

P&C Insurance

If P&C is the leading property and casualty insurance company in the Nordic region, with insurance operations that also encompass the Baltic countries. The P&C insurance group's parent company, If P&C Insurance Holding Ltd, is located in Sweden, and the If subsidiaries and branches provide insurance solutions and services in Finland, Sweden, Norway, Denmark and the Baltic countries. If's operations are divided into four business areas: Private, Commercial, Industrial and Baltic. The Danish insurance company Topdanmark is If P&C's associated company.

Results*

P&C Insurance, 2015

| EURm | 2015 | 2014 | Change, % |
|----------------------------------|------------|------------|-----------|
| Premiums, net | 4,378 | 4,464 | -2 |
| Net income from investments | 304 | 353 | -14 |
| Other operating income | 28 | 27 | 2 |
| Claims incurred | -2,894 | -2,902 | 0 |
| Change in insurance liabilities | -34 | -6 | 432 |
| Staff costs | -371 | -537 | -31 |
| Other operating expenses | -477 | -502 | -5 |
| Finance costs | -16 | -20 | -18 |
| Share of associates' profit/loss | 42 | 54 | -22 |
| Profit before taxes | 960 | 931 | 3 |

| Key figures | 2015 | 2014 | Change |
|-------------------------------|-------|-------|--------|
| Combined ratio, % | 85.4 | 87.7 | -2.3 |
| Risk ratio, % | 66.6 | 65.1 | 1.5 |
| Cost ratio, % | 18.8 | 22.5 | -3.7 |
| Expense ratio, % | 13.0 | 16.7 | -3.7 |
| Return on equity, % | 21.5 | 18.1 | 3.4 |
| Average number of staff (FTE) | 6,176 | 6,173 | 3 |

*Two significant non-recurring items were booked for If P&C's result in the second quarter of 2015 - the reform of the pension system in If Norway and the lowering of the interest rate used in discounting annuities in Finland from 2.0 per cent to 1.5 per cent. The former had a positive effect of EUR 155 million and the latter a negative effect of EUR 110 million on the total result.

Profit before taxes for January-December 2015 for the P&C insurance operations increased to EUR 960 million (931). Combined ratio improved to 85.4 per cent (87.7) while risk ratio deteriorated to 66.6 per cent (65.1). Excluding the non-recurring items, combined ratio for 2015 was 86.5 per cent.

Technical reserves relating to prior year claims were strengthened by EUR 61 million in January -

December 2015 (EUR 2 million released in the previous year). Return on equity (RoE) increased to 21.5 per cent (18.1) and the fair value reserve on 31 December 2015 amounted to EUR 391 million (507).

Technical result increased to EUR 657 million (588). Insurance margin (technical result in relation to net premiums earned) improved to 15.1 per cent (13.2).

Combined ratio, %

Risk ratio, %

| | 2015 | 2014 | Change | 2015 | 2014 | Change |
|------------|------|------|--------|------|------|--------|
| Private | 88.1 | 87.4 | 0.7 | 65.6 | 64.8 | 0.8 |
| Commercial | 89.2 | 88.6 | 0.6 | 66.3 | 65.8 | 0.5 |
| Industrial | 99.4 | 89.0 | 10.4 | 77.4 | 68.3 | 9.1 |
| Baltic | 85.7 | 86.8 | -1.1 | 55.5 | 52.4 | 3.1 |
| Sweden | 86.8 | 94.6 | -7.8 | 65.6 | 72.4 | -6.8 |
| Norway | 88.0 | 82.0 | 6.0 | 65.1 | 59.6 | 5.5 |
| Finland | 94.9 | 89.7 | 5.2 | 72.8 | 67.6 | 5.2 |
| Denmark | 90.8 | 83.6 | 7.2 | 64.0 | 58.3 | 5.7 |

The lowering of the annuities discount rate in Finland during the second quarter of 2015 affected all business areas' results negatively and weakened the Finnish country specific result in 2015. Business area Industrial suffered from a negative large claims outcome in the fourth quarter of the year, particularly in Norway, resulting in EUR 45 million worse than expected large claims outcome in 2015 and a 10.4 percentage points weaker combined ratio than a year before. Total large claims ended up EUR 32 million worse than expected in 2015.

