

# Equity and Spread Risks

The values of tradable investment assets decrease when credit spreads of debt instruments are changing unfavourably or equity prices are decreasing. Most of Sampo Group's investments are tradable and hence subject to daily mark-to-market valuation. Moreover, the fair values of non-tradable instruments change

adversely when the financial strength or future prospects of the issuer deteriorates or the value of collaterals decreases. Ultimately, the issuer may fail to meet its financial obligations and the risk is realized as a credit loss.

## Management of Equity and Spread Risks

In Sampo Group, the selection of direct fixed income and equity investments is based primarily on stock and bond picking and secondarily on top-down allocation. This investment style ensures that the portfolio includes thoroughly analysed investments with risk return ratios internally considered to be adequate, although the portfolio might not be necessarily as diversified as the finance or portfolio theory suggests.

The main steps in decision making, limit and monitoring process are as follows:

1. Potential investments are analysed thoroughly. The creditworthiness and future prospects of the issuer are assessed together with collaterals and structural details of the instruments. Although external credit ratings by rating agencies and the opinions of analysts are used to support the internal assessment, Sampo Group's own internal assessment is always the most important factor in

decision making.

2. Investment transactions shall be executable on short notice when an opportunity appears. This puts pressure on authorisations and credit limit structures and procedures that must be simultaneously (i) carried out flexibly enough to facilitate fast decision making regardless of instrument type, (ii) well-structured to ensure that investment opportunities are assessed prudently, taking into account the specific features and risks of all investment types and (iii) able to restrict the maximum exposure of a single name risk to the level that is in balance with the company's risk appetite.
3. Accumulated credit exposures over single names and products are monitored regularly at the subsidiary level and at group level to identify unwanted concentrations. Credit exposures are reported, for instance, by sectors and asset classes and within fixed income by ratings.

## Exposures in Fixed Income and Equity Instruments

Exposures in fixed income and equity instruments are shown in the tables Exposures by Sectors, Asset Classes and Rating, If P&C, Mandatum Life and Sampo Group, 31 December 2015. The tables also include counterparty risk exposures relating to reinsurance and derivative transactions. Counterparty default risks

are described in more detail in [section: Counterparty Default Risks](#). Due to differences in the reporting treatment of derivatives, the figures in the table are not fully comparable with other tables in this annual report

## Exposures by Sectors, Asset Classes and Rating

If P&C, 31 December 2015

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - B	D	Non- rated	Fixed income total	Listed equities	Other	Counter- party risk	Total	Change 31 Dec 2014
Basic Industry	0	20	0	37	29	0	34	119	29	0	0	149	-131
Capital Goods	0	0	53	49	0	0	29	131	466	0	0	597	101
Consumer Products	0	84	89	72	30	0	60	335	427	0	0	762	183
Energy	0	40	0	9	31	0	255	335	0	0	0	335	-45
Financial Institutions	0	1,669	1,345	252	62	0	10	3,339	33	0	10	3,382	465
Governments	140	0	0	0	1	0	0	141	0	0	0	141	-776
Government Guaranteed	104	55	0	0	0	0	0	158	0	0	0	158	-22
Health Care	0	0	23	7	0	0	8	38	53	0	0	91	-8
Insurance	0	0	10	65	4	0	5	84	0	0	103	187	25
Media	0	0	0	0	0	0	21	21	0	0	0	21	2
Packaging	0	0	0	0	0	0	5	5	0	0	0	5	5
Public Sector, Other	879	199	0	0	0	0	0	1,078	0	0	0	1,078	94
Real Estate	0	0	0	23	0	0	448	471	0	22	0	493	-20
Services	0	0	0	37	63	0	15	116	0	0	0	116	52
Technology and Electronics	0	0	21	0	0	0	36	57	7	0	0	63	24
Telecommunications	0	0	81	13	0	0	26	120	73	0	0	193	-21
Transportation	0	106	7	21	11	0	151	296	9	0	0	306	-11
Utilities	0	0	21	207	49	0	77	354	0	0	0	354	25
Others	0	0	0	0	0	0	0	0	1	2	0	3	1
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	2,585	67	0	0	0	0	0	2,652	0	0	0	2,652	-98
Funds	0	0	0	0	0	0	0	0	400	23	0	423	16
<b>Total</b>	<b>3,708</b>	<b>2,240</b>	<b>1,651</b>	<b>792</b>	<b>280</b>	<b>0</b>	<b>1,181</b>	<b>9,853</b>	<b>1,498</b>	<b>47</b>	<b>113</b>	<b>11,510</b>	<b>-140</b>
<b>Change 31 Dec 2014</b>	<b>-555</b>	<b>328</b>	<b>217</b>	<b>41</b>	<b>-117</b>	<b>0</b>	<b>-167</b>	<b>-253</b>	<b>131</b>	<b>2</b>	<b>-20</b>	<b>-140</b>	

