

# Capitalization at Group Level

Sampo Group's EC is calculated as the sum of the Group companies' ECs adjusted by correlation effect. To calculate the Group's ASC the Group's Solvency Capital is adjusted by the difference between the book value and the market value of insurance liabilities and equalization provisions. The difference between Group's ASC and Group's EC is the difference between actual capital and capital need for current business activities. This difference should not be interpreted as excess capital because the Group's reported EC is

based on other confidence level than what is reflected in individual companies' capital needs.

From regulatory solvency point of view, Sampo Group is regarded as a financial and insurance conglomerate. Group solvency is the amount of regulatory solvency capital calculated according to the Finnish regulation on financial conglomerates from which e.g. the internal items such as subordinated loans are eliminated.

## Internal Capitalization Assessment

ASC of Sampo Group's insurance subsidiaries decreased during the year. In both companies positive results strengthened the capitalization whereas paid dividends to the parent company and decreasing interest rates had an opposite effect on the capitalization. The changes in subsidiaries' risk exposures and hence in economic capital were modest.

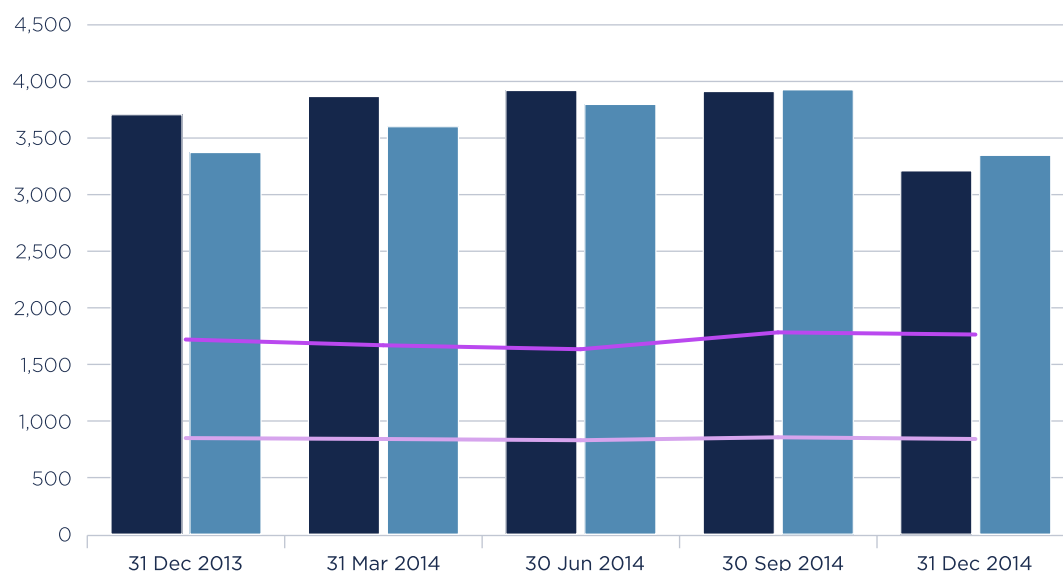
At Sampo Group level Nordea's and Sampo plc's figures are taken into account as well when ASC and

EC figures are calculated. At group level the amount of ASC decreased whereas the amount of EC increased. The capitalization is still considered to be strong. The development of capitalization in Sampo Group from both internal and regulatory perspectives during the year 2014 is shown in the figure Development of Capitalization, If P&C, Mandatum Life and Sampo Group, 31 December 2013 – 31 December 2014.

