

Interest Rate and Currency Risks

Interest Rate Risk

Interest rate sensitivity in terms of the average duration of fixed income investments in If P&C was 1.2 years and in Mandatum Life 2.2 years. These duration figures include the effect of hedging derivatives.

to utilize market view or to mitigate risks at the balance sheet level. In both cases, derivatives are booked as trading derivatives at fair value through profit or loss in financial accounting.

In addition to hedging purposes, derivatives are used

Currency Risk

In Sampo Group companies the net foreign currency exposure is considered as a separate asset class and it is managed within investment portfolio activities. Open transaction risk positions are identified and measured separately for each subsidiary. The net position in each currency consists of the assets, liabilities and foreign exchange transactions denominated in the particular currency.

If P&C writes insurance policies that are mostly denominated in the Scandinavian currencies and in euro. In If P&C, the transaction risk is reduced by matching technical provisions with investment assets in the corresponding currencies or by using currency derivatives.

investments in currencies other than euro as the company's technical provisions are almost completely denominated in euro. Mandatum Life's currency risk strategy is based on active management of the currency position. The objective is to achieve a positive return relative to a situation where the currency risk exposure is fully hedged.

The transaction risk positions of If P&C and Mandatum Life against their base currencies are shown in the table Transaction Risk Position, If P&C and Mandatum Life, 31 December 2015. The table shows the net transaction risk exposures and the changes in the value of positions given a 10 per cent decrease in the value of the base currency.

In Mandatum Life, transaction risk arises mainly from

Transaction Risk Position

If P&C and Mandatum Life, 31 December 2015

	Base currency	EUR	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
If P&C											
	SEKm										
Insurance operations		-208	-154	-1	-14	-24	-2,209	-14	-761	-17	-3,402
Investments		1	422	1	2	15	2,509	0	337	2	3,288
Derivatives		147	-287	44	10	6	-302	9	416	13	56
Total transaction risk, net position, If P&C		-61	-19	44	-2	-3	-2	-5	-7	-2	-58
Sensitivity: SEK -10%		-6	-2	4	-0	-0	-0	-0	-1	-0	-6
Mandatum Life											
	EURm										
Technical provisions		0	0	0	0	-3	0	0	0	0	-3
Investments		0	1,952	21	186	54	12	185	118	109	2,636
Derivatives		0	-1,565	-22	-165	18	3	-186	-110	-54	-2,081
Total transaction risk, net position, Mandatum Life		0	387	-1	21	69	14	-1	8	55	552
Sensitivity: EUR -10%		0	39	-0	2	7	1	-0	1	6	55

If P&C's transaction risk position in SEK represents exposure in foreign subsidiaries/branches within If with base currency other than SEK

Sampo plc's transaction risk position is related mainly to SEK denominated dividends paid by If P&C and to debt instruments in currencies other than euro. The asset portfolio may from time to time include assets denominated in foreign currencies.

In addition to transaction risk, Sampo Group and its

insurance subsidiaries are also exposed to translation risk. At group level it stems from the If P&C and within the If P&C it stems mainly from its Finnish subsidiary. Translation risk and its management in Sampo Group were described in the [Profitability, Risks and Capital](#) section.