## Exposures by Sectors, Asset Classes and Rating

Mandatum Life, 31 December 2015

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - B	D	Non- rated	Fixed income total	Listed equities	Other	Counter- party risk	Total	Change 31 Dec 2014
Basic Industry	0	14	0	1	124	0	29	169	143	0	0	313	-107
Capital Goods	0	0	56	7	43	0	76	183	124	0	0	307	92
Consumer Products	0	52	126	82	51	0	31	342	235	0	0	576	284
Energy	0	41	9	26	11	0	17	104	11	0	0	115	47
Financial Institutions	0	586	874	178	199	0	0	1,836	39	24	2	1,901	-271
Governments	30	0	0	0	0	0	0	30	0	0	0	30	-357
Government Guaranteed	0	0	0	0	0	0	0	0	0	0	0	0	-4
Health Care	0	0	44	34	59	0	24	160	47	0	0	208	117
Insurance	0	0	1	22	0	0	8	31	3	21	0	55	-10
Media	0	0	18	0	14	0	27	59	0	0	0	59	18
Packaging	0	0	0	0	67	0	17	84	1	0	0	85	85
Public Sector, Other	0	27	42	0	0	0	0	68	0	0	0	68	66
Real Estate	0	0	0	25	0	0	54	79	0	248	0	327	17
Services	0	0	0	25	80	0	52	157	72	0	0	230	85
Technology and Electronics	4	0	19	1	29	0	1	54	132	0	0	185	92
Telecommunications	0	0	7	12	47	0	16	81	13	0	0	94	5
Transportation	0	0	0	0	11	0	5	17	18	0	0	35	16
Utilities	0	0	3	107	55	0	0	165	0	0	0	165	54
Others	0	0	0	0	12	0	9	21	0	61	0	82	51
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	174	13	0	11	0	0	0	198	0	0	0	198	105
Funds	0	0	0	0	0	0	108	108	893	637	0	1,639	-378
<b>Total</b>	<b>208</b>	<b>733</b>	<b>1,200</b>	<b>529</b>	<b>802</b>	<b>0</b>	<b>474</b>	<b>3,945</b>	<b>1,732</b>	<b>992</b>	<b>2</b>	<b>6,670</b>	<b>6</b>
<b>Change 31 Dec 2014</b>	<b>-159</b>	<b>-332</b>	<b>118</b>	<b>318</b>	<b>34</b>	<b>0</b>	<b>-49</b>	<b>-71</b>	<b>34</b>	<b>41</b>	<b>2</b>	<b>6</b>	

