foreign exchange rates and inflation together with general trend of credit spreads and equity prices are defined as general market risks. When the risk is related to debt and equity instruments issued by a specific issuer, it can be defined as issuer specific market risk.

In Sampo Group, market risks related to investment portfolios are mostly straightforward to analyze. The

realization of risks is transparently reflected in the financial statements, because Sampo Group is applying mark-to-market procedures to most of its investments and only seldom there are instruments that require mark-to-model procedures.

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

Principles of Investment Portfolio Management

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

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

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

Sampo Group considers that it has a thorough understanding of the Nordic markets and issuers and consequently Sampo Group's direct investments are mainly made in Nordic securities. When investing in non-Nordic securities, funds or other assets, third party managed investments are mainly used. These investments are primarily used as a tool in tactical asset allocation when seeking return and secondarily in order to increase diversification.

Market risk control is separated from portfolio management activities in two ways. Firstly, the persons independent from Investment Unit prepare Investment Policies for the Board approval. Secondly, Middle Office units that are independent from Investment Unit as well, measure risks and performance and control limits set in Investment Policies on a daily basis. Market risks and limits are also controlled by the ICC in If P&C and ALCO in Mandatum Life on a monthly basis at a minimum. These committees are responsible for the control of investment activities within the respective legal entity.

The aggregated market risks and concentrations at Sampo Group level are controlled by the Group's Audit Committee quarterly at a minimum.

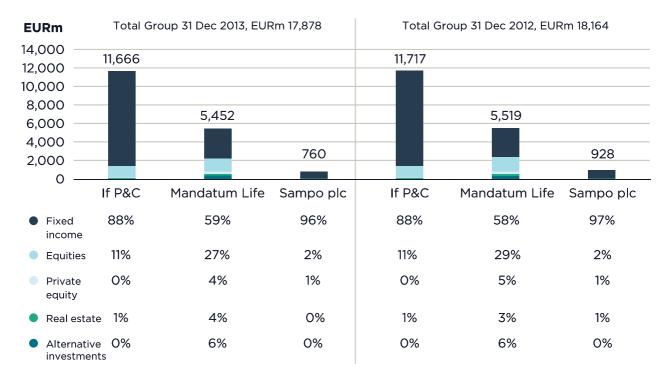
Asset Allocations and Investment Returns

The total amount of Sampo Group's investment assets as at 31 December 2013 was EUR 17,878 million (EUR 18,164 million in 2012). The compositions of the investment portfolios by asset classes in If P&C,

Mandatum Life and Sampo plc at year end 2013 and at year end 2012 are shown in the figure Development of Investment Portfolios, If P&C, Mandatum Life and Sampo plc, 31 December 2013 and 31 December 2012.

Development of Investment Portfolios

If P&C, Mandatum Life and Sampo plc, 31 December 2013 and 31 December 2012



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

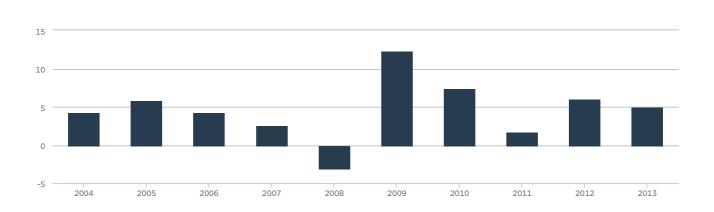
The insurance liabilities as well as the risk appetite of Mandatum Life and If P&C differ and as a result, the structures and risks of investment portfolios of the two companies often are different. This is reflected also in the companies' investment returns. Mandatum

Life has had on average higher returns and higher volatility. The figure Annual Investment Returns at Fair Values, If P&C and Mandatum Life, 2004–2013 presents the historical development of investment returns.

Annual Investment Returns at Fair Values

If P&C, 2004-2013

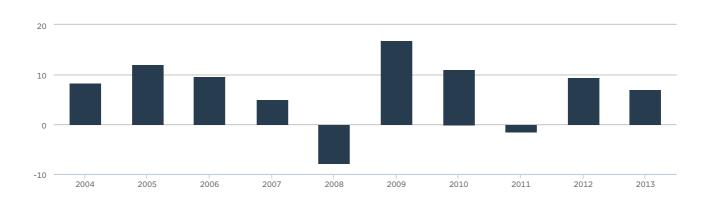
%



Annual Investment Returns at Fair Values

Mandatum Life, 2004-2013

%



The weighted average investment return of the Group's investment portfolios (including Sampo plc) in 2013 was 7.8 per cent (7.3 per cent in 2012).

More detailed investment allocations and average maturities of fixed income investments of If P&C,

Mandatum Life, Sampo plc and Sampo Group as of year-end 2013 are presented in the table Investment Allocation, If P&C, Mandatum Life, Sampo plc and Sampo Group, 31 December 2013.

Investment Allocation

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

		If P&C		M	andatum	Life	Sampo plc		s	ampo Gro	oup	
Asset Class	Market value, EURm	Weight	Average maturity (years)	value,	Weight	Average maturity (years)	value,	Weight	Average maturity (years)	value,	Weight	Average maturity (years)
FIXED INCOME TOTAL	10,272	88%	2.2	3,228	59%	2.2	677	89%	0.4	14,177	79%	2.1
Money market securities and cash	873	7%	0.2	551	10%	0.4	637	84%	0.2	2,060	12%	0.3
Government bonds	1,855	16%	2.9	727	13%	2.2	0	0%	0.0	2,582	14%	2.7
Credit bonds, funds and loans	7,544	65%	2.2	1,933	35%	2.7	39	5%	0.0	9,516	53%	2.3
Covered bonds	3,237	28%	1.9	125	2%	2.2	0	0%	0.0	3,362	19%	1.9
Investment grade bonds and loans	2,399	21%	2.0	650	12%	1.5	0	0%	0.0	3,050	17%	1.9
High-yield bonds and loans	1,643	14%	3.2	949	17%	3.1	11	1%	2.7	2,603	15%	3.2
Subordinated / Tier 2	188	2%	2.2	54	1%	3.0	29	4%	3.7	271	2%	2.5
Subordinated / Tier 1	77	1%	1.0	155	3%	5.0	0	0%	0.0	233	1%	3.6
Hedging swaps	-1	0%	-	-1	0%	-	0	0%	-	-2	0%	-
Policy loans	0	0%	0.0	18	0%	1.3	0	0%	0.0	18	0%	1.3
EQUITY TOTAL	1,283	11%	-	1,448	27%	-	18	2%	-	2,749	15%	-
Finland	1	0%	-	647	12%	-	18	2%	-	665	4%	_
Scandinavia	948	8%	-	0	0%	-	0	0%	-	948	5%	-
Global	335	3%	-	801	15%	-	0	0%	-	1,136	6%	-
OTHER ASSET CLASSES TOTAL	113	1%	-	761	14%	-	13	2%	-	887	5%	-
Real estate	92	1%	-	194	4%	-	2	0%	-	288	2%	-
Private equity	21	0%	-	221	4%	-	11	1%	-	253	1%	_
Commodities	0	0%	-	0	0%	-	0	0%	-	0	0%	_
Alternative	0	0%	-	345	6%	-	0	0%	-	345	2%	_
TRADING DERIVATIVES	-3	0%	-	16	0%	-	53	7%	0.0	66	0%	-
ASSET CLASSES TOTAL	11,666	100%	-	5,452	100%	-	760	100%	-	17,878	100%	
FX Exposure, gross position	80	-	-	539	-	-	148	-	-	767	-	-

Parent company Sampo plc's asset portfolio is a liquidity reserve including mainly short-term money market instruments and hence its market risks are limited. Interest rate risk arising from gross debt and the liquidity reserve is Sampo plc's most significant

market risk together with refinancing risk related to gross debt. Most of the parent company's debt is tied to short-term reference rates as a consequence of interest rate swaps used. This mitigates group level interest rate risk because, while lower interest rates would reduce subsidiaries' investment returns in the long-term, the interest expense in the parent company would also be lower.

