

## 16 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.

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

The figures include the financial assets classified as Assets held for sale.

| EURm  | Level 1       | Level 2      | Level 3      | Total         |
|---|---------------|--------------|--------------|---------------|
| <b>FINANCIAL ASSETS AT 31 DECEMBER 2017</b>                             |               |              |              |               |
| <b>Derivative financial instruments</b>                                 |               |              |              |               |
| Interest rate swaps   | -             | 6            | -            | 6             |
| Foreign exchange derivatives  | -             | 79           | -            | 79            |
| Equity derivatives  | -             | 1            | -            | 1             |
|   | -             | 86           | -            | 86            |
| <b>Assets held for trading</b>  |               |              |              |               |
| Equity securities   | 608           | 185          | -            | 793           |
| Debt securities   | 3,953         | 868          | 77           | 4,899         |
|   | 4,561         | 1,053        | 77           | 5,692         |
| <b>Financial assets designated at fair value through profit or loss</b> |               |              |              |               |
| Deposits  | -             | 457          | -            | 457           |
| <b>Financial assets related to unit-linked insurance</b>                |               |              |              |               |
| Equity securities   | 2,223         | 4            | 6            | 2,233         |
| Debt securities   | 1,163         | 1,625        | 38           | 2,826         |
| Mutual funds  | 3,786         | 940          | 359          | 5,085         |
| Derivative financial instruments  | -             | 15           | -            | 15            |
|   | 7,173         | 2,584        | 403          | 10,160        |
| <b>Financial assets available-for-sale</b>                              |               |              |              |               |
| Equity securities   | 1,939         | -            | 42           | 1,981         |
| Debt securities   | 9,922         | 2,854        | 34           | 12,810        |
| Mutual funds  | 1,183         | 62           | 675          | 1,921         |
|   | 13,045        | 2,916        | 751          | 16,712        |
| <b>Total financial assets measured at fair value</b>                    | <b>24,779</b> | <b>7,096</b> | <b>1,231</b> | <b>33,106</b> |
| <b>FINANCIAL LIABILITIES AT 31 DECEMBER 2017</b>                        |               |              |              |               |
| <b>Derivative financial instruments</b>                                 |               |              |              |               |
| Interest rate derivatives   | -             | 77           | -            | 77            |
| Foreign exchange derivatives  | -             | 19           | -            | 19            |
| <b>Total financial liabilities measured at fair value</b>               | <b>-</b>      | <b>96</b>    | <b>-</b>     | <b>96</b>     |

| EURm  | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|-------|
| <b>FINANCIAL ASSETS AT 31 DECEMBER 2016</b> |         |         |         |       |
| <b>Derivative financial instruments</b>     |         |         |         |       |

|   |                |                |                |               |
|---|----------------|----------------|----------------|---------------|
| Interest rate swaps   | -              | 12             | -              | 12            |
| Foreign exchange derivatives  | -              | 30             | -              | 30            |
| Equity derivatives  | -              | 3              | -              | 3             |
|   | -              | 45             | -              | 45            |
| <b>Financial assets designated at fair value through profit or loss</b> |                |                |                |               |
| Equity securities   | 2              | -              | -              | 2             |
| Debt securities   | 18             | 4              | 0              | 22            |
|   | 20             | 4              | 0              | 24            |
| <b>Financial assets related to unit-linked insurance</b>                |                |                |                |               |
| Equity securities   | 664            | 13             | 14             | 692           |
| Debt securities   | 748            | 650            | 27             | 1,424         |
| Mutual funds  | 2,954          | 902            | 154            | 4,009         |
| Derivative financial instruments  | -              | 2              | -              | 2             |
|   | 4,366          | 1,567          | 194            | 6,128         |
| <b>Financial assets available-for-sale</b>                              |                |                |                |               |
| Equity securities   | 2,123          | -              | 48             | 2,171         |
| Debt securities   | 9,410          | 4,036          | 58             | 13,504        |
| Mutual funds  | 1,212          | 60             | 758            | 2,030         |
|   | 12,746         | 4,096          | 863            | 17,705        |
| <b>Total financial assets measured at fair value</b>                    | <b>17,132</b>  | <b>5,713</b>   | <b>1,057</b>   | <b>23,902</b> |
| <b>EURm</b>   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
| <b>FINANCIAL LIABILITIES AT 31 DECEMBER 2016</b>                        |                |                |                |               |
| <b>Derivative financial instruments</b>                                 |                |                |                |               |
| Interest rate derivatives   | -              | 4              | -              | 4             |
| Foreign exchange derivatives  | -              | 74             | -              | 74            |
| Equity derivatives  | -              | 3              | -              | 3             |
| <b>Total financial liabilities measured at fair value</b>               | <b>-</b>       | <b>81</b>      | <b>-</b>       | <b>81</b>     |

## Transfers between levels 1 and 2

|  | 2017                              |                                   | 2016                              |                                   |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|  | 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 |
| <b>Financial assets held for trading</b>                 |                                   |                                   |                                   |                                   |
| Debt securities  | 59                                | -                                 | -                                 | -                                 |
| <b>Financial assets related to unit-linked insurance</b> |                                   |                                   |                                   |                                   |
| Equity securities  | 49                                | 48                                | 3                                 | 4                                 |
| Debt securities  | 18                                | -                                 | -                                 | -                                 |
|  | 67                                | 48                                | 3                                 | 4                                 |
| <b>Financial assets available-for-sale</b>               |                                   |                                   |                                   |                                   |
| Debt securities  | 811                               | 649                               | 459                               | 502                               |

## 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 If, 10 percentage point depreciation of all other currencies against SEK would result in an increase recognised in profit/loss of EURm 13 (10) and in a decrease recognised directly in equity of EURm -12 (-8). In Topdanmark, 10 percentage point depreciation of all other currencies against DKK would result in a decrease recognised in profit/loss of EURm -1, but would not have an impact on equity. In Mandatum, 10 percentage point depreciation of all other currencies against EUR would result in an increase recognised in profit/loss of EURm 12 (12) 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 -216 (-163).

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 December 2017.

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     | 173                    | -200                 | -122               | -37                         |
| Effect recognised directly in equity | 278                    | -262                 | -628               | -158                        |
| <b>Total effect</b>                  | <b>173</b>             | <b>-200</b>          | <b>-122</b>        | <b>-37</b>                  |