

Group CEO's Review



A Good Year Despite Slow Economic Growth

Sampo performed very well in 2014 despite slow economic growth, low interest rates and ever increasing regulation. Unfortunately, one cannot say the same for Europe as a whole.

I have my doubts as to whether the European model will perform well in a global economy. Its recent track record does not make for good reading: the eurozone countries have on average a 12 per cent unemployment rate and youth unemployment stands at a staggering 23 per cent. On top of this the eurozone countries have raised over EUR 1,000 billion in new debt over the last five years. As a remedy for this politicians offer tax increases and more bureaucracy. It is highly unlikely that such troubled European nations will be able to tax themselves out of their problems.

As a result of this we are currently seeing a combination of very low economic growth and most likely a buildup of bubbles in several asset classes. As

an example of this let us take the fast growth of sovereign debt in the eurozone: the total amount of debt is approximately EUR 4,700 billion, of which over 25 per cent trades at negative interest rates and yet the regulatory framework continues to stipulate this asset class as risk free and it is not consuming any capital on the balance sheets of financial institutions. That is truly remarkable and unsustainable.

Sampo intends to continue to perform in these unusual times and in an environment that is a caricature of a well-run economy. Accordingly, Sampo performed very well in 2014 despite the slow economic growth, low interest rates and ever increasing regulation.

In February 2015 the Sampo share price reached a

new all-time high. I interpret this as a flight to safety: a prudent approach to invest in a bond-like equity when interest rates in general are ultra-low. Sampo is a share with stable and predictable earnings, a good dividend yield, high return on equity and all of this is based on a strong market position.

An Excellent Year for If P&C

In spite of the challenging general environment our P&C insurance operations delivered an all-time high profit before taxes of EUR 931 million as well as a best ever combined ratio of 87.7 per cent. Over the years If P&C has mastered its pan-Nordic operational model and developed its internet offering and telephone service to become the benchmark for the industry.

The overall favorable weather of 2014 in the Nordic countries thankfully spared our customers from major events and supported a good claims ratio outcome. Sometimes winners need a bit of luck.

If P&C's stake in Topdanmark currently stands at over 30 per cent. Furthermore, our initial investment of EUR 320 million was valued at EUR 830 million as at the 2014 year end.

Nordea's Dividends to Sampo to Exceed EUR 500 Million

Nordea's fourth quarter and full-year 2014 operating profit were the best on record. Especially noteworthy is the strong growth of Nordea's asset under management (AUM) which has now reached a new record level of EUR 262 billion.

As the main owner of Nordea we have actively participated in the governance and the long-term development of the bank. Nordea proposes to increase its dividend in the spring of 2015 by 44 per

cent compared to the previous year.

Mandatum Life Focused on Unit-linked Products

Even interest rates falling to new low levels did not stop Mandatum Life from breaking many old records in 2014: unit-linked premiums reached a new high of EUR 961 million and the expense result was the best that has ever been achieved. In sales, Mandatum Life's Wealth Management continued to perform well and the cooperation with Danske Bank proved to be successful with a significant improvement in sales towards the year end.

By the end of 2014 Mandatum Life had also completed the EUR 1.3 billion group pension portfolio transfer from Suomi Mutual. This contributed to the significant increase in the total technical reserves of Mandatum Life in 2014.

Highest Ever Dividend

Sampo's Board has proposed to distribute a dividend of EUR 1.95 per share to its shareholders. The dividend payment is over EUR 1 billion and this is the sixth consecutive spring that Sampo has increased its dividend - we are unquestionably a dividend stock.

Last but not least, I would like to thank all of our employees for making it possible to once again increase our shareholder value. I also want to thank our customers - many of whom are our shareholders - for your support and trust.

In 2015 we intend to follow the same path - specifically, to deliver on shareholder value.

Kari Stadigh

Group CEO and President