Fixed income investments and listed equity instruments form major part of the subsidiaries' investment portfolios. Money market securities, cash and investment grade government bonds form a liquidity buffer within fixed income investments. The average maturity of fixed income investments was 2.2 years in If P&C and 2.2 years in Mandatum Life. In both companies the average maturity is longer than duration (Interest Rate and Currency Risks section) because the fixed income investments include floating rate notes.

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

Additionally, If P&C and Mandatum Life have real estate investments, unlisted equity instruments (mainly private equity funds) and alternative investments. The Investment Policies set limits for maximum allocations into these asset classes and products. On 31 December 2013, the combined share of the above mentioned investments was 5.0 per cent of the total investment portfolio of Sampo Group. In If P&C the proportion was 1.0 per cent and in Mandatum Life it was 13.9 per cent. These asset classes are managed in most cases by external asset managers with the exception of the Group's real estate portfolio that is managed by Sampo Group's real estate management unit. The real estate portfolio includes both direct investments in properties and indirect investments in real estate funds as well as in shares and debt instruments in real estate companies.

Interest Rate and Currency Risks

The factors behind interest rate and currency movements are diverse. Market participants are continuously reacting to reported macro-economic data and information regarding financial market and commercial cash flows. Hence, risk factors affecting interest rates and foreign exchange rates are many.

Interest Rate and Currency Risks

External drivers

Economic cycles, financial market conditions, political decisions, central bank actions, legal and regulatory environments, international trade flows

• Unfavorable changes in interest rates

Interest rate risk (nominal & real rate)

- The value of interest rate exposures decreases immediately
- The future investments are made at unfavorable interest rate levels

• Unfavorable changes in foreign currency rates

Currency risk

- The value of foreign currency transaction exposures decreases
- The base currency value of net investment in foreign subsidiaries decreases

Changes in fair values

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

Interest Rate Risk

Interest rate sensitivity in terms of the average duration of fixed income investments was in If P&C 1.1 years and in Mandatum Life 1.8 years. These duration figures include the effect of hedging derivatives.

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

Currency Risk

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

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

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

The transaction risk positions of If P&C and Mandatum Life against their base currencies are shown in the table Transaction Risk Position, If P&C and Mandatum Life, 31 December 2013. 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 PositionIf P&C and Mandatum Life, 31 December 2013

	Base Currency	EUR	USD	JPY	GBP	SEK	NOK	CHF	DKK	LTL	LVL	Other	Total, net
If P&C	SEKm												
Insurance operations		-363	-124	-0	-17	41	-2,473	-1	-744	-1	-0	-5	-3,689
Investments		2	565	0	0	60	2,354	0	12	0	0	1	2,994
Derivatives		332	-419	0	17	-99	124	-1	728	0	0	13	694
Total transaction risk, net position, If P&C		-29	21	-0	0	3	4	-2	-5	-1	-0	8	-0
Sensitivity: SEK -10%		-3	2	-0	0	0	0	-0	-0	-0	-0	1	-0
Mandatum Life	EURm												
Technical provisions		0	0	0	0	-4	0	0	0	0	0	0	-4
Investments		0	1,056	7	237	39	3	96	17	2	0	185	1,641
Derivatives		0	-885	-6	-219	70	108	-94	0	0	0	-73	-1,099
Total transaction risk, net position, Mandatum Life		0	171	1	18	105	111	2	17	2	0	112	538
Sensitivity: EUR -10%		0	17	0	2	10	11	0	2	0	0	11	54

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

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

In addition to transaction risk, Sampo Group and its insurance subsidiaries are also exposed to translation risk. Translation risk refers to currency risk that arises when consolidating the financial statements of subsidiaries that have a different base currency than the parent company into the Group financial

statements. Sampo Group's consolidated financial statements are denominated in euro. Changes in foreign exchange rates result in translation differences which are recognized in the consolidated other comprehensive income. Translation risks arise also within If P&C from its subsidiaries whose base currencies are different from that of the parent company.

Equity and Spread Risks

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

Equity and Spread Risks

External drivers

Economic factors, market conditions, legal and regulatory environment, technical development etc.

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

Equity risk

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

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

Spread risk

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

Changes in fair values or default intensity

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

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

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

Management of Equity and Spread Risks

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

Decision making, limit system and monitoring

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

Credit Exposures to Fixed Income and Equity Instruments

Exposures in debt and equity instruments are shown in the table Exposures by Sectors, Asset Classes and Rating, If P&C, Mandatum Life and Sampo Group, 31 December 2013. The table includes also counterparty risk exposures relating to reinsurance and derivative transactions. Counterparty risks are described in more detail in section Counterparty Credit 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.

Credit Exposures by Sectors, Asset Classes and Rating If P&C, 31 December 2013

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non- rated	Fixed income total	Equities	Other	Counter- party risk	Total	Change 31 Dec 2012
Basic Industry	0	0	0	107	84	0	42	233	34	0	0	267	-115
Capital Goods	0	0	0	26	0	0	41	67	368	0	0	435	-9
Consumer Products	0	0	13	216	11	0	82	322	341	0	0	663	-32
Energy	0	6	0	4	91	0	363	464	38	0	0	502	-92
Financial Institutions	25	959	1,101	406	192	0	16	2,699	24	0	1	2,724	-662
Governments	366	594	0	4	0	0	0	963	0	0	0	963	927
Government Guaranteed	215	0	0	0	0	0	0	215	0	0	0	215	-14
Health Care	0	0	0	0	0	0	62	62	3	0	0	65	65
Insurance	0	0	0	0	0	0	1	1	0	0	295	296	-162
Media	0	0	0	0	0	0	19	19	0	0	0	19	-19
Public Sector, Other	617	64	0	0	0	0	0	681	0	0	0	681	231
Real Estate	0	9	0	0	0	0	355	364	0	92	0	456	270
Services	0	0	0	5	0	0	11	15	3	0	0	19	-6
Technology and Electronics	0	0	0	0	12	0	18	30	4	0	0	34	31
Telecommunications	0	0	137	32	0	0	20	189	87	0	0	276	-33
Transportation	0	25	0	56	13	0	226	320	9	0	0	329	29
Utilities	0	0	176	99	0	0	82	356	0	0	0	356	-2
Others	0	0	0	0	0	0	0	0	37	0	0	37	14
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	3,077	160	0	0	0	0	0	3,237	0	0	0	3,237	-563
Funds	0	0	0	0	0	0	35	35	335	21	0	391	-108
Total	4,300	1,817	1,427	955	402	0	1,372	10,273	1,283	113	296	11,966	-253
Change 31 Dec 2012	-25	688	-664	-91	-49	0	38	-103	36	-15	-171	-253	