## Exposures by Sectors, Asset Classes and Rating

Sampo Group, 31 December 2015

EURm	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Non- rated	Fixed income total	Listed equities	Other	Counter- party risk	Total	Change 31 Dec 2014
Basic Industry	0	34	0	38	153	0	64	289	173	0	0	461	-238
Capital Goods	0	0	109	56	43	0	111	319	593	0	0	912	193
Consumer Products	0	136	215	154	81	0	91	677	662	0	0	1,339	467
Energy	0	81	9	36	42	0	272	439	11	0	0	451	2
Financial Institutions	0	2,583	2,632	637	261	0	10	6,123	246	24	16	6,409	391
Governments	170	0	0	0	1	0	0	171	0	0	0	171	-1,133
Government Guaranteed	104	55	0	0	0	0	0	158	0	0	0	158	-27
Health Care	0	0	67	41	59	0	32	198	101	0	0	403	165
Insurance	0	0	11	87	4	0	100	202	3	38	103	241	15
Media	0	0	18	0	14	0	48	79	0	0	0	79	21
Packaging	0	0	0	0	67	0	22	90	1	0	0	91	91
Public Sector, Other	879	225	42	0	0	0	0	1,146	0	0	0	1,146	160
Real Estate	0	0	0	48	0	0	502	550	0	272	0	822	-3
Services	0	0	0	62	144	0	67	273	95	0	0	368	160
Technology and Electronics	4	0	40	1	29	0	36	110	138	0	0	249	114
Telecommunications	0	0	88	25	47	0	42	202	85	0	0	287	-16
Transportation	0	106	7	21	22	0	168	324	28	0	0	352	17
Utilities	0	0	25	314	104	0	77	519	0	0	0	519	79
Others	0	0	0	0	12	0	9	21	1	63	0	85	52
Asset-backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	2,758	80	0	11	0	0	0	2,850	0	0	0	2,850	6
Funds	0	0	0	0	0	0	108	108	1,293	663	0	2,064	-386
<b>Total</b>	<b>3,916</b>	<b>3,299</b>	<b>3,265</b>	<b>1,529</b>	<b>1,082</b>	<b>0</b>	<b>1,758</b>	<b>14,849</b>	<b>3,431</b>	<b>1,060</b>	<b>119</b>	<b>19,458</b>	<b>129</b>
<b>Change 31 Dec 2014</b>	<b>-714</b>	<b>-135</b>	<b>433</b>	<b>454</b>	<b>-82</b>	<b>0</b>	<b>-148</b>	<b>-193</b>	<b>325</b>	<b>18</b>	<b>-22</b>	<b>129</b>	

The largest holdings are in financial institutions and covered bonds. Most of these investments are in the Nordic countries as can be seen in the table Fixed

Income Investments in Financial Sector, Sampo Group, 31 December 2015. These exposures increased by EUR 0.3 billion during 2015.

## Fixed Income Investments in Financial Sector

Sampo Group, 31 December 2015

EURm	Covered bonds	Money market securities	Long-term senior debt	Long-term subordinated debt	Total	%
Sweden	1,691	468	947	330	3,436	38.3 %
Finland	162	1,898	206	6	2,273	25.3 %
Norway	693		586	183	1,462	16.3 %
Denmark	218	116	293	22	649	7.2 %
United States		78	150	1	229	2.5 %
Switzerland			217	11	228	2.5 %
Netherlands	1	0	212		213	2.4 %
Canada			113		113	1.3 %
France	23	0	62	14	99	1.1 %
Germany	18	0	76	0	94	1.1 %
Iceland			75		75	0.8 %
Austria	31				31	0.3 %
Estonia		25			25	0.3 %
Australia	1		18		19	0.2 %
Luxembourg	11				11	0.1 %
United Kingdom			4	3	7	0.1 %
Jersey				5	5	0.1 %
Russia		3			3	0.0 %
Italy		2			2	0.0 %
<b>Total</b>	<b>2,850</b>	<b>2,589</b>	<b>2,958</b>	<b>575</b>	<b>8,973</b>	<b>100.0 %</b>

The public sector exposure includes government bonds, government guaranteed bonds and other public sector investments. The public sector has had a

relatively minor role in Sampo Group's portfolios and these exposures have been mainly in the Nordic countries.

## Fixed Income Investments in Public Sector

Sampo Group, 31 December 2015

EURm	Governments	Government guaranteed	Public sector, other	Total market value
Sweden	159		821	981
Norway			234	234
Finland		55	73	127
Germany	11	71		82
Denmark		32		32
Japan			18	18
Other	1			1
<b>Total</b>	<b>171</b>	<b>158</b>	<b>1,146</b>	<b>1,476</b>

The exposures in non-rated and high-yield fixed income instruments are significant, because a relatively small number of Nordic companies are rated. The largest high-yield and non-rated fixed income

investment exposures are presented in the table Ten Largest Direct High Yield and Non-rated Fixed Income Investments, Sampo Group, 31 December 2015.