# Development of Capitalization

If P&C, 31 December 2013 – 31 December 2014

EURm

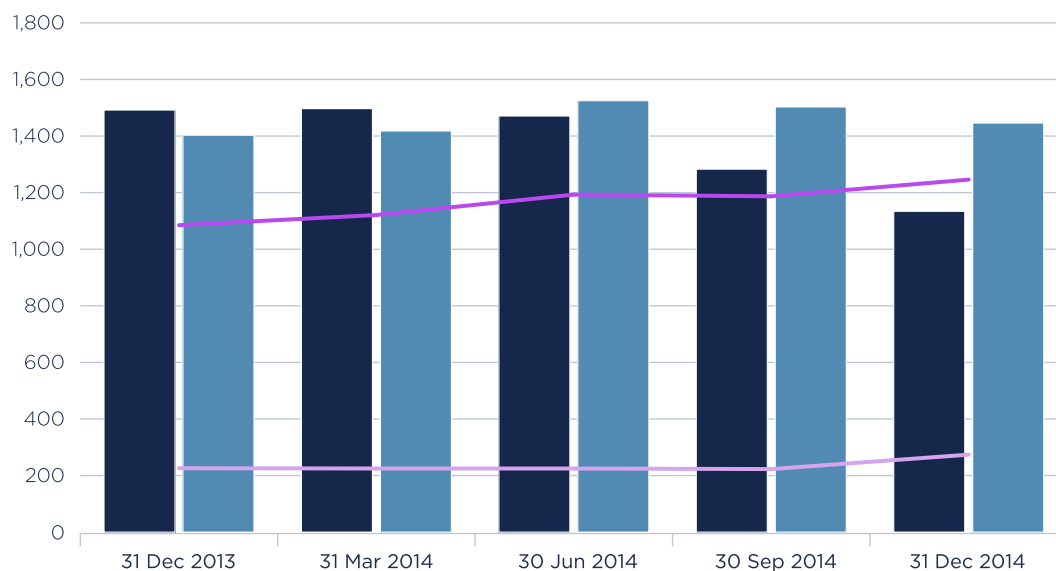


Adjusted solvency capital	3,706	3,867	3,920	3,911	3,210
Economic capital	1,720	1,669	1,634	1,783	1,764
Regulatory solvency capital	3,372	3,600	3,797	3,926	3,347
Regulatory capital requirement	849	841	830	856	841
/	2.2	2.3	2.4	2.2	1.8
/	4.0	4.3	4.6	4.6	4.0

## Development of Capitalization

Mandatum Life, 31 December 2013 - 31 December 2014

EURm

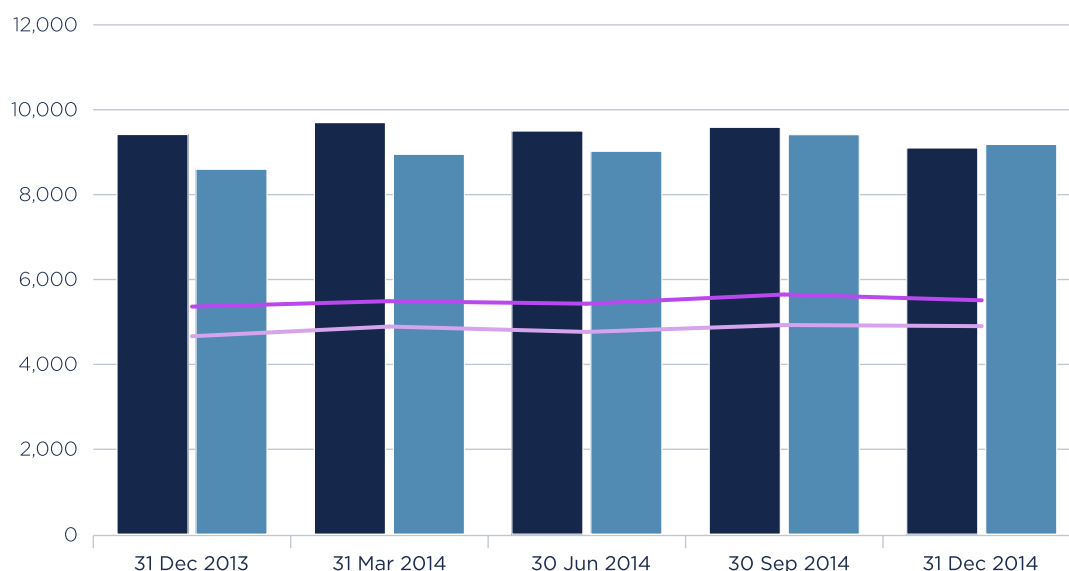


Adjusted solvency capital	1,492	1,497	1,471	1,283	1,134
Economic capital	1,085	1,121	1,193	1,187	1,246
Regulatory solvency capital	1,403	1,418	1,525	1,503	1,446
Regulatory capital requirement	226	225	225	223	274
/	1.4	1.3	1.2	1.1	0.9
/	6.2	6.3	6.8	6.7	5.3

## Development of Capitalization

Sampo Group, 31 December 2013 – 31 December 2014

EURm



Adjusted solvency capital	9,417	9,697	9,499	9,586	9,100
Economic capital	5,361	5,490	5,430	5,647	5,510
Regulatory solvency capital	8,598	8,950	9,021	9,413	9,183
Regulatory capital requirement	4,663	4,892	4,765	4,928	4,901
Adjusted solvency capital / Economic capital	1.8	1.8	1.7	1.7	1.7
Regulatory solvency capital / Regulatory capital requirement	1.8	1.8	1.9	1.9	1.9

Updates and refinements are done frequently both into the models and the assumptions used for calculating the economic capital. Thus, the economic capital figures may not be fully comparable between years.