Credit Exposures by Sectors, Asset Classes and Rating

Mandatum Life, 31 December 2013

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non- rated	Fixed income total	Equities	Other	Counter- party risk	Total	Change 31 Dec 2012
Basic Industry	0	0	0	8	211	0	67	286	183	0	0	468	-77
Capital Goods	0	0	8	29	12	0	37	86	131	0	0	218	-114
Consumer Products	0	0	3	29	57	0	71	160	105	0	0	265	-14
Energy	0	0	14	15	0	0	49	77	3	0	0	80	-10
Financial Institutions	0	352	455	63	220	0	0	1,090	23	21	5	1,139	-336
Governments	151	576	0	0	0	0	0	727	0	0	0	727	715
Government Guaranteed	0	0	0	0	0	0	0	0	0	0	0	0	0
Health Care	0	0	0	0	27	0	19	45	10	0	0	55	55
Insurance	0	0	0	21	0	0	18	39	17	0	0	56	-31
Media	0	0	0	0	12	0	26	38	1	0	0	40	11
Public Sector, Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Real Estate	0	0	0	0	0	0	31	31	0	170	0	201	16
Services	0	0	0	0	51	0	18	70	42	12	0	124	1
Technology and Electronics	0	0	0	0	28	0	0	28	72	0	0	100	27
Telecommunications	0	0	6	96	30	0	13	145	0	0	0	145	-19
Transportation	0	0	7	31	0	0	5	43	1	0	0	44	-1
Utilities	0	0	61	52	0	0	0	114	82	2	0	198	-74
Others	0	0	0	0	0	0	13	13	3	8	0	25	6
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	61	53	11	0	0	0	0	125	0	0	0	125	-13
Funds	0	0	0	0	0	0	112	112	775	548	0	1,435	-203
Total	211	981	565	343	649	0	480	3,229	1,448	761	5	5,443	-60
Change 31 Dec 2012	137	436	-349	-46	-13	0	-99	66	-130	2	3	-60	

Credit Exposures by Sectors, Asset Classes and Rating

Sampo Group, 31 December 2013

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non-	Fixed income total	Equities	Other	Counter- party risk	Total	Change 31 Dec 2012
Basic Industry	0	0	0	115	295	0	129	539	217	0	0	756	-194
Capital Goods	0	0	8	54	12	0	89	163	499	0	0	663	-113
Consumer Products	0	0	16	245	68	0	153	481	446	0	0	927	-46
Energy	0	6	14	19	91	0	411	542	41	0	0	582	-102
Financial Institutions	25	1,660	1,843	469	413	0	16	4,426	47	21	14	4,508	-1,192
Governments	517	1,170	0	4	0	0	0	1,690	0	0	0	1,690	1,642
Government Guaranteed	215	0	0	0	0	0	0	215	0	0	0	215	-14
Health Care	0	0	0	0	27	0	80	107	13	0	0	166	166
Insurance	0	0	0	21	0	0	48	69	34	0	295	352	-210
Media	0	0	0	0	12	0	45	58	1	0	0	59	-8
Public Sector, Other	617	64	0	0	0	0	0	681	0	0	0	681	231
Real Estate	0	9	0	0	0	0	386	395	0	264	0	659	281
Services	0	0	0	5	51	0	29	85	46	12	0	142	-5
Technology and Electronics	0	0	0	0	40	0	18	58	76	0	0	134	58
Telecommunications	0	0	143	128	30	0	33	334	87	0	0	421	-52
Transportation	0	25	7	87	13	0	231	363	10	0	0	373	28
Utilities	0	0	237	151	0	0	82	470	82	2	0	554	-76
Others	0	0	0	0	0	0	13	13	41	8	0	63	20
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	3,138	213	11	0	0	0	0	3,362	0	0	0	3,362	-576
Funds	0	0	0	0	0	0	147	147	1,110	580	0	1,837	-307
Total	4,511	3,148	2,279	1,298	1,051	0	1,912	14,199	2,749	887	309	18,144	-469
Change 31 Dec 2012	112	1,123	-1,203	-137	-63	0	-22	-189	-95	-13	-172	-469	

The largest holdings are in financial institutions and covered bonds. Most of these investments are in Nordic countries as can be seen in the table Fixed Income Investments in Financial Sector, Sampo Group,

31 December 2013. These exposures decreased by EUR 1.4 billion during 2013.

Fixed Income Investments in Financial Sector

Sampo Group, 31 December 2013

		Money market	Long- term senior	Long-term sub-		
	Covered bonds	securities	debt	ordinated debt	Total, EURm	%
Sweden	2,431	593	951	120	4,095	52.6%
Finland	241	1,320	97	18	1,677	21.5%
Norway	506	0	559	107	1,172	15.1%
Denmark	80	11	123	114	328	4.2%
United States		101	56	10	167	2.1%
France	60	0	25	19	104	1.3%
Netherlands		0	92		92	1.2%
Switzerland			31	11	42	0.5%
Austria	33		1		34	0.4%
Estonia		27			27	0.3%
Iceland			15		15	0.2%
Luxembourg	11				11	0.1%
Belgium			5	5	10	0.1%
Russia		6			6	0.1%
Jersey				5	5	0.1%
Italy		1			1	0.0%
Latvia		0			0	0.0%
Germany		0			0	0.0%
Total	3,362	2,060	1,954	411	7,788	100.0%

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

However, public sector investments increased by EUR 1.9 billion during 2013. The exposure increased especially in the Netherlands and in France.

Fixed Income Investments in Public Sector

Sampo Group, 31 December 2013

	Governments	Government guaranteed	Public sector, other	Total market value, EURm
Netherlands	845			845
Sweden	57		502	559
Germany	448	73		522
France	325			325
Norway			159	159
Finland	11	106	20	137
Other	4	36		39
Total	1,690	215	681	2,586

The exposures in non-rated and high-yield fixed income instruments are significant, because relatively small number of Nordic companies are rated. The largest high-yield and non-rated fixed income

investment exposures are presented in the table Ten Largest Direct High Yield and Non-rated Fixed Income Investments, Sampo Group, 31 December 2013.

Ten Largest Direct High Yield and Non-rated Fixed Income Investments Sampo Group, 31 December 2013

Largest direct high yield and non-rated fixed income	Datina	Total fair value EUDes	% of total direct fixed income
investments	Rating	Total fair value, EURm	investments
ICA Fastigheter	NR	169	1.2%
Eksportfinans ASA	BB-	159	1.1%
Stora Enso	BB	159	1.1%
UPM-Kymmene	BB	106	0.7%
PBA Karlskrona	NR	85	0.6%
Neste Oil Oyj	NR	76	0.5%
Sponda Oyj	NR	68	0.5%
Seadrill LTD	NR	51	0.4%
Wilh Wilhemsen ASA	NR	51	0.4%
Aker Solutions ASA	BB	45	0.3%
Total top 10 exposures		969	6.9%
Other direct fixed income investments		13,140	93.1%
Total direct fixed income investments		14,108	100.0%

The equity investments of Sampo Group totaled EUR 2,749 million at the end of year 2013 (EUR 2,844 million in 2012). During 2013, the decrease in the weight of equity investments in the investment portfolio was mainly due to the net selling of equities.

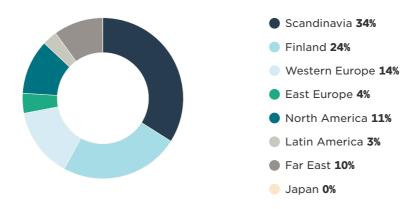
At the end of year 2013, the equity exposure of If P&C was EUR 1,283 million (EUR 1,248 million in 2012). The proportion of equities in If P&C's investment portfolio was 11.0 per cent. In Mandatum Life, the equity exposure was EUR 1,448 million at the end of year 2013 (EUR 1,578 million in 2012) and the proportion of

equities was 26.6 per cent of the investment portfolio. The equity portfolio consists of Nordic companies' shares as well as mutual fund and ETF investments outside the Nordic countries.

Breakdown of the equity exposures of Sampo Group by geographical regions is shown in the figure Breakdown of Equity Investments by Geographical Regions, Sampo Group, If P&C and Mandatum Life, 31 December 2013.

