Sampo Group's **Annual Report 2013**

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 Rate		**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.