The figure Breakdown of Capitalization, Sampo Group, 31 December 2014 presents the contributions of the different business areas including Nordea to Sampo Group's total economic capital as well as the diversification effect included in the calculation of Group's EC.

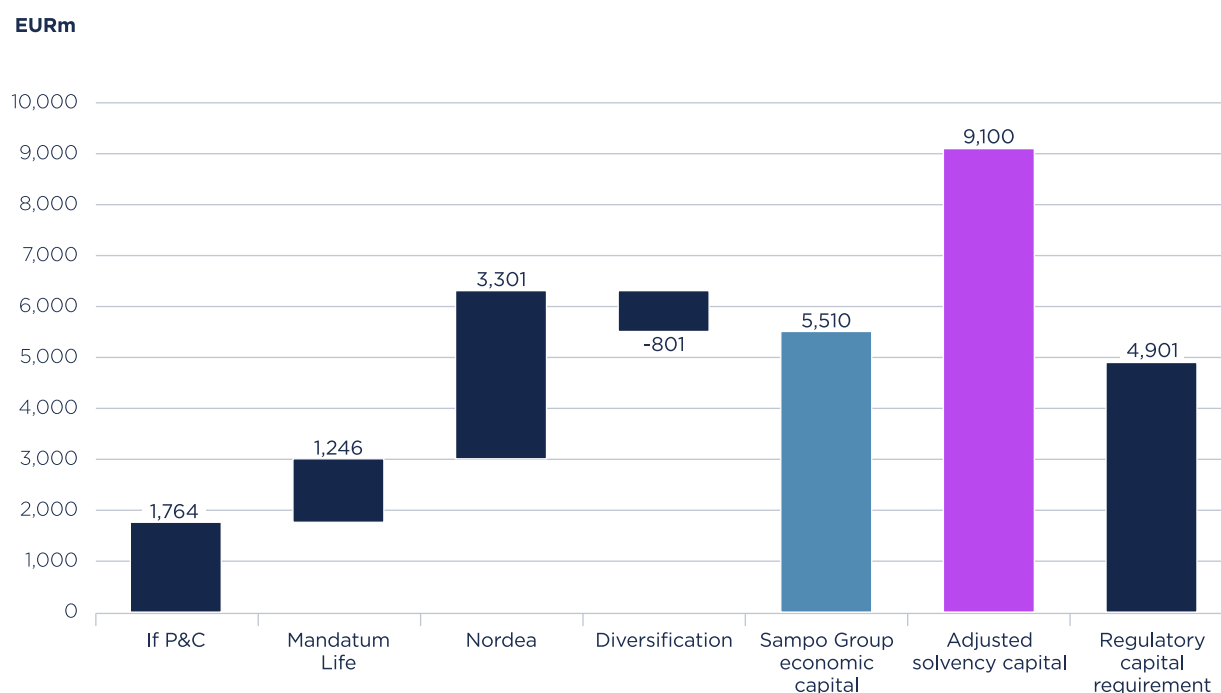
The figure also presents the amount of ASC at group level, which comprises Solvency I capital and other

loss absorbing items. In internal assessments, adjusted solvency capital is compared to economic capital. When regulatory capitalization is under consideration, the Solvency I capital is compared to the regulatory capital requirement.

Sampo Group's EC increased during the year and amounted to EUR 5,510 million at the end of 2014 (EUR 5,361 million in 2013). The amount of ASC at group level decreased during the year to EUR 9,100 million (EUR 9,417 million in 2013). ASC exceeded EC by EUR 3,590 million (EUR 4,056 million in 2013) and capitalization by internal measures is strong.

## Breakdown of Capitalization

Sampo Group, 31 December 2014



Regulatory solvency capital amounted to EUR 9,183 million in Sampo Group at the end of year 2014.