## Ten Largest Direct High Yield and Non-rated Fixed Income Investments

Sampo Group, 31 December 2015

Largest direct high yield and non-rated fixed income investments	Rating	Total fair value, EURm	% of total direct fixed income investments
Eksportfinans ASA	BB-	221	1.5 %
High Street Shop AS	NR	120	0.8 %
Topdanmark	NR	87	0.6 %
PBA Karlskrona	NR	82	0.6 %
Sponda Oyj	NR	75	0.5 %
Stora Enso	BB	68	0.5 %
YIT	NR	53	0.4 %
Storebrand ASA	BB+	47	0.3 %
Grönlandet Södra	NR	47	0.3 %
Neste Oil Oyj	NR	44	0.3 %
<b>Total top 10 exposures</b>		<b>844</b>	<b>5.7 %</b>
Other direct fixed income investments		13,897	94.3 %
<b>Total direct fixed income investments</b>		<b>14,741</b>	<b>100.0 %</b>

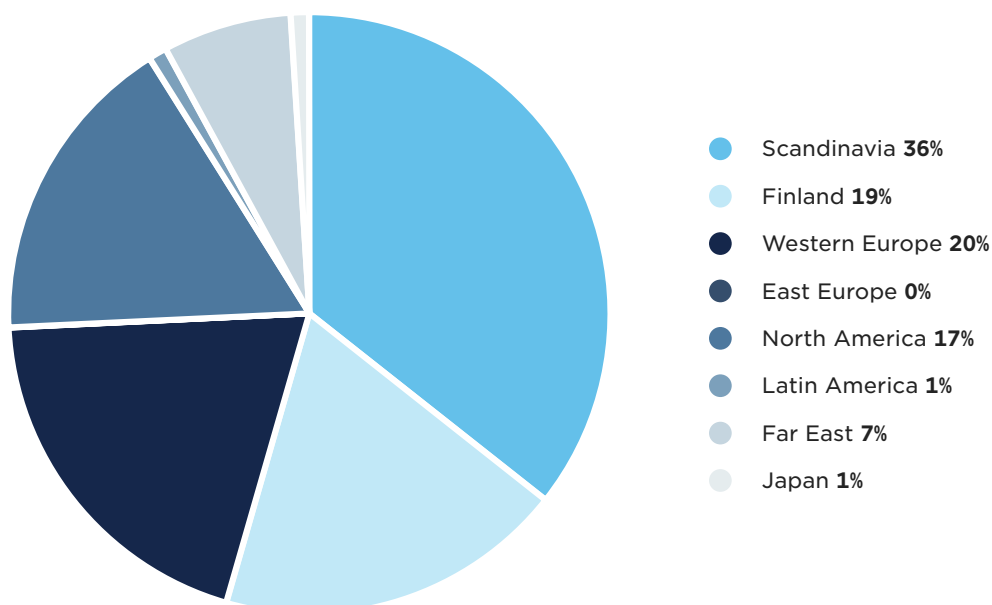
The listed equity investments of Sampo Group totaled EUR 3,431 million at the end of year 2015 (EUR 3,105 million in 2014). At the end of year 2015, the listed equity exposure of If P&C was EUR 1,498 million (EUR 1,367 million in 2014). The proportion of listed equities in If P&C's investment portfolio was 13.1 per cent. In Mandatum Life, the listed equity exposure was EUR 1,732 million at the end of year 2015 (EUR 1,698

million in 2014) and the proportion of listed equities was 26.0 per cent of the investment portfolio.

A breakdown of the listed equity exposures of Sampo Group by geographical regions is shown in the figure Breakdown of Listed Equity Investments by Geographical Regions, Sampo Group, If P&C and Mandatum Life, 31 December 2015.

