

Associated Company Nordea

Nordea is the largest bank in the Nordic region and among the ten largest financial groups in Europe in terms of total market capitalization with around 11 million customers. The Nordea share is listed on the Nasdaq exchanges in Stockholm, Helsinki and Copenhagen. In Sampo Group's reporting Nordea is treated as an associated company and is included in the segment Holding.

On 31 December 2017 Sampo plc held 860,440,497 Nordea shares corresponding to holding of 21.2 per cent. The average price paid per share amounted to EUR 6.46 and the book value in the Group accounts was EUR 8.81 per share. The closing price as at 31 December 2017 was EUR 10.09.

Nordea's Board of Directors proposes to the AGM 2018 a dividend of EUR 0.68 per share (0.65). If the AGM approves the Board's dividend proposal, Sampo plc will receive dividend of EUR 585 million (557) from Nordea on 26 March 2018.

The following text is based on Nordea's full-year 2017 result release published on 25 January 2018.

In 2017, volumes and margins were relatively stable, and business momentum was solid overall. At the end of 2017, Nordea was negatively impacted by a very low activity level on capital markets. The planned de-risking of the bank, with reduced exposure to Russia, Shipping, Offshore & Oil Services, also reduced income levels.

After years of intense investments, things are happening now and Nordea is entering the next stage on the transformation journey. Nordea has built up its capabilities within compliance and risk management functions. Nordea's digital investments result in an increased roll out frequency of improved products and services to customers. The core banking platform replacement is proceeding in line with budget and will lead to lower operational risks and improved customer satisfaction. Costs are being reduced as part of improved cost efficiency structures throughout the organisation.

Total income was down 3 per cent in both local currencies

and EUR from the prior year and operating profit was down 8 per cent in both local currencies and EUR from the previous year excluding non-recurring items.

Net interest income was down 1 per cent in both local currencies and EUR from 2016. Average lending volumes in business areas in local currencies were down by 2 per cent compared to 2016 and deposit volumes were down by 1 per cent. Net fee and commission income increased 5 per cent in local currencies and 4 per cent in EUR from the previous year. Net result from items at fair value decreased in local currencies by 22 per cent and by 23 per cent in EUR from 2016.

Total expenses were up 5 per cent in local currencies and 4 per cent in EUR from the previous year excluding non-recurring items and amounted to EUR 5,102 million. Staff costs were up 7 per cent in local currencies excluding non-recurring items.

Net loan loss provisions decreased to EUR 369 million, corresponding to a loan loss ratio of 12 bps (down from 15 bps in 2016).

Net profit excluding non-recurring items decreased 14 per cent in both local currencies and EUR and amounted to EUR 3,048 million.

Currency fluctuations had no effect on income and operating profit but a positive effect of 1 percentage point on expenses and a negative effect of 3 percentage points on loan and deposit volumes compared to a year ago.

Nordea Group's Basel III Common equity tier 1 (CET1) capital ratio increased to 19.5 per cent at the end of the fourth quarter 2017 compared to 19.2 per cent at the end of the third quarter 2017. Risk exposure amount, REA, decreased EUR 2.5 billion. The main drivers were decreased counterparty credit risk, favourable FX movements and changes to credit quality. CET1 capital decreased EUR 0.2 billion, driven by reduced retained earnings due to OCI impacts and increased deduction related to intangible assets. The decrease was partly offset by a dividend from Nordea's life and pension operations.