

Sampo Group's **Annual Report 2013**

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Strategy Strategy

Strategy

Sampo Group aims to create value for its shareholders. Value is created through efficient and highly profitable operating units and by investments in situations offering significant upside potential with manageable downside risk. Shareholders benefit from the value creation through a high and stable dividend yield.

Sampo Group's business areas are P&C insurance and life insurance under If and Mandatum Life brands, respectively. The Group is also the largest shareholder in Nordea Bank, the leading Nordic banking franchise. On a Group level Sampo has no stated strategy, but the business areas have well-defined strategies based on return on equity (RoE) targets.

The parent company Sampo plc's A shares are listed on the Nasdaq OMX Helsinki. The parent company sets financial targets for the subsidiaries. For both P&C and life insurance operations the return on equity target is a minimum of 17.5 per cent. In addition, a separate target has been set for the combined ratio in the P&C insurance operation, i.e. the annual combined ratio to be below 95 per cent each and every year.

Financial Targets 2013

If P&C

Focus on underwriting

Sampo plc

Shareholder value creation

Mandatum Life

Focus on unit-linked

If P&C Insurance – Security and Stability

If's mission is to offer insurance solutions that provide customers security and stability in their business operations, housing and daily life. The company's vision is to be the leading property and casualty insurance company in the Nordic and Baltic regions with the most satisfied customers, leading edge insurance expertise and superior profitability.

If's strategic goal is to establish better profitability and customer satisfaction in the long run than competitors, coupled with high creditworthiness. The financial targets are to achieve a combined ratio of less than 95 per cent and a return on equity (RoE) of at least 17.5 per cent.

If's long-term priorities to ensure a strong and stable profitability development are based on a sound operating platform, leading cost position, most satisfied customers, leading edge insurance expertise and an investment strategy based on balanced risk. The following four areas constitute the key elements in If's strategic direction:

- **Customer value** – If will exceed customer expectations through superior insurance solutions, fast and accurate claims management and sympathetic behavior.
- **Focused Insurance Expertise** – If will purposefully strengthen the organization's skills in developing, pricing and distributing insurance products, as well as, in the areas of liability loss prevention and claims management.
- **Nordic Business Platform** – If will create competitive advantage through economies of scale and know-how transfer through an integrated Nordic and Baltic platform.
- **Investment Strategy with Balanced Risk** – If has adopted a low risk strategy in investments by maintaining a balance between insurance commitments and investment assets in terms of currency and duration. Surplus capital is invested to enhance total returns.

Mandatum Life – An Expert in Money and Life

Mandatum Life is the leading provider of cover against life and health risks and a well-respected manager of customer assets in Finland and the Baltic countries. In new business, Mandatum Life's core product areas consist of unit-linked savings contracts and group pensions as well as risk insurance. As a result of the existing balance sheet, unit-linked individual pension policies and the with-profit portfolio in general play a significant role in the company, even though they are not being sold actively.

In addition to its life insurance business, Mandatum Life's activities in recent years have expanded to include pension services focusing on corporate pension funds and foundations. The company has also supplemented various services related to personnel rewards and incentives through, for example, personnel fund services. The need for business outside the life insurance sector grew when the company discontinued its granting of individual corporate pension policies as a result of changes related to the retirement age applied to new insurance policies. Going forward, Mandatum Life will continue to look into new opportunities to support its current business activities.

In Finland, Mandatum Life relies on three sales channels: in-house corporate sales teams, wealth management focusing on high-net-worth individuals, and Danske Bank's network.

Mandatum Life estimates that there is still a growing need for Finns to secure their income during retirement and to prepare for health and life risks. The company believes that voluntary corporate pension schemes will play an increasingly important role in complementing statutory earnings-related pension. As far as the corporate sales channel is concerned, greater emphasis will also be placed on meeting the investment-related needs of customers. In addition, companies are believed to gain significant value by covering their employees' life and health risks through voluntary insurance policies.

Mandatum Life began offering its own wealth management services in 2008. The services offered by Mandatum Life's Wealth Management are mainly intended for private individuals with a high net worth. Institutions are also an important customer group, and the weight given to institutional wealth management is expected to grow in future.

In Mandatum Life's services for private customers, the main service channel is Danske Bank's network. Co-operation with Danske Bank has been successful. Mandatum Life's offering has expanded Danske Bank's services in Finland and in the Baltic countries to include the life insurance needs of customers.

Mandatum Life's result consists of three components: the investment result, risk result and expense result. The company's strategy in investment activities is to maintain adequate solvency in relation to market risks in the balance sheet, which makes it possible to strive for a long-term return that is higher than the return requirement on with-profit technical provisions. In the expense and risk result, Mandatum Life seeks growth through both higher operational efficiency and volume growth. The company's financial target is to produce an RoE of at least 17.5 per cent.

Dividend Policy

Sampo plc, the listed parent company of Sampo Group, is a good dividend payer. Sampo aims to pay at least 50 per cent of Group's net profit as dividend. Share buy-backs can be used to complement the dividend. The Board proposes to the AGM a dividend of EUR 1.65 per share for the year 2013. The proposed dividend corresponds to a payout ratio of 64 per cent.