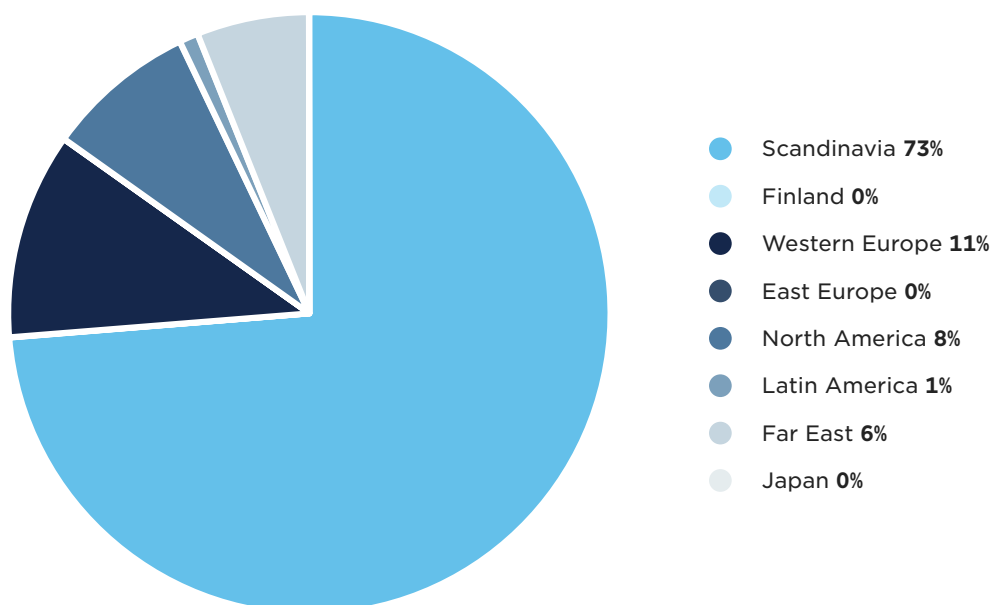
## Breakdown of Listed Equity Investments by Geographical Regions

Sampo Group, 31 December 2015, total EUR 3,431 million



## Breakdown of Listed Equity Investments by Geographical Regions

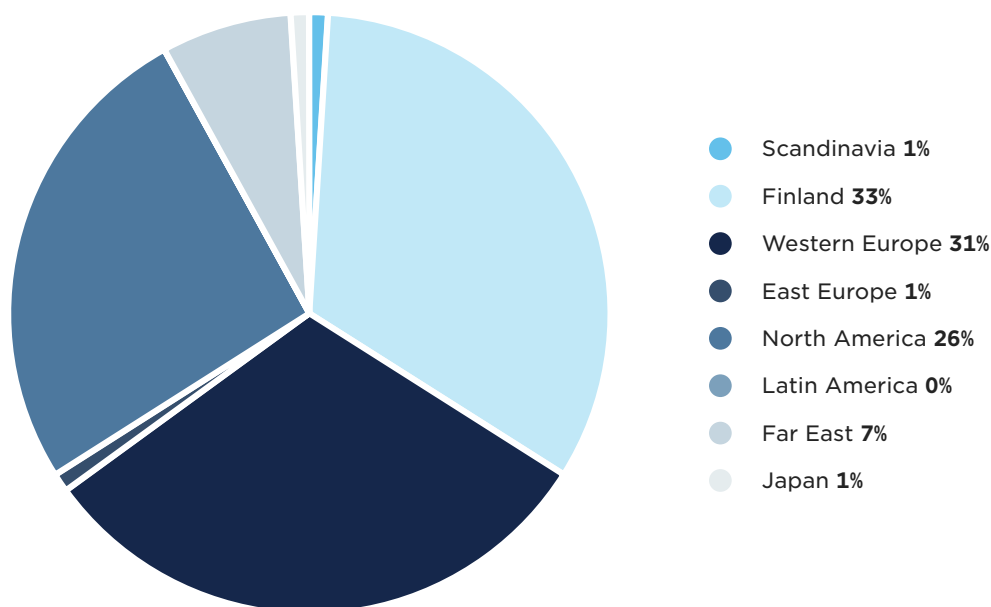
If P&C, 31 December 2015, total EUR 1,498 million