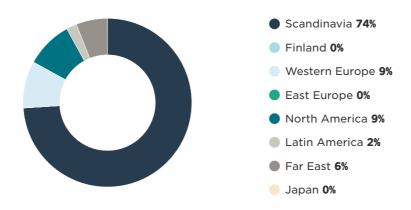
Breakdown of Equity Investments by Geographical Regions

Sampo Group, 31 December 2013, total 2,749 EURm



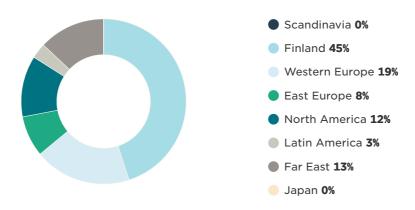
Breakdown of Equity Investments by Geographical Regions

If P&C, 31 December 2013, total 1,283 EURm



Breakdown of Equity Investments by Geographical Regions

Mandatum Life, 31 December 2013, total 1,448 EURm



The geographical emphasis of Sampo Group's equity investments is in Nordic companies. The proportion of Nordic companies' equities corresponds to 58 per cent of the total equity portfolio. This is in line with Sampo Group's investment strategy to focus on Nordic companies. Moreover, the Group's insurance liabilities are mostly denominated in the euro and in the Nordic currencies. In the long run the proportion of investments outside of the Nordic countries has gradually increased, because the amount of companies issuing securities in the Nordic countries is limited and from a tactical point of view other geographical areas have recently provided interesting investment opportunities.

The sector allocation of direct equity investments in Sampo Group is presented in table Credit exposures by sectors, asset classes and rating, If P&C, Mandatum Life and Sampo Group, 31 December 2013. The largest allocations are to capital goods, consumer products and basic industry sectors. Equity investments made through mutual funds and ETF investments accounted for 40 per cent of the entire equity portfolio.

Furthermore, the largest direct equity exposures are presented in the table Ten Largest Direct Equity Investments, Sampo Group, 31 December 2013.

Ten Largest Direct Equity Investments

Sampo Group, 31 December 2013

Top 10 equity investments	Total fair value, EURm	% of total direct equity investments
Nobia	130	7.9%
UPM-Kymmene	117	7.1%
TeliaSonera	87	5.3%
Fortum	82	5.0%
Hennes & Mauritz	73	4.4%
Veidekke	72	4.4%
ABB	61	3.7%
Amer Sports	60	3.7%
Volvo	54	3.3%
YIT	44	2.7%
Total top 10 exposures	781	47.3%
Other direct equity investments	870	52.7%
Total direct equity investments	1,651	100.0%

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

Individual Exposures by Issuer and by Asset Class, Sampo Group, 31 December 2013.

The largest exposures by individual issuers and counterparties are presented in the table Largest

Largest Individual Exposures by Issuer and by Asset Class Sampo Group, 31 December 2013

EURm Counterparty	Total fair value EURm	% of total investment assets	Cash & short-term fixed income	Long- term fixed income, total	Long-term fixed income: Government guaranteed	Long- term fixed income: Covered bonds	Long- term fixed income: Senior bonds	Long- term fixed income: Tier 1 and Tier 2	Equities	Uncolla- teralized derivatives
Svenska Handelsbanken	1,100	6%	460	640	0	567	70	3	0	0
Nordea Bank	1,044	6%	305	737	0	499	226	13	0	1
Swedbank	900	5%	88	812	0	639	173	0	0	0
Skandinaviska Enskilda Banken	869	5%	345	522	0	243	179	101	0	2
Netherlands	845	5%	0	845	0	0	845	0	0	0
Danske Bank	647	4%	300	347	0	104	123	120	0	0
DnB	541	3%	0	541	0	186	312	43	0	0
OP Pohjola	493	3%	446	47	0	0	47	0	0	0
Germany	448	3%	0	448	0	0	448	0	0	0
France	325	2%	0	325	0	0	325	0	0	0
Total top 10 exposures	7,212	40%	1,944	5,265	0	2,238	2,747	279	0	3
Other	10,637	60%								
Total investment assets	17,849	100%								

Counterparty Credit Risks

Sampo Group is exposed to counterparty credit risk through financial derivatives or reinsurance transactions. The risk realizes when counterparties fail to meet their financial obligations towards Sampo Group companies.

Counterparty Credit Risk

External drivers

Economic cycle, financial market conditions, legal and regulatory environment, natural disasters, other catastrophic events etc.

- Changes in counterparty creditworthiness
- Terms of the instruments and collateral mechanism
- Volatility of underlying instruments and collateral markets
- Credit risk of derivative counterparty
- Rapid increase in value of net exposure
- Derivative counterparty is not able to pay settlement amounts when they fall due
- Value of collateral differs from expected

- Changes in counterparty creditworthiness
- Terms of the agreement

Credit risk of reinsurance counterparty

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

Credit losses

Negative impact on financial results arising from credit losses

Credit risk related to reinsurance counterparties arises from reinsurance receivables and the reinsurers' portion of the outstanding claims. This risk mainly concerns If P&C, as the use of reinsurance in Mandatum Life is relatively limited.

When financial derivatives are considered the situation is opposite. Mandatum Life and parent company Sampo plc are frequent users of long-term interest rate derivatives and are therefore inherently more exposed to credit risk of derivative counterparties

than If P&C, which is mainly using short-term foreign exchange derivatives.

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

arising from other receivables related to commercial transactions are minor in Sampo Group.

Distribution of reinsurance receivables and reinsurers' portion of outstanding claims in If P&C on 31 December 2013 per rating category is presented in the table Reinsurance Recoverables, If P&C, 31 December 2013 and 31 December 2012. In the table, EUR 140 million (EUR 157 million in 2012) are excluded, which mainly relates to captives and statutory pool solutions.

Reinsurance Recoverables

If P&C, 31 December 2013 and 31 December 2012

	31 Dec 2	013	31 De	ec 2012
Rating	Total EURm	%	Total EURm	%
AAA	0	0%	0	0%
AA+ - A-	286	97%	446	97%
BBB+ - BBB-	5	2%	5	1%
BB+ - C	0	0%	0	0%
D	0	0%	0	0%
Non-rated	4	1%	7	2%
Total	295	100%	458	100%

The ten largest individual reinsurance recoverables amounted to EUR 281 million, representing 65 per cent of the total reinsurance recoverables. If P&C's largest individual reinsurer is Munich Re (AA-). They account for 22 per cent of the total reinsurance recoverables.

The amount of ceded treaty and facultative premiums was EUR 78.5 million. Of this amount, 100 per cent

was related to reinsurance counterparties with a credit rating of A- or higher.

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

Counterparty Credit Risk Management

In Sampo Group, credit risk of derivative counterparties is a by-product of managing market risks. The risk is mitigated currently by bilateral ISDA and CSA agreements. This is the case especially in Sampo plc and Mandatum Life which are frequent users of long-term derivatives.

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

ALM Risks

When changes in different market risk variables (e.g. interest rates, inflation, foreign exchange rates) cause a change in the fair value of investment assets that is of different size than the respective change in the economic value of insurance liabilities, the company's balance sheet is exposed to market risk.

The market risk related to economic value of balance sheet is not reflected in financial results of insurance companies, as insurance liabilities are not carried at fair value in the financial statements. In order to have a comprehensive, economic view on risks and capitalization, Sampo Group companies calculate the economic value of insurance liabilities with market

rates and adjust their capital bases in the internal Economic Capital framework accordingly.

