

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.