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Annual Report 2015

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17 Determination and hierarchy of fair values

A large majority of Sampo Group's financial assets are valued at fair value. The valuation is based on either published price quotations or valuation techniques based on market observable inputs, where available. For a limited amount of assets the value needs to be determined using other techniques. The financial instruments measured at fair value have been classified into three hierarchy levels in the notes, depending on e.g. if the market for the instrument is active, or if the inputs used in the valuation technique are observable.

On level 1, the measurement of the instrument is based on quoted prices in active markets for identical assets or liabilities.

On level 2, inputs for the measurement of the instrument include also other than quoted prices observable for the asset or liability, either directly or indirectly by using valuation techniques.

On level 3, the measurement is based on other inputs rather than observable market data.

| EURm | Level 1 | Level 2 | Level 3 | Total |
|---|-----------|-----------|----------|-----------|
| FINANCIAL ASSETS | | | | |
| 31.12.2015 | | | | |
| Derivative financial instruments | | | | |
| Interest rate swaps | - | 10 | - | 10 |
| Other interest rate derivatives | - | - | - | 0 |
| Foreign exchange derivatives | - | 33 | - | 33 |
| Equity derivatives | - | 10 | - | 10 |
| | - | 53 | - | 53 |
| Financial assets designated at fair value through profit or loss | | | | |
| Equity securities | 2 | - | - | 2 |
| Debt securities | 18 | 29 | 0 | 47 |
| | 20 | 29 | 0 | 48 |

Financial assets related to unit-linked insurance

| | | | | |
|----------------------------------|--------------|--------------|-----------|--------------|
| Equity securities | 616 | 7 | 17 | 639 |
| Debt securities | 751 | 453 | 27 | 1,231 |
| Derivative financial instruments | 2,720 | 987 | 46 | 3,753 |
| Mutual funds | - | 7 | - | 7 |
| | 4,087 | 1,454 | 89 | 5,630 |

Financial assets available-for-sale

| | | | | |
|-------------------|---------------|--------------|------------|---------------|
| Equity securities | 2,129 | - | 46 | 2,175 |
| Debt securities | 9,227 | 3,327 | 89 | 12,643 |
| Mutual funds | 1,296 | 39 | 801 | 2,136 |
| | 12,652 | 3,366 | 936 | 16,954 |

| | | | | |
|--|---------------|--------------|--------------|---------------|
| Total financial assets measured at fair value | 16,759 | 4,901 | 1,026 | 22,686 |
|--|---------------|--------------|--------------|---------------|

FINANCIAL**LIABILITIES 31.12.2015****Derivative financial instruments**

| | | | | |
|---|----------|-----------|----------|-----------|
| Interest rate derivatives | - | 4 | - | 4 |
| Foreign exchange derivatives | - | 48 | - | 48 |
| Equity derivatives | - | 10 | - | 10 |
| Total financial liabilities measured at fair value | - | 63 | - | 63 |

| | | | | |
|-------------|----------------|----------------|----------------|--------------|
| EURm | Level 1 | Level 2 | Level 3 | Total |
|-------------|----------------|----------------|----------------|--------------|

FINANCIAL ASSETS**31.12.2014****Derivative financial instruments**

| | | | | |
|------------------------------|---|-----------|---|-----------|
| Interest rate swaps | - | 24 | - | 24 |
| Foreign exchange derivatives | - | 46 | - | 46 |
| Equity derivatives | - | 10 | - | 10 |
| | - | 79 | - | 79 |

Financial assets designated at fair value through profit or loss

| | | | | |
|-------------------|-----------|-----------|----------|-----------|
| Equity securities | 2 | - | - | 2 |
| Debt securities | 19 | 27 | - | 47 |
| | 21 | 27 | - | 48 |

Financial assets related to unit-linked insurance

| | | | | |
|--|---------------|--------------|--------------|---------------|
| Equity securities | 449 | 8 | 16 | 472 |
| Debt securities | 543 | 645 | 24 | 1,212 |
| Derivative financial instruments | 2,464 | 896 | 57 | 3,417 |
| Mutual funds | - | 9 | - | 9 |
| | 3,456 | 1,558 | 96 | 5,110 |
| Financial assets available-for-sale | | | | |
| Equity securities | 1,658 | - | 228 | 1,887 |
| Debt securities | 8,086 | 4,037 | 77 | 12,200 |
| Mutual funds | 1,595 | 106 | 748 | 2,450 |
| | 11,340 | 4,143 | 1,054 | 16,537 |
| Total financial assets measured at fair value | 14,817 | 5,808 | 1,150 | 21,775 |

FINANCIAL LIABILITIES 31.12.2014

| | | | | |
|---|----------|------------|----------|------------|
| Derivative financial instruments | | | | |
| Interest rate derivatives | 2 | 21 | - | 23 |
| Foreign exchange derivatives | - | 87 | - | 87 |
| Equity derivatives | - | 11 | - | 11 |
| Total financial liabilities measured at fair value | 2 | 118 | - | 120 |

Transfers between levels 1 and 2

During the last quarter 2014, the Group started to utilise the BVAL Score information for level determination. Most of the classification changes in the table result from this.

| | 2015 | | 2014 | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Transfers from level 2 to level 1 | Transfers from level 1 to level 2 | Transfers from level 2 to level 1 | Transfers from level 1 to level 2 |
| Financial assets designated at fair value through profit or loss | | | | |
| Debt securities | - | - | 19- | |
| Financial assets related to unit-linked insurance | | | | |
| Equity securities | - | - | 68- | |
| Debt securities | 324 | 4 | 368- | |
| Financial assets available-for-sale | | | | |
| Debt securities | 339 | 257 | 5439- | |
| Sensitivity analysis of fair values | | | | |

The sensitivity of financial assets and liabilities to changes in exchange rates is assessed on business area level due to different base currencies. In P&C insurance, 10 percentage point depreciation of all other currencies against SEK would result in an increase recognised in profit/loss of EURm 9 (30) and in a decrease recognised directly in equity of EURm 3 (13). In Life insurance, 10 percentage point depreciation of all other currencies against EUR would result in an increase recognised in profit/loss of EURm 23 (35) and in a decrease recognised directly in equity of EURm 79 (94). In Holding, 10 percentage point depreciation of all other currencies against EUR would have no impact in profit/loss, but a decrease recognised in equity of EURm 68 (71).

The sensitivity analysis of the Group's fair values of financial assets and liabilities in different market risk scenarios is presented below. The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values on 31 Dec. 2015.

The sensitivity analysis includes the effects of derivative positions. All sensitivities are calculated before taxes.

The debt issued by Sampo plc is not included.

| | Interest rate | | Equity | Other financial investments | |
|--------------------------------------|------------------------|----------------------|--------------------|------------------------------------|-------------|
| | 1% parallel shift down | 1% parallel shift up | 20% fall in prices | 20% fall in prices | |
| Effect recognised in profit/loss | 65 | -61 | - | - | -5 |
| Effect recognised directly in equity | 222 | -204 | -690 | - | -209 |
| Total effect | 287 | -265 | -690 | - | -213 |