Another risk class to be considered at the balance sheet level is liquidity risk. Additionally, single name concentration risks over assets, liabilities and other agreements are to be monitored at the balance sheet level. A balance sheet level concentration may arise for example when a company is insured by Sampo Group companies, Sampo Group has holdings in debt and equity instruments issued by the company and the company is a tenant in a property owned by Sampo Group.

Principles of Asset and Liability Management

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

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

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

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

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

ALM in If P&C

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

In accounting the major part of the technical provisions is nominal, whereas a still significant part, being the annuity and so called annuity IBNR reserves, are discounted with interest rates in accordance with regulatory rules. Thereby If P&C is, from an accounting perspective, mainly exposed to changes in inflation and the regulatory discount rates. From an economic perspective, in which the cash flows of insurance

liabilities (technical provisions) are discounted with prevailing interest rates, If P&C is exposed to changes both in inflation and nominal interest rates. For more information see the table Sensitivities of Technical Provisions, If P&C, 2013 in Non-life Underwriting Risks section.

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

ALM in Mandatum Life

The Board of Directors of Mandatum Life approves annually the Investment Policy, which sets principles and limits for investment portfolio activities. The Investment Policy also includes control levels for maximum acceptable risk for the whole balance sheet and respective measures to manage the risk. These measures and control levels are based on both Solvency I and Solvency II type of approaches.

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

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

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

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

Economic Value Risks

Sampo Group calculates the economic value of insurance liabilities for internal purposes by discounting expected liability cash flows with market rates. The difference between technical provisions and the economic value of insurance liabilities is a major component of the liability side adjustment and it is part of reported adjusted solvency capital. Hence,

Sampo Group is reporting the market based capital base as adjusted solvency capital.

The sensitivity of capital base is shown in the table Sensitivity Analysis of Capitalization to Market Risks, If P&C, Mandatum Life and Sampo plc, 31 December 2013.

Sensitivity Analysis of Capitalization to Market Risks

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

	Interest F	Equity	Other financial investments	
EURm	1% parallel shift down	1% parallel shift up	20% fall in prices	20% fall in prices
If P&C	148	-143	-257	-23
Mandatum Life	52	-66	-290	-148
Sampo plc	1	-1	-4	-3
Total effect on equity	202	-210	-550	-173
Change in liability side adjustment	-933	774	10	5
Effect on adjusted solvency capital	-731	564	-540	-168

The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values as of 31 December, 2013. The sensitivity analysis includes the effects of derivative positions. All sensitivities are calculated before taxes. The debt issued by Sampo Group companies is not included.

Because the durations of liabilities in Sampo Group companies are much longer than the duration of assets, the effect of decreasing interest rates is negative for Sampo Group. In the opposite case, a rise in interest rates would reduce the values of financial instruments causing a decline in the amount of Sampo

Group's equity. However, the effect on adjusted solvency capital would be positive due to the fact that the economic value of insurance liabilities would decrease as a result of applying higher market rates in discounting.

Liquidity Risks

Liquidity risk is the risk that insurance undertakings are unable to conduct their business activities in accordance with the defined strategy, or in extreme cases, are unable to settle their financial obligations when they fall due. Sources of liquidity risk in Sampo Group include, for instance, non-renewal of insurance policies, large claims, market illiquidity risk of investments, and refinancing risk of debt. Also the availability and price of refinancing, financial derivatives and reinsurance can be identified as potential liquidity risks affecting the company's ability to conduct on-going business.

Liquidity Risk

External drivers

Economic cycle and market conditions, legal and regulatory environment, taxation, market turbulences, natural disasters, other catastrophic events etc.

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

Liquidity risk - Insurance liabilities

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

- Investors' behavior in general
- Market liquidity in general
- Changes in creditworthiness and funding needs of the company
- Investment portfolio structure of the company

Liquidity risk -Investment assets and funding

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

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

Liquidity risk – Derivatives and reinsurance

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

Inability to enter into transactions at reasonable terms or settle financial obligations Liquidity positions, risk exposures and capital structure other than planned

Inability to conduct regular business activities in accordance with strategy

Liquidity risk is relatively immaterial in Sampo Group's businesses because substantial share of the investment assets are short-term money market instruments and liquid government bonds and, on the other hand, liabilities are fairly stable and predictable.

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

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

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

In Sampo Group, liquidity risks are managed by the legal entities, which are responsible for liquidity planning. Liquidity risk is monitored based on the expected cash flows resulting from assets, liabilities and other business. At the end of 2013, the liquidity position in each legal entity was in accordance with internal requirements.

The maturities of technical provisions and financial assets and liabilities are presented in the table Cash Flows According to Contractual Maturity, If P&C, Mandatum Life and Sampo plc, 31 December 2013. The table shows the financing requirements resulting from expected cash inflows and outflows arising from financial assets and liabilities as well as technical provisions.

Cash Flows According to Contractual Maturity

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

	Carrying amount total Carrying amount		Cash flows							
EURm	Carrying amount total	without contractual maturity	Carrying amount with contractual maturity	2014	2015	2016	2017	2018	2019- 2028	2029-
If P&C										
Financial assets	12,928	1,871	11,057	2,732	2,567	2,221	11,059	975	704	1
of which interest rate swaps	1	0	1	0	0	0	0	0	0	0
Financial liabilities	-950	0	-950	-44	-168	-11	-11	-101	-129	0
of which interest rate swaps	-5	0	-5	0	0	0	0	0	0	0
Net technical provisions	9,080	0	9,080	-3,306	-912	-644	-514	-419	-2,352	-1,960
Mandatum Life										
Financial assets	5,352	2,296	3,056	1,055	437	816	333	263	199	66
of which interest rate swaps	25	0	25	0	-0	0	0	0	0	46
Financial liabilities	137	0	137	-7	-9	-10	-12	2	-68	-243
of which interest rate swaps	7	0	7	1	-2	-6	-7	8	0	0
Net technical provisions	3,782	0	3,782	-403	-377	-353	-332	-296	-1,954	-1,442
Sampo pic										
Financial assets	1,066	309	757	383	57	40	65	105	185	243
of which interest rate swaps	26	0	26	13	11	13	16	0	0	0
Financial liabilities	2,054	0	2,054	-691	-300	-403	-561	-257	0	0
of which interest rate	0	0	0	0	0	0	0	0	0	0

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

Sampo Group has a relatively low amount of financial liabilities and thus the Group's respective refinancing risk is relatively small. During 2013, Sampo plc issued two bonds and the maturities were selected carefully in order to have a well-diversified maturity profile.

swaps

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

Operational Risks

In Sampo Group, operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel or from external events.

Operational risks can realize as an immediate negative impact on financial results arising from additional costs or loss of earnings. In a longer term, operational risks can materialize for instance as a loss of reputation and customers which endangers the company's ability to conduct business activities in accordance with the strategy. These immediate and longer term effects of operational risk have their general causes in external and internal drivers. The Group companies have their own specific risk sources which are causes of events that may have negative impacts on different processes, personnel or fixed assets.

Operational Risks

External drivers

Natural disasters, other catastrophic events, epidemics, unauthorized or criminal acts, technological developments etc.

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

Operative processes

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

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

Data and information

 Inadequate, inaccurate or untimely information and reporting • Internal events, accidents, failures, misconduct etc.

Resource damages

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

High cost or low quality of client services or internal processes

Deficiencies in decision-making and actions and non-compliance in reporting

Discontinuity of operations

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

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

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

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

Operational Risk Management in If P&C

The continuity of operational risk management in If P&C is secured through the Operational Risk Committee (ORC), which coordinates the operational risk process. The committee's task is to give opinions, advice and recommendations to the If Risk Committee (IRC) as well as to report the current operational risk status. The status assessment is based on the self-assessments performed by the organization, reported incidents and other additional risk information. A trend analysis is being performed annually, whereby the most important trends affecting the insurance industry are identified and the effects on If P&C assessed.

