

Capitalization

If P&C Group companies calculate their solo regulatory Solvency Capital Requirements (SCR) as follows:

- If P&C Insurance Ltd (publ) is applying internally developed methods approved by the Swedish FSA (SFSA) for the calculation of the main non-life underwriting risks written in Sweden, Norway and Denmark. The Company is in the process of extending the scope of the approval to include also the Finnish non-life insurance operations merged into the company in October 2017. The standard formula (SF) with transitional equity measures is applied for other risk modules. From these module-specific SCRs the company level solo SCR is calculated by process approved by the SFSA. The end-result is a Partial Internal Model (PIM) SCR.
- Other companies use pure SF when calculating SCRs.

For If P&C Group there is no regulatory requirement to calculate SCR or own funds. However, for management purposes a so called Economic Capital (EC) is calculated by applying internal methods for the main non-life underwriting risks in all geographical areas and for market risks as well. SF is applied for other risks. Economic capital is

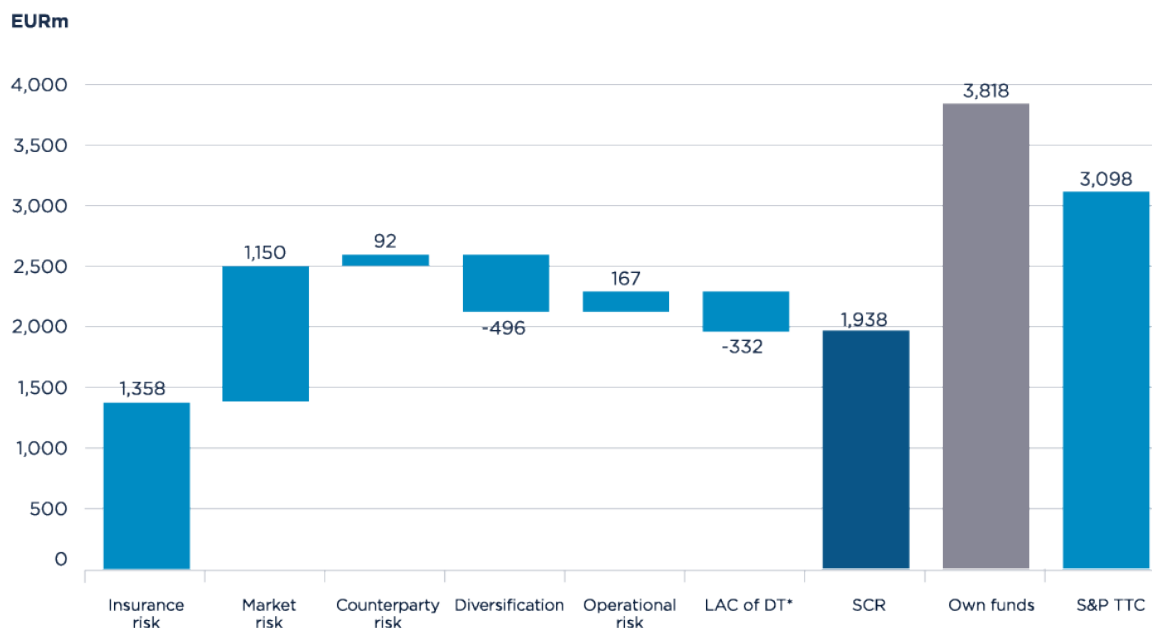
used for different purposes, for instance as an internal basis for capital allocation.

As in input to the Sampo Group level capital requirement If P&C applies the SF with transitional equity measures. Since the SF SCR does not take into account any geographical diversification between countries the contribution of underwriting risks of If P&C are very conservative at Sampo Group level.

In order to maintain consistency within this Sampo Group risk report, only the SF figures applying transitional equity measures of If P&C are disclosed in the following paragraphs.

In If P&C, own funds at the end of 2017 were EUR 3,818 million (EUR 3,822 million) while the SF SCR applying transitional measures on equity holdings was EUR 1,938 (1,942) million. Hence, the solvency ratio was 197 (197) per cent and the buffer was EUR 1,880 (1,880) million. In the figure If P&C's Solvency, 31 December 2017, SCR is divided into risk contributions. The diversification benefit between risks is also presented in the figure.

If P&C's Solvency
31 December 2017



* Loss absorbing capacity of deferred taxes

The graph above includes also the rating requirement from Standard & Poor's for an A rating. Because capital need based on rating agency criteria – Total Target Capital (“TTC”) for Single-A - is higher than capital need based on SCR, If P&C's internally set capital floor is based on TTC being EUR 3,098 (2,967) million as of 31 December 2017.

If P&C's structure of OF as presented in table If P&C's own funds, 31 December 2017 is strong. Tier 1 items are covering

84 per cent of OF and the role of Tier 3 items is immaterial. Norwegian Natural Perils Fund (“NNPF”) is a material part of Tier 2 untaxed reserves covering 33 per cent.

Over the latest years If P&C has paid over 80 per cent of its net profit as dividends to Sampo plc. As a result the retained earnings – part of the reconciliation reserve - have consistently been a source of Tier 1 growth.

If P&C's Eligible Own Funds 31 December 2017

If P&C		EURm
Tier 1	Total	3,192
	Ordinary Share Capital	277
	Reconciliation Reserve	2,915
	Subordinated Liabilities	0
Tier 2	Total	625
	Subordinated Liabilities	321
	Untaxed reserves	304
Tier 3	Total	1
	Deferred tax assets	1
Eligible own funds, consolidation method		3,818

EUR 321 (420) million i.e. 8.4 (11.0) per cent of OF consisted of subordinated debt at the end of 2017. The subordinated debt of nominal amount EUR 90 million issued by If P&C Insurance Company Ltd (Finland) was repaid in September 2017, prior to the merger between If P&C Insurance Company

Ltd (Finland) and If P&C Insurance Ltd. As of 31.12.2017 Sampo plc holds If P&C subordinated liabilities with a nominal value of EUR 98.9 million, as presented in the table Solvency II Compliant Subordinated Liabilities of If P&C, 31 December 2017.

Solvency II Compliant Subordinated Liabilities of If P&C 31 December 2017

Issuer	Instrument	Nominal amount	Carrying amount in EUR	First Call	Tiering	In Sampo's portfolio
If P&C Insurance Ltd (publ) (Sweden)	30NC10	EUR 110 000 000	109,501,816	8.12.2021	Tier 2	98,935,000
If P&C Insurance Holding Ltd (Sweden)	30NC5	SEK 500 000 000	50,510,699	1.12.2021	Tier 2	0
If P&C Insurance Holding Ltd (Sweden)	30NC5	SEK 1 500 000 000	151,535,327	1.12.2021	Tier 2	0
			311,547,842			

As a summary, the solvency of If P&C is adequate and the capital structure is strong. High and stable profitability and capacity to issue subordinated debt if needed puts If P&C in a

strong position to generate capital and to maintain a capital level needed for operations in the future as well.