

12 Intangible assets

EURm	2017			Total
	Goodwill ^{*)}	Customer relations and Trademark	Other intangible assets	
At 1 January				
Cost	679	-	67	746
Accumulated amortisation	-	-	-46	-46
Net carrying amount at 1 January	679	-	22	700
At 31 December				
Cost	694	-	149	843
Business acquisitions	783	633	59	1,475
Accumulated amortisation	-	-	-122	-122
Net carrying amount at 31 December	1,476	633	86	2,196
Mandatum's assets held for sale				-75
Group intangible assets, total				2,121

EURm	2016		Total
	Goodwill ^{*)}	Other intangible assets	
At 1 January			
Cost	700	67	766
Accumulated amortisation	-	-43	-43
Net carrying amount at 1 January	700	24	724
At 31 December			
Cost	679	67	746
Accumulated amortisation	-	-46	-46
Net carrying amount at 31 December	679	22	700
Mandatum's assets held for sale			-89
Group intangible assets, total			611

Goodwill is split between the segments as follows:	2017	2016
If	510	526
Topdanmark	813	-
Mandatum	153	153
	1,476	679

^{*)} The change in the cost is due both to Topdanmark's consolidation as a subsidiary and If P&C Insurance Ltd becoming a branch of its Swedish sister company. Exchange differences affect the cost of the intangible assets as well.

At the business acquisition of Topdanmark, EURm 95 were allocated to trademark. The useful life of trademark is deemed indefinite and it will not be amortised.

Other intangible assets in all segments comprise mainly IT software.

Depreciation and impairment losses are included in the income statement item Other operating expenses.

Testing goodwill for impairment

Goodwill is tested for impairment in accordance with IAS 36 Impairment of assets. No impairment losses have been recognised based on these tests.

For the purpose of testing goodwill for impairment, Sampo determines the recoverable amount of its cash-generating units, to which goodwill has been allocated, on the basis of value in use. Sampo has defined these cash-generating units as If Group, Topdanmark Group and Mandatum Life Insurance Company Ltd (Mandatum hereafter).

The recoverable amounts for If and Mandatum have been determined by using a discounted cash flow model. The model is based on Sampo's management's best estimates of both historical evidence and economic conditions such as volumes, interest rates, margins, capital structure and income and cost development. The value in use model for Mandatum is greatly influenced by the long-term development of insurance liabilities, affecting e.g. the required solvency capital and thus the recoverable amount. That is why the forecast period is longer for Mandatum, 10 years. The derived cash flows were discounted at the pre-tax rates of the cost of equity which for If was 8.7% and for Mandatum Life 9.5%. The cost of equity is used as the cost of capital as neither company has principal outstanding.

Forecasts for If, approved by the management, cover years 2018 – 2020. The cash flows beyond that have been extrapolated using a 2% growth rate. A 2% growth rate for years beyond 2027 has been used for the for Mandatum Life as well, as it is believed to be close to the anticipated inflation in both cases.

In Mandatum Life, the recoverable amount exceeds its carrying amount by some EURm 600. With the calculation method used, e.g. an increase of about 2% point in the cost of equity could lead to a situation where the recoverable amount of the entity would equal its carrying amount.

As for the If Group, the management believes that any reasonably possible change in any of these key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

IAS 36 permits determining the recoverable amount by using the fair value less costs to sell. For Topdanmark, the valuation of goodwill has been tested on the balance sheet date by using that method. Topdanmark's share price at the acquisition date 30 September 2017 was 247.70 Danish crowns and 268.10 Danish crowns on 31 December 2017. The fair value of Topdanmark on the balance sheet date exceeds its carrying amount in the Group.