The business organization and corporate functions have the responsibility to identify, assess, monitor and manage their operational risks. Risk identification and assessments are performed quarterly. Identified risks are assessed from a probability and impact perspective. The control status for each risk is

assessed using a traffic light system: green – good control of risk, yellow – attention required, red – attention required immediately. Severe risks with control status yellow or red are reported to the ORC.

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

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

Operational Risk Management in Mandatum Life

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

Business units are responsible for the identification, assessment and management of own operational risks, including organizing adequate internal control.

Operational Risk Committee (ORC) monitors and coordinates risk management issues regarding operational risks within Mandatum Life, such as policies and recommendations concerning operational risk management. The committee ensures that risks are identified and internal control and risk

management have been organized in a proper way. The committee also analyses deviations from operational risk management policies and monitors operational risks identified in the self-assessments as well as the occurred incidents. The committee meets at minimum three times a year. Significant observations on operational risks are submitted to the Risk Management Committee and Board of Directors on a quarterly basis.

Operational risks are identified in Mandatum Life through several different sources and methods:

 Self-assessment process is used to map and evaluate the major operational risks and their probabilities and significance, including an evaluation of internal controls and sufficiency of instructions. Self-assessment is conducted annually.

- Analysis of incidents: Realized operational risks and near misses reported by the business units are collected and analyzed by ORC. Each business unit is responsible for ensuring that the occurred incidents and near misses are reported to the ORC.
- Follow-up of the external environment is included in the annual strategy process, where the key trends of Mandatum Life's business environment are identified. External events are also monitored continuously and the company reacts to these as soon as possible (e.g. changes in taxation or laws).

The most significant operational risks for Mandatum Life identified in the operational risk self-assessment process include, among others, the following: changes in the external operating environment, IT, especially aging IT systems, manual phases in processes, loss of key personnel, miss-selling and false information to customers.

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

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

Group Level Risks

As a general principle, the subsidiaries are managed independently from each other in Sampo Group. However, it has been deemed pertinent to assess certain risk and capitalization issues also at group level, i.e. concentration risks arising from liability and

investment exposures, correlations of Group companies' profitability and their effects on Sampo Group's capitalization and liquidity management. Additionally, the possible risks related to the Group structure are a group level issue.

Concentration Risks

With respect to the underwriting businesses carried out in the subsidiary companies, it has been established that If P&C and Mandatum Life are operating mostly in different lines of business and hence their underwriting risks are different. There are no material risk concentrations under normal course of business and, consequently, business lines as such are contributing diversification benefits rather than

concentration of risks. The most material common risk factor is life expectancy in Finland that is affecting both companies' technical provisions. On the other hand, both subsidiaries have significant investment portfolios and, thus, are potentially threatened with investment related concentration risks (for example large combined exposures).

Investment Management at Sampo Group Level

- Concentration risk is proactively managed through effective differentiation in asset selection.
 Mandatum Life's direct investments are mainly denominated in euro and in companies geographically located in Finland and selectively in other countries, whereas, If P&C has the major part of its direct investments denominated in the Scandinavian currencies and in the respective countries.
- The external asset managers and funds managed by them are selected for both companies by the same members of Sampo Group's Investment Unit. The funds are mostly allocated to areas outside the Nordic countries. Consequently, the risk of unidentified or unwanted concentrations is relatively low
- Furthermore, concentrations at group level are actively monitored and, if deemed necessary, further
 managed by deploying group level exposure restrictions, for instance by industries or by individual
 issuers.

On company level, investment risk concentrations are monitored and controlled by the ICC in If P&C and the ALCO in Mandatum Life, which have been established as independent parties from investment operations. Total group exposures are monitored and controlled at group level by Sampo Group's Chief Investment Officer, Sampo Group's Chief Risk Officer and Sampo Group's Audit Committee.

Concentrations by sectors, asset classes and rating are illustrated in table Credit exposures by sectors, asset classes and rating, If P&C, Mandatum Life and Sampo Group, 31 December 2013 in Equity and Spread Risks section. Financial sector is the largest concentration at Sampo Group level. Most of the investments in financial sector are in the Nordic

countries and the exposure consists of mainly covered bonds and short-term money market investments. Conversely, the significance of public sector bonds is minor and Sampo Group does not have investments in government bonds of the distressed countries. The public sector exposure includes government bonds, government guaranteed bonds and other public sector investments.

Fixed income investments in financial and public sector are shown, respectively, in the tables Fixed income investments in financial sector, Sampo Group, 31 December 2013 and Fixed income investments in public sector, Sampo Group, 31 December 2013 in Equity and Spread Risks section.

Correlations of Profitability and Capital Positions

Direct concentration risks may arise in Sampo Group due to large exposures in investment assets. A more general group level concentration risk arises when the Group companies' profitability or capital positions react similarly to general economic development, i.e. the correlation between general economic development and the profitability of different subsidiaries is more or less analogous. This type of concentration risk can be analyzed indirectly based on profits. From that perspective Sampo plc's associated company Nordea's result has created clear diversification benefits, in particular when analyzed vis

á vis with If P&C and Mandatum Life. The historical correlation between If P&C's and Nordea's, as well as Mandatum Life's and Nordea's, quarterly profits since 2005 is very low. Sampo Group also forecasts profits based on similar scenarios for all the companies.

The historical correlations of quarterly profits between If P&C, Mandatum Life and Nordea are depicted in the figure Correlations of Quarterly Reported Profits, If P&C, Mandatum Life and Nordea, 1 January 2005 - 31 December 2013.

Correlations of Quarterly Reported Profits

If P&C, Mandatum Life and Nordea, 1 January 2005 - 31 December 2013

	If P&C	Mandatum Life	Nordea
If P&C	1		
Mandatum Life	0.86	1	
Nordea	0.25	0.14	1

Because of favorable profit correlations between the companies and relatively low volatilities of If P&C's and Nordea's profits, the profit development has been quite stable at group level which decreases pressure to maintain large additional capital buffers over group level economic capital. However, the Board of

Directors of Sampo plc has set an internal target that the Group's adjusted solvency capital amount has to exceed the sum of the Group companies' economic capital, excluding the diversification effects between companies.

Liquidity

Liquidity risk is managed at company level and the Group companies maintain liquidity buffers that are considered to be adequate in their businesses. In the subsidiaries, the adequacy of liquidity buffers is dependent on expected net outflows of insurance cash flows. In the parent company, the adequacy of liquidity buffers is dependent on potential strategic arrangements and a strong liquidity is preferred. In the normal course of business, the subsidiaries do not invest in Sampo plc's debt instruments. However, a

general prohibition to intra-Group asset transactions has not been deemed necessary and, thus, subsidiaries are allowed to invest in the parent company's debt instruments and sell assets to each other at market prices, especially when this is justified by business opportunities. Thus, during possible market stresses these options are available to a certain extent as well. In Mandatum Life, there are investments in Sampo plc's debt instruments related to unit-linked policies.

Corporate Structure Related Risks

Both legal and reporting structures of Sampo Group are simple, straightforward and transparent, which effectively mitigate any risks related to complex structures. Structural simplicity and transparency together with a limited amount of intercompany exposures within Sampo Group (i.e. direct or indirect

claims between different companies excluding normal course of business transactions with Nordea) and diligently managed capitalization of subsidiaries also effectively protects Group companies from contagion risks

Capitalization

In Sampo Group, risks and the respective capital requirements are assessed internally as well as according to the methods defined by the regulators. Capitalization is a central subject of discussion also in Sampo Group's continuous dialogue with the rating agencies. Capitalization assessments are conducted

both at company level and at group level to ensure the balance between risks and capital.

