

Solvency

Group's capital requirement is dependent mainly on the capital requirements of the business areas. The parent company's contribution to Group capital need is most of the time minor, because Sampo plc does not have any business activities of its own other than the management of its capital structure and liquidity portfolio. F/X risk is the moving part in Sampo plc's risk portfolio. At the moment it is elevated because Sampo has large exposure related mainly to the dividend payment in Swedish krona from If.

Sampo Group's capital requirement and the amount of group's own funds are calculated either by the conglomerate rules (FICO) or the Solvency II directive. Due to the use of the same sectoral rules in both Solvency II and financial conglomerate calculations, there is no material difference between Sampo's Solvency II or FICO solvency capital.

Sampo Group's capital requirement according to the conglomerate rules, is called the Group's total minimum

requirement for own funds and it is the sum of the separate sub-group's requirements (sectoral rules) and the parent company's requirement based on the Capital Requirements Directive/Capital Requirements Regulation ("CRD IV/CRR"). The conglomerate's capital requirement does not take into account any diversification between the business areas. Hence it is a conservative measure of capital requirement and easy to interpret.

The starting point for the calculation of Group's own funds is Group's consolidated equity. Sectoral items, which include among others the subordinated liabilities held by the external investors, are added to the Group's consolidated equity. In addition, intangible assets and foreseeable dividends as well as other deductible items are subtracted from the Group's own funds.

Sampo Group Solvency

EURm	31 Dec 2017	31 Dec 2016
Group capital	13,508	11,934
Goodwill, other intangibles, foreseeable dividends and distributions and deductibles	-5,004	-3,251
Sectoral items	2,517	2,254
Group's own funds, total	11,021	10,937
Minimum requirements for own funds, total	7,164	7,088
Group solvency	3,858	3,849
Group solvency ratio (Own funds % of minimum requirements)	154	154

Group's conglomerate solvency ratio (own funds in relation to minimum requirements for own funds) amounted to 154 per cent (154) as at 31 December 2017.

Since 1 January 2016 If P&C, Topdanmark and Mandatum Life have applied Solvency II rules in their regulatory solvency calculations. If Group companies use either partial internal models or standard model for calculation of their solo solvency position. Mandatum Life reports in accordance with standard formula for Solvency II. Topdanmark uses an internal model to report its stand-alone solvency position. In Sampo Group's conglomerate solvency calculation a standard model is, however, used for all insurance entities.

For If P&C the standard formula has roughly a EUR 400 million higher capital requirement than the model used for internal purposes. However, If P&C Group has an A+ rating from S&P which will continue to require significantly more capital and therefore the use of standard formula has no practical implications on If P&C Group's capital position. On

31 December 2017 If P&C Group's Solvency II capital requirement under standard formula amounted to EUR 1,938 million (1,942) and own funds to EUR 3,818 million (3,822). Solvency ratio amounted to 197 per cent (197).

S&P A+ rating requirement for If P&C Group amounted to EUR 3,098 million (2,967) at the end of 2017 and the capital base was EUR 3,408 million (3,565). On 31 December 2017 If P&C Group's Solvency II capital requirement under partial internal model was to EUR 1,510 million (1,581) and own funds to EUR 3,875 million (3,855). Solvency ratio amounted to 257 per cent (244).

The Swedish Financial Supervisory Authority approved in November 2016 a partial internal model for calculating the solvency capital requirement for If P&C Insurance Company Ltd (Sweden). After the Finnish operation was transformed into a branch in late 2017, If applied for the extension of the partial internal model to also cover the Finnish business.

Topdanmark uses a partially internal model to calculate the non-life insurance risk. This model, approved by the DFSA, provides the basis for including non-life insurance risks in Topdanmark's solvency calculations. Topdanmark's solvency ratio under the partial internal model was 204 per cent at the end of 2017.

On 31 December 2017 Topdanmark's Solvency II capital requirement under standard formula amounted to EUR 514 million and own funds to EUR 856 million. Solvency ratio amounted to 166 per cent.

Nordea's capital requirement in Sampo Group's solvency changes with effect from 1 January 2018 due to the expiration of the Basel I floor in Sweden. Until 31 December 2017 Sampo's share of Nordea's capital requirement was based on the minimum requirement including Basel I floor but as of 1 January 2018 Sampo starts to use Minimum requirement for Own funds (as defined in Nordea's quarterly Factbook) as the

capital requirement in Sampo Group's solvency. At the end of 2017 this change would have increased Sampo Group's minimum requirement for own funds by ca. EUR 380 million and decreased solvency capital by the same amount. The Group solvency ratio would have on 31 December 2017 been 146 per cent.

Mandatum Life's solvency ratio after transitional measures on 31 December 2017 was strong at 182 per cent (160). Own funds of EUR 1,977 million (1,893) exceed Solvency Capital Requirement (SCR) of EUR 1,087 million (1,182) by EUR 890 million. Without transitional measures, own funds would have amounted to EUR 1,555 million (1,441) and the solvency capital requirement to EUR 1,220 million (1,409) leading to a solvency ratio of 127 per cent (102).

More information on Sampo Group's capital policy is available at the [Risk Management](#) section of the Annual Report 2017.