

Group CEO's Review



Records Are There to Be Broken

The operating environment for the financial sector in 2013 was similar to that of 2012. It was characterized by slow economic growth, low interest rates, a continual and substantial increase in regulation, controversial new taxes, as well as other obstacles. In short, it meant we faced challenging conditions.

In such a difficult situation, the only option is to exercise even stricter discipline: reduce risks, boost operational efficiency and put in the extra hours needed. There is no sense in waiting for better times ahead – we must act now.

The vast transfer of services to the internet and the digitization of society in general are changing the very foundations of our industry. Consequently, understanding the ever-evolving needs of our customers will be the key to building a sustainable competitive edge. As the market leaders in our businesses, we are – and must continue to be – in a better position than our peers in terms of responding

to the challenges brought on by these structural changes.

Despite the weak operating environment in 2013, Sampo recorded an excellent year. In December, our share price peaked at almost EUR 36 – its highest level ever. And the increases have continued into the new year – in February 2014 the share price passed EUR 37.

Best Ever Combined Ratio

Sampo's P&C operations broke many of our own

earlier records in 2013: Profit before taxes amounted to EUR 929 million, once again the highest total recorded in Sampo's history, while the combined ratio reached a new record of 88.1 per cent. Furthermore, customer service was improved in a number of ways. A particularly noteworthy development was the launch of distribution co-operation with the largest bank in the Nordic countries – Nordea – in Sweden, Finland and the Baltics.

The value of our stake in our associated company Topdanmark has nearly doubled, and also reached a new high in 2013. Our holding, which covers 28 per cent of the voting rights, is also now at its highest ever level. Our stake is likely to continue growing in the future as Topdanmark intends to buy back and subsequently cancel its own shares.

Nordea's Market Value Breaks Record

Following the Swedish government's sale of its stake in Nordea in 2013, the uncertainty lingering over the bank's ownership structure disappeared. Our current investment (21.2 per cent holding) in Nordea amounts to approximately EUR 5.6 billion; however, by the end of 2013, the book value of our holding stood at EUR 6.9 billion. The market value of our holding exceeded the book value by more than EUR 1.5 billion. In addition, we have received EUR 1.2 billion in dividends from Nordea during our period as a shareholder.

The stable profitability of our associated company Nordea was also reflected in the company's market value: its valuation of EUR 42.5 billion as at January 2014 represented yet another new record.

Unit-linked Premium Income Reaches Historical High

2013 was also a record year in the area of life

insurance: the unit-linked premium income of EUR 909 million was the highest in the company's history, while the distribution co-operation with Danske Bank was more successful than ever before. At the same time, Mandatum Life recorded its best ever technical result, which was measured as the sum of the risk and expense result. Pleasingly, the improved levels of customer satisfaction that we have seen in previous years continued in 2013.

Sampo Group's risk-adjusted investment result was also good: investment return mark-to-market was 5.0 per cent from P&C insurance and 7.1 per cent from life insurance. However, while equity and fixed-income investments performed well, the investments in emerging markets and the foreign exchange result fell short of their respective targets.

Dividend Proposal of EUR 1.65 per Share

The slow growth environment calls for careful focus on cash flows and proper capital allocation. To this end and thanks to our strong results, Sampo's Board of Directors proposes that a dividend of EUR 1.65 per share be paid for 2013.

Sampo is a dividend stock and increasing shareholder value is our main task. And whilst as I'm sure you can understand we are unable to predict levels of future dividends, we are striving for a steadily increasing distribution.

Kari Stadigh

Group CEO and President