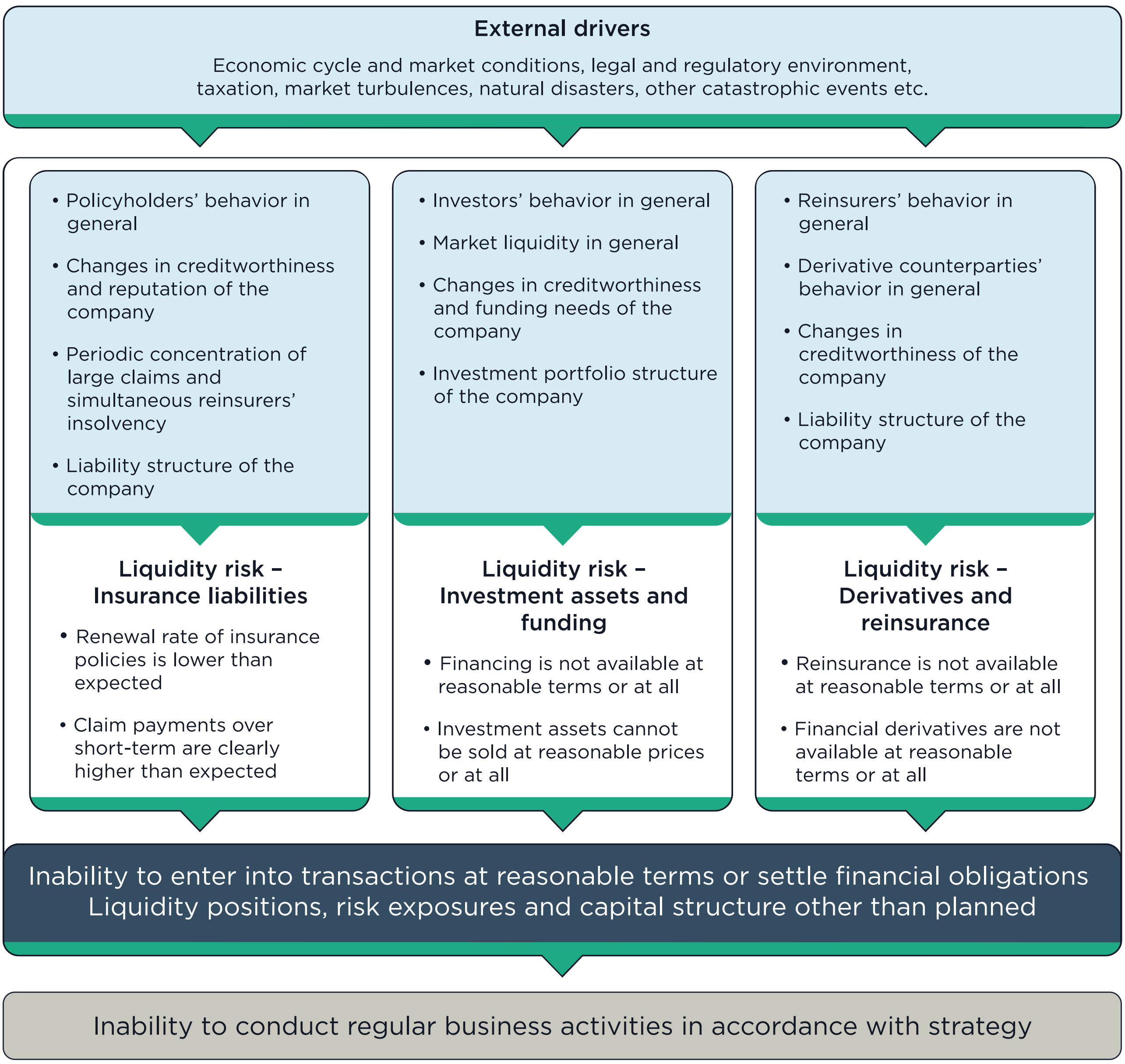
Liquidity Risks

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



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			Cash flows						
EURm	Carrying amount total	Carrying amount 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 plc										
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 swaps	0	0	0	0	0	0	0	0	0	0

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

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

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.