In the internal capitalization assessment, the economic capital ("EC") is the starting point for assessing the amount of adjusted solvency capital ("ASC").

Economic Capital and Adjusted Solvency Capital in Sampo Group

- EC is used as an internal measure of capital required for measurable risks the Group is exposed to. EC is defined as the amount of capital required to protect the solvency over a one year time horizon with a probability of 99.5 per cent that is the calculation basis in Solvency II as well.
- EC accounts for market, credit, insurance and operational risks, as well as the diversification effect between them. EC is calculated using a set of calculation methods seen suitable for the specific needs of each business area.
- When assessing the EC need arising from Nordea, Sampo plc uses the EC calculated and publicly reported by Nordea multiplied by the proportion of Sampo plc's share in Nordea (21.25 per cent at the end of 2013). This figure is converted from confidence level 99.97 per cent used by Nordea to 99.5 per cent.
- EC is considered to be a good estimate of the capital required to cover risks that can be measured in
 a reliable way and within a normal business environment. However, some of the risks are not
 measurable and there is uncertainty in business environment. Hence, when assessing the need of total
 capital, a buffer will be added over the EC reflecting the uncertainty in the business environment as
 well as the effects of low probability and less measurable risks.
- As an internal measure of available capital, Sampo Group uses ASC. The basis for ASC is capital items
 included in the regulatory solvency capital. On top of those, other risk absorbing items such as the
 difference between the book value and market value (including a risk margin) of technical provisions
 are added.

In the regulatory capitalization assessment, the regulatory solvency capital is compared to the regulatory capital requirement. In rating agency based capitalization assessment, the objective is to balance

the available capital measured by respective rating agency criteria with the capital amount needed to achieve the internally set rating target.

Capitalization at Group Level

The adjusted solvency capital of Sampo Group's insurance subsidiaries increased during the year due to positive fair value results and increase in interest rates. This growth was partly offset by paid dividends. The changes in subsidiaries' risk exposures and hence in economic capital were modest. At Sampo Group level Nordea's and Sampo plc's figures are taken into

account as well when adjusted solvency capital and economic capital figures are calculated. At group level the amount of adjusted solvency capital increased more than economic capital and hence capitalization can be considered stronger than year ago. The development of capitalization in Sampo Group from both internal and regulatory perspectives during the

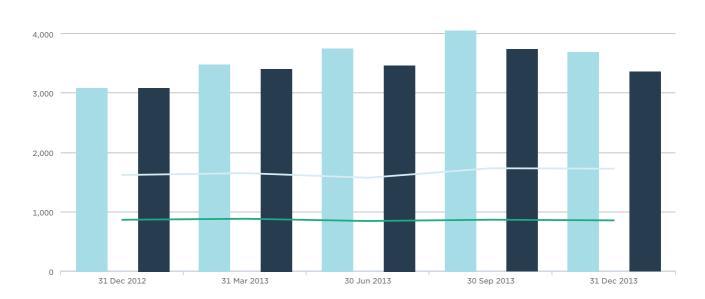
year 2013 is shown in the figure Development of Capitalization, If P&C, Mandatum Life and Sampo Group, 31 December 2012 – 31 December 2013.

Development of Capitalization

If P&C, 31 December 2012 - 31 December 2013



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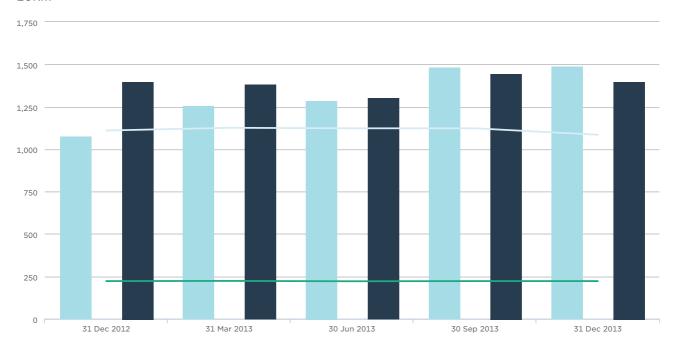
- Adjusted solvency capital
- Regulatory solvency capital
- Economic capital
- Regulatory capital requirement

	31 Dec 2012	31 Mar 2013	30 Jun 2013	30 Sep 2013	31 Dec 2013
Adjusted solvency capital	3,090	3,495	3,760	4,059	3,706
Economic capital	1,613	1,645	1,567	1,727	1,720
Regulatory solvency capital	3,101	3,421	3,469	3,742	3,372
Regulatory capital requirement	859	876	838	860	849
Adjusted solvency capital / Economic capital	1.9	2.1	2.4	2.4	2.2
Regulatory solvency capital / Regulatory capital requirement	3.6	3.9	4.1	4.4	4.0

Development of Capitalization

Mandatum Life, 31 December 2012 - 31 December 2013





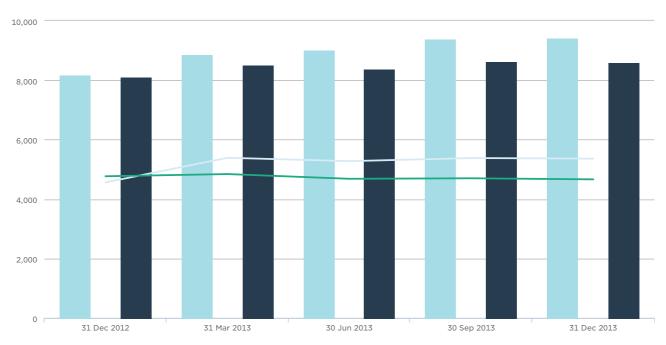
- Adjusted solvency capital
- Regulatory solvency capital
- Economic capital
- Regulatory capital requirement

	31 Dec 2012	31 Mar 2013	30 Jun 2013	30 Sep 2013	31 Dec 2013
Adjusted solvency capital	1,076	1,256	1,292	1,485	1,492
Economic capital	1,110	1,126	1,123	1,123	1,085
Regulatory solvency capital	1,402	1,386	1,305	1,448	1,403
Regulatory capital requirement	222	223	221	222	222
Adjusted solvency capital / Economic capital	1.0	1.1	1.2	1.3	1.4
Regulatory solvency capital / Regulatory capital requirement	6.3	6.2	5.9	6.5	6.3

Development of Capitalization

Sampo Group, 31 December 2012 - 31 December 2013





- Adjusted solvency capital
- Regulatory solvency capital
- Economic capital
- Regulatory capital requirement

	31 Dec 2012	31 Mar 2013	30 Jun 2013	30 Sep 2013	31 Dec 2013
Adjusted solvency capital	8,197	8,872	9,039	9,391	9,417
Economic capital	4,560	5,389	5,276	5,380	5,361
Regulatory solvency capital	8,125	8,511	8,389	8,655	8,598
Regulatory capital requirement	4,767	4,841	4,682	4,699	4,663
Adjusted solvency capital / Economic capital	1.8	1.6	1.7	1.7	1.8
Regulatory solvency capital / Regulatory capital requirement	1.7	1.8	1.8	1.8	1.8

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

The figure Breakdown of Capitalization, Sampo Group, 31 December 2013 presents the contributions of the different business areas including Nordea to Sampo Group's total economic capital as well as the

