

# Sampo Group's Structure and Business Model

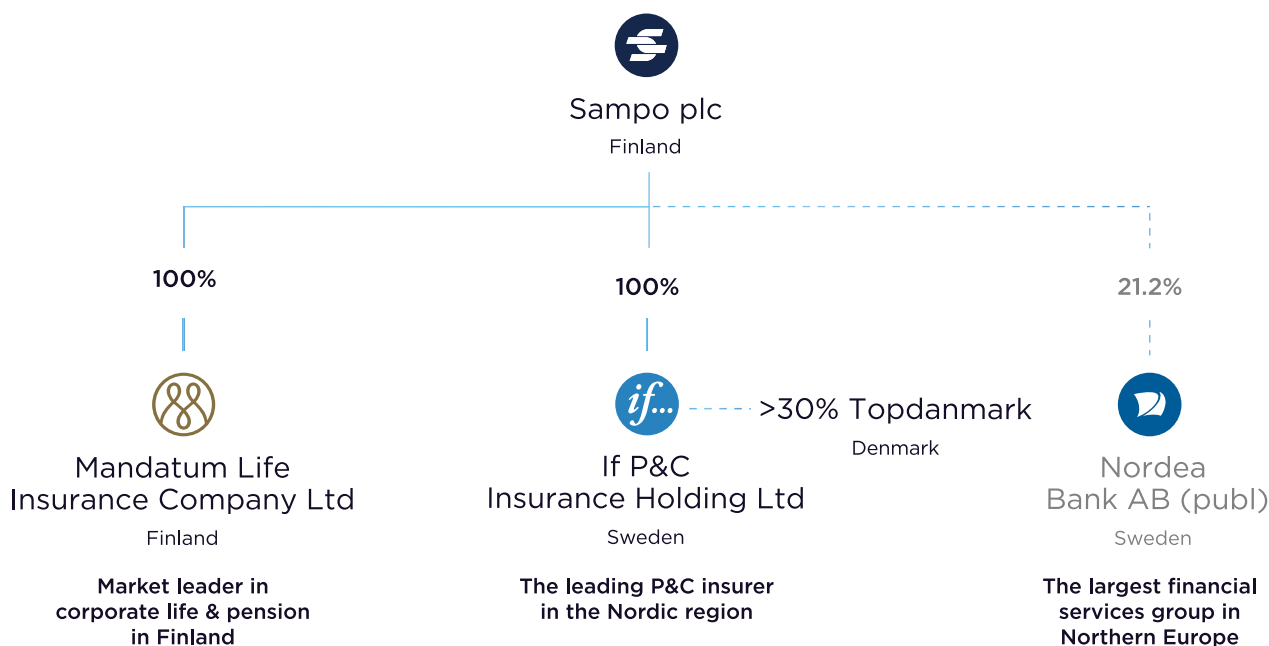
Sampo Group ("Group") is engaged in three separately managed business areas being non-life insurance, life insurance and banking.

Non-life insurance and life insurance activities are conducted by the subsidiaries If P&C Insurance Holding Ltd ("If P&C") and Mandatum Life Insurance Company Ltd ("Mandatum Life") which are wholly owned by the Group's parent company, Sampo plc ("parent company" or "Sampo"), which is a listed holding company and has no insurance or banking activities of its own. In addition to the insurance

subsidiaries, Group's parent company held, as at 31 December 2015, an equity stake of 21.2 per cent in Nordea Bank AB (publ) ("Nordea") through which Sampo Group is engaged in banking business.

Nordea as an associated company is not controlled by Sampo plc and its risk management is not covered in Sampo Group's Annual Report. Nordea, however, has a material effect on the Group's profits, risks and capital needs. Hence, Nordea is carefully analysed by Sampo as a separate business and as one component of Sampo's portfolio of Nordic financial companies.

## Sampo Group Legal Structure



The legal sub-groups Mandatum Life and If P&C and the associated company Nordea, conduct their businesses independently from each other, taking into account the specific characteristics of their operations and the guidance from the parent company relating to targets, capitalization and the group-wide principles. The independent sub-groups have their own infrastructures and management as well as operative processes in place. In instances where the subsidiaries and associated companies cooperate in some business areas, cooperation is conducted similarly as with any

third-party.

Sampo Group's legal structure and business model are both straightforward and simple. In addition there are only limited amount of intragroup exposures (i.e. Group companies' direct or indirect intragroup claims excluding normal business transactions with Nordea) and capitalization of subsidiaries is diligently managed. As a result, Sampo Group structure is non-complex and Group companies are not exposed to many contagion risks.

As a Nordic insurance group, If P&C underwrites policies that cover various risks for both individuals and corporations over a geographically diverse area. If P&C mainly underwrites risks in the Nordic and Baltic countries. However, it also underwrites policies for its Nordic clients' activities outside of the Nordic countries. In addition to geographical diversification, the underwriting business itself is well-diversified over lines of business and clients. All in all diversification is a major value driver of If P&C.

Mandatum Life operates in Finland and in the Baltic countries and offers savings and pension policies with life risk features as well as policies covering mortality, morbidity and disability risks. The focus for many years now has been on unit-linked products.

There is virtually no overlap between the subsidiaries' underwriting risks except with regards to Finnish longevity risk and hence only limited group-wide coordination is needed in relation to underwriting activities and their respective risks.

For both subsidiaries, the insurance liabilities and the company specific risk appetite are the starting points for investment activities. Unlike underwriting activities, the subsidiaries' investment activities are coordinated closely at group level as follows:

- Their investment portfolios' risk profiles are designed and decided separately from each other, but they are coordinated to proactively prevent potential concentrations.
- The persons responsible for managing the subsidiaries' investments report directly to Sampo Group's Chief Investment Officer which ensures day-to-day coordination.

- IT systems in investment activities are common throughout the Group, facilitating consistent analysis and reporting of risks both at the company and at the group level.
- The same basic principles are primarily followed in the investment activities of both subsidiaries, although the risk level of If P&C's investment portfolio is significantly lower than the risk level of Mandatum Life's investment portfolio due to different features of their insurance liabilities.

Sampo plc as a holding company manages its portfolio of affiliated companies. The major management tools include the work done in the companies' Boards of Directors and the guidance given to subsidiaries.

As dividends are the parent company's major source of income, Sampo's primary target for every subgroup is to maintain healthy balance between profits, risks and capital facilitating a steady stream of dividends in the long run. Secondly, Sampo is interested in how stable the profitability of its business portfolio is. Hence the correlation of reported profits is monitored closely in addition to potential risk concentrations. Thirdly, as a general rule Sampo plc prefers to have low leverage and adequate liquidity buffers to be able to generate liquidity if needed. The size of assessed diversification benefit of the Group companies' profits is reflected in Sampo's decisions on own capital structure and liquidity position.

Further information on Sampo Group's steering framework and risk management process can be found in [Appendix 1 \(Sampo Group Steering Framework and Risk Management Process\)](#).