## Breakdown of Listed Equity Investments by Geographical Regions

Mandatum Life, 31 December 2015, total EUR 1,732 million



The geographical emphasis of Sampo Group's equity investments is in the Nordic companies. The proportion of Nordic companies' equities corresponds to 55 per cent of the total equity portfolio. This is in line with Sampo Group's investment strategy to focus on Nordic companies. However, these Nordic companies are mainly competing on global markets and few of them are pure domestic companies. Hence, the ultimate risk is not highly dependent on the Nordic economies. Moreover, Group's insurance liabilities are mostly denominated in euro and in the Nordic currencies. In the long run the proportion of investments outside of the Nordic countries has gradually increased, because the amount of companies issuing securities in the Nordic countries is limited and from a tactical point of view other geographical areas have recently provided interesting

investment opportunities.

The sector allocation of direct listed equity investments in Sampo Group is presented in [tables: Exposures by Sectors, Asset Classes and Rating, If P&C, Mandatum Life and Sampo Group, 31 December 2015](#). The largest allocations are to consumer products, capital goods and financial institutions. Listed equity investments made through mutual funds and ETF investments accounted for 38 per cent of the entire equity portfolio.

Furthermore, the largest direct listed equity exposures are presented in the table Ten Largest Direct Listed Equity Investments, Sampo Group, 31 December 2015.

## Ten Largest Direct Listed Equity Investments

Sampo Group, 31 December 2015

Top 10 listed equity investments	Total fair value, EURm	% of total direct equity investments
Nobia	204	9.5 %
Swedbank	135	6.3 %
Veidekke	113	5.3 %

Amer Sports	106	5.0 %
Hennes & Mauritz	99	4.6 %
Volvo	82	3.9 %
UPM-Kymmene	78	3.7 %
TeliaSonera	73	3.4 %
ABB	72	3.4 %
Sectra Ab	53	2.5 %
<b>Total top 10 exposures</b>	<b>1,017</b>	<b>47.6 %</b>
Other direct equity investments	1,122	52.4 %
<b>Total direct equity investments</b>	<b>2,139</b>	<b>100.0 %</b>

In addition, Sampo Group's largest listed equity holdings are disclosed in [the Notes to the Financial Statements \(Note 40\)](#).

counterparties are presented in the table Largest Exposures by Issuer and by Asset Class, Sampo Group, 31 December 2015.

The largest exposures by individual issuers and

## Largest Exposures by Issuer and by Asset Class

Sampo Group, 31 December 2015

EURm Counterparty	Total fair value	% of total investment assets	Cash & short-term fixed income	Long-term fixed income, total	Long-term fixed income: Government guaranteed	Long-term fixed income: Covered bonds	Long-term fixed income: Senior bonds	Long-term fixed income: Tier 1 and Tier 2	Equities	Uncollateralized derivatives
Nordea Bank	1,968	10%	1,028	939	0	496	196	247	0	0
Svenska Handelsbanken	963	5%	315	645	0	579	65	0	0	3
Danske Bank	944	5%	509	435	0	153	243	39	0	0
Skandinaviska Enskilda Banken	806	4%	445	356	0	74	216	66	0	5
Sweden	775	4%	0	775	0	0	775	0	0	0
Swedbank	660	3%	18	505	0	244	261	0	135	2
DnB	593	3%	0	593	0	242	283	68	0	0
Norway	345	2%	0	345	0	0	241	104	0	0
OP Pohjola	274	1%	177	97	0	0	91	6	0	0
Landshypotek	267	1%	0	267	0	263	0	4	0	0
<b>Total Top 10 Exposures</b>	<b>7,595</b>	<b>39%</b>	<b>2,493</b>	<b>4,958</b>	<b>0</b>	<b>2,051</b>	<b>2,371</b>	<b>536</b>	<b>135</b>	<b>10</b>
Other	11,760	61%								
<b>Total investment assets</b>	<b>19,355</b>	<b>100%</b>								