Nordea is included in the calculation of Sampo Group's EC by adding Sampo Group's share of EC reported by Nordea, converted into the 99.5% confidence level used in Sampo Group. At year end, the risks arising from Nordea constitute the largest single component in Sampo Group's EC. The correlations between risk types and business areas, and thereby indirectly the amount of diversification, are defined by Sampo plc at Sampo Group level.

The ratio of ASC to EC was 165% and ratio of ASC to undiversified EC was 144%. The respective differences between ASC and ECs were EUR 3,590 million and EUR 2,789 million. Based on these measures the amount of excess capital can be considered adequate.

Sampo Group assesses that the difference between Group ASC and the sum of Group companies' capital needs is adequate because of the following reasons:

If P&C and Nordea have strong capitalization and sound profitability. The amount of available capital in If P&C is maintained above capital level based on single A rating target. Nordea's amount of capital is based on one of the strictest regulatory expectations on capitalization within European jurisdictions. In addition both If P&C and Nordea have shown high profitability and low volatility of profits. Sampo

considers that If P&C and Nordea have themselves relatively high buffers included in their capital and parent company Sampo needs only minor additional reserves for them.

Mandatum Life is the smallest company in the Group and Mandatum Life's with-profit business with high guarantees is on a run-off mode. Hence the capital need is decreasing over time. Therefore the company's ASC needs to exceed its capital need only by a small margin and sometimes for a short period of time the EC can even be higher than the ASC.

Correlations of profitability and capital positions are low. A general group level concentration risk arises when the Group companies' profitability or capital positions react similarly to general economic development, i.e. the correlation between general economic development and the profitability of different subsidiaries is more or less analogous. This type of concentration risk can be analyzed indirectly based on profits. From this perspective Sampo plc's associated company Nordea's result has created clear diversification benefits, in particular when analyzed vis á vis with If P&C and Mandatum Life. The historical correlation between If P&C's and Nordea's, as well as Mandatum Life's and Nordea's, quarterly profits since 2005 is very low. The historical correlations of

quarterly profits between If P&C, Mandatum Life and Nordea are depicted in the figure Correlations of

Quarterly Reported Profits, If P&C, Mandatum Life and Nordea, 1 January 2005 - 31 December 2014.

## Correlations of Quarterly Reported Profits

If P&C, Mandatum Life and Nordea, 1 January 2005 - 31 December 2014

	Nordea	If P&C	Mandatum Life
Nordea	1		
If P&C	0.25	1	
Mandatum Life	0.10	0.85	1

Because of favourable profit correlations between the companies and relatively low volatilities of If P&C's and Nordea's profits, the profit development is quite

stable at group level which further decreases the need to maintain additional capital buffers over economic capital at group level.

## Regulatory Solvency Capital at Group Level

Sampo Group reports its Group solvency quarterly to the Finnish supervisory authorities monitoring the Group. Sampo's share of Nordea's own funds and capital requirements are consolidated into Group solvency.

Act on the Supervision of Financial and Insurance Conglomerates (1193/2004) is broken down in the table Group Solvency, 31 December 2014 and 31 December 2013.

The calculation of Group solvency according to the

At the end of 2014, Sampo Group's consolidated regulatory capital position was strong.

## Group Solvency

31 December 2014 and 31 December 2013

EURm	31 Dec 2014	31 Dec 2013
<b>Group capital</b>	<b>10,924</b>	<b>10,643</b>
<b>Sectoral items</b>	<b>1,685</b>	<b>1,274</b>
Valuation differences and deferred taxes	465	445
Topdanmark	-127	-130
Subordinated loans	111	143
Share of Nordea's capital not included in Group capital	1,237	816
<b>Intangibles and other deductables</b>	<b>-3,426</b>	<b>-3,319</b>
Intangibles (insurance companies)	-715	-752
Intangibles (Nordea)	-1,314	-1,314
Equalisation provision (Finland)	-293	-317
Other	-12	-13
Planned dividends for the current period	-1,092	-924
<b>Solvency capital, total</b>	<b>9,183</b>	<b>8,598</b>
<b>Minimum requirements for solvency capital, total</b>	<b>4,901</b>	<b>4,663</b>
<b>Group solvency</b>	<b>4,282</b>	<b>3,935</b>
<b>Group solvency ratio (solvency capital % of minimum requirement)</b>	<b>187%</b>	<b>184%</b>