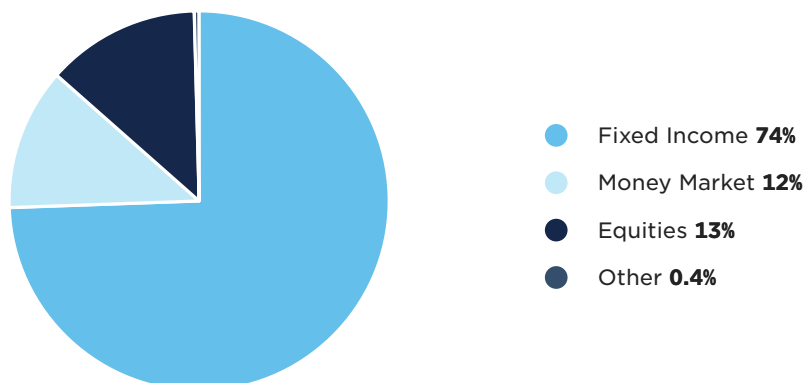
In Sweden, combined ratio improved by 7.8 percentage points supported by a positive large claims outcome compared to the previous year. Swedish discount rate used to discount the annuity reserves decreased to 0.41 per cent by the end of December 2015 and had a negative effect of EUR 12 million for full-year 2015 and a EUR 1 million positive effect in the fourth quarter of 2015 results.

Gross written premiums decreased to EUR 4,559 million (4,634) in 2015. Adjusted for currency, premium growth was slightly positive. Growth was positive in business areas Private and Baltic, and negative in business areas Commercial and Industrial. Geographically, gross written premiums grew by 5 per cent in Sweden, while the growth was slightly negative in Norway and Denmark and stable in Finland.

Cost ratio improved to 18.8 per cent (22.5) and expense ratio to 13.0 per cent (16.7), both impacted by the positive effect of the non-recurring reform of the pension system in If Norway booked in the second quarter of the year. Excluding the non-recurring item the cost ratio was 22.3 per cent and expense ratio 16.6 per cent.

Investment Allocation

If P&C, 31 December 2015, Total EUR 11.4 Billion



On 31 December 2015, the total investment assets of If P&C amounted to EUR 11.4 billion (11.5), of which fixed income investments constituted 74 per cent (75), money market 12 per cent (13) and equity 13 per cent (12). Net income from investments amounted to EUR 304 million (353). Investment return marked-to-market for the full year 2015 decreased to 1.5 per cent (4.1) as a result of widening credit spreads towards the end of the year. Duration for interest bearing assets was 1.2 years (1.0) and average maturity 2.6 years (2.4). Fixed income running yield as at 31 December 2015 was 1.8 per cent (2.4).

If P&C paid a dividend of SEK 5.5 billion (approx. EUR 590 million) to Sampo plc in December 2015. If P&C's solvency ratio as at 31 December 2015 (solvency capital in relation to net written premiums) amounted to 75 per cent (82). Solvency capital amounted to EUR 3,351 million (3,544). Reserve ratios remained strong and were 168 per cent (161) of net written premiums and 250 per cent (237) of claims paid. Issues relating to Solvency II regime, entered into force on 1 January 2016, are dealt with under the section [Solvency](#).

Associated Company Topdanmark

On 31 December 2015 If P&C held 31,476,920 Topdanmark shares, corresponding to 31.7 per cent of all votes. All Topdanmark shares held by Sampo Group are concentrated in If P&C Insurance Holding Ltd (publ). The acquisition price is DKK 2.5 billion (EUR 327 million) and the book value in Sampo Group's balance sheet on 31 December 2015 was EUR 362 million. Market value of Sampo Group's holding was EUR 827 million at 31 December 2015.

Topdanmark has a profit distribution policy according to which it does not pay dividends but buys back its own shares in the market. If P&C has not bought Topdanmark's shares since May 2011, but as it has not participated in the buybacks, its holding as a percentage of all Topdanmark shares has grown. In May 2011 the holding exceeded 20 per cent and If P&C started to account for Topdanmark as an associated company.

Torbjörn Magnusson, Sampo Group's Head of P&C insurance, was elected to Topdanmark's Board at the AGM on 10 April 2014 and currently acts as vice-chairman of the Board.

In Sampo Group's segment reporting Topdanmark holding is included in the P&C insurance segment. Due to the late publication of financial reports by Topdanmark, consensus estimate for the company's profit is used as a basis of calculating If P&C's share of Topdanmark's profit. Any deviation from the actual reported profit will be corrected in Sampo Group's next quarterly report.

In Sampo Group's 2015 accounts the contribution of Topdanmark's net profit amounted to EUR 43 million (53). If P&C's solvency capital on 31 December 2015 includes the proportion of Topdanmark's solvency capital corresponding to If P&C's holding.