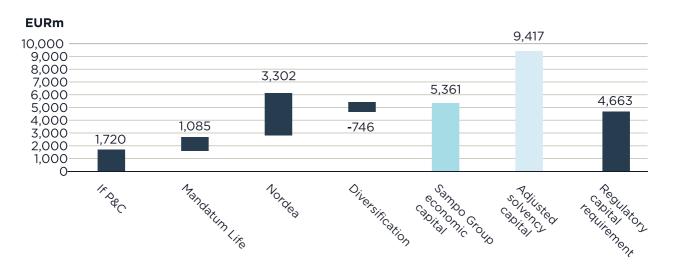
diversification effect included in the calculation of Group's economic capital. The figure also presents the amount of adjusted solvency capital at group level, which comprises Solvency I capital and other loss absorbing items. In internal assessments, adjusted solvency capital is compared to economic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

Sampo Group's economic capital increased during the year and amounted to EUR 5,361 million at the end of 2013 (EUR 4,560 million in 2012). The amount of adjusted solvency capital at group level increased during the year to EUR 9,417 million (EUR 8,197

million in 2012) due to strong fair value results and increase in interest rates. The adjusted solvency capital exceeded the economic capital by EUR 4,056 million (EUR 3,637 million in 2012) and capitalization by internal measures is strong.

Breakdown of Capitalization

Sampo Group, 31 December 2013



Regulatory solvency capital amounted to EUR 8,598 million in Sampo Group at the end of year 2013.

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

Regulatory Solvency Capital at Group Level

Sampo Group reports its Group solvency quarterly to the Finnish supervisory authorities monitoring the Group. The calculation of Group solvency according to the Act on the Supervision of Financial and Insurance Conglomerates (1193/2004) is broken down in the table Group Solvency, 31 December 2013 and 31 December 2012.

Group Solvency

31 December 2013 and 31 December 2012

EURm	31 Dec 2013	31 Dec 2012
Group capital	10,643	10,020
Sectoral items	1,274	1,285
Valuation differences and deferred taxes	445	435
Topdanmark	-130	-165
Subordinated loans	143	212
Share of Nordea's capital not included in Group capital	816	803
Intangibles and other deductables	-3,319	-3,160
Intangibles (insurance companies)	-752	-771
Intangibles (Nordea)	-1,314	-1,314
Equalisation provision (Finland)	-317	-309
Other	-13	-11
Planned dividends for the current period	-924	-756
Solvency capital, total	8,598	8,145
Minimum requirements for solvency capital, total	4,663	4,767
Group solvency	3,935	3,379
Group solvency ratio	184%	170%
(solvency capital % of minimum requirement)		

Due to the adoption of the revised accounting standard IAS 19 on Employee Benefits, the comparison figures for 2012 have been restated and differ from the earlier published figures.

At the end of 2013, Sampo Group's consolidated regulatory capital position was strong. The Group's solvency ratio was 184 per cent (170 per cent in 2012).

Capitalization at Subsidiary Level

The breakdown of economic capital by risk type and a comparison to adjusted solvency capital both in If P&C and Mandatum Life is depicted in the figure Breakdown of Capitalization, If P&C and Mandatum Life, 31 December 2013. Regulatory capital requirement is presented in the same figure.

Internal Assessment

In If P&C, economic capital increased to EUR 1,720 million (EUR 1,613 million at the end of 2012), while in Mandatum Life, economic capital decreased to EUR 1,085 million (EUR 1,110 million at the end of 2012).

Market risk is still the most significant risk for both If P&C and Mandatum Life. Underwriting risk decreased in If P&C during the year to EUR 565 million (EUR 620 million at the end of 2012) and insurance risk increased in Mandatum Life to EUR 367 million (EUR 362 million at the end of 2012).

If P&C's share of Topdanmark's regulatory solvency requirement of EUR 114 million as at the end of year 2013 is included in the economic capital. For If P&C the figure for credit risk includes also non-credit risk related risk calculated in accordance with the Solvency II standard formula.

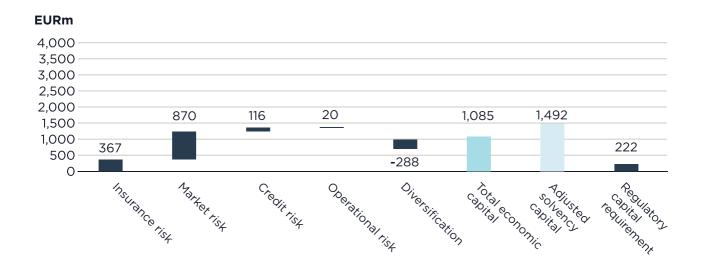
Breakdown of Capitalization

If P&C, 31 December 2013



Breakdown of Capitalization

Mandatum Life, 31 December 2013



Topdanmark's contribution to the total economic capital of If P&C is based on the latest regulatory solvency capital figures reported by Topdanmark. In both companies adjusted solvency capital includes regulatory solvency capital. It amounted to EUR 3,372 million in If P&C and to EUR 1,403 in Mandatum Life at the end of year 2013.

The amount of adjusted solvency capital exceeded the economic capital both in If P&C and in Mandatum Life. During the year, the amount of adjusted solvency capital in If P&C increased to EUR 3,706 million (EUR 3,090 million at the end of 2012), and in Mandatum Life, adjusted solvency capital increased to EUR 1,492 million (EUR 1,076 million at the end of 2012). In both companies good fair value results and increase in

interest rates strengthened the capitalization which was partly offset by paid dividends to the parent company.

Regulatory Solvency Assessment

Subsidiaries' solvency is reported to the local supervisory authorities. In If P&C, regulatory solvency capital was 4.0 times regulatory capital requirement and the respective figure for Mandatum Life was 6.3 at the end of year 2013. Regulatory solvency capital, which is used to assess the solvency of an insurance company, is not calculated for the parent company Sampo plc.

Regulatory solvency capital of If P&C increased to EUR 3,372 million (EUR 3,101 million in 2012) while the regulatory capital requirement was EUR 849 million (EUR 859 million in 2012). Regulatory solvency capital of Mandatum Life Group remained almost intact at EUR 1,403 million (EUR 1,402 million in 2012) while

the regulatory capital requirement was EUR 222 million (EUR 222 million in 2012).

Rating Agency Criteria

Parent company Sampo plc is rated by Moody's and If P&C is rated by both Moody's and Standard & Poor's (S&P). The main rating objective is to retain at least a single A rating for If P&C. The data for S&P rating model is updated regularly by If P&C. Sampo Group is in a continuous dialogue with the rating agencies and therefore has a good understanding of the opinions of agencies.

As a result of the continuous work with risk management issues, If P&C's ERM (Enterprise Risk Management) has been graded 'strong' by S&P.

Risk Management Process Outlook

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

A separate program was introduced within If P&C in 2007 to ensure that If P&C is well prepared when the Solvency II regulation enters into force. The program has encompassed a thorough review of If P&C's corporate governance and internal control structure, the risk management system, data capturing as well as development of the internal capital model. The program was finalized in 2012 and responsibilities were transferred to the line organization. Also Mandatum Life has developed its processes similarly over the years.

If P&C aims to have a partial internal model approved when Solvency II regulation enters into force.

Mandatum Life will use most likely the regulatory standard model for external Solvency calculations although it has an internal approach for assessment of risks and capital as well.

While awaiting the postponed implementation of the Solvency II regulation in the EU, common guidelines have been issued to the local supervisory authorities. The guidelines concern supervision of how the insurance companies prepare for Solvency II regarding the governance system, the forward looking risk assessment, supervisory reporting and pre-application of internal models. Although If P&C and Mandatum Life are well prepared in these areas, companies are refining their processes to be fully compliant when Solvency II comes into force.