

ALM Risks

When changes in different market risk variables (interest rates, inflation, foreign exchange rates) cause a change in the fair values of investment assets and derivatives that is of a different size than the respective change in the economic value of the

insurance liabilities, the company is exposed to ALM risk. It has to be noted that the cash flows of insurance liabilities are modelled estimates and are therefore uncertain in relation to both their timing and amount. This uncertainty is a central component of ALM risk.

Liquidity Risks

Liquidity risk is the risk that Group companies are, due to a lack of available liquid funds or access to relevant markets, unable to conduct their regular business

activities in accordance with the strategy, or in extreme cases, are unable to settle their financial obligations when they fall due.

Liquidity Risks

External drivers

Economic, social and financial market conditions, laws, taxation and regulations, market turbulences, natural disasters and other catastrophic events

- Policyholders' behavior in general
- Changes in creditworthiness and reputation of the company
- Periodic concentration of large claims and simultaneous reinsurers' insolvency
- Liability structure of the company.

Liquidity risk – Insurance liabilities

- Renewal rate of insurance policies is lower than expected.
- Claim payments over short-term are clearly higher than expected.

- Investors' behavior in general
- Market liquidity in general
- Changes in creditworthiness and funding needs of the company
- Investment portfolio structure of the company.

Liquidity risk – Investment assets and funding

- Financing is not available at reasonable terms or at all.
- Investment assets cannot be sold at reasonable prices or at all.

- Reinsurers' behavior in general
- Derivative counterparties' behavior in general
- Changes in creditworthiness of the company
- Liability structure of the company.

Liquidity risk – Derivatives and reinsurance

- Reinsurance is not available at reasonable terms or at all.
- Financial derivatives are not available at reasonable terms or at all.

Inability to enter into transactions at reasonable terms or settle financial obligations endangers the ability to manage liquidity positions, risk exposures and capital structure according to strategy

The sources of liquidity risk in Sampo Group are either internal or external by their nature. If the company's rating declines or if the company's solvency otherwise appears jeopardised, its ability to raise funding, buy reinsurance cover or enter into financial derivatives at

a reasonable price is endangered. Moreover, policyholders may also not be willing to renew their policies because of the company's financial challenges or in the case of reputational issues. If these risks, caused by internal reasons, are realized together with

general market turmoil, which makes the selling of investment assets and the refinancing of debt difficult,

maintaining adequate liquidity can be a challenge.