

The Role of Sampo plc

Sampo plc is the long-term investor in Nordic financials and source of liquidity within the group. Hence, the healthy funding structure and the capacity to generate funds if needed are on continuous focus.

As of 31 December 2017 Sampo had long term strategic holdings of EUR 8,958 million and they were funded mainly by capital of EUR 7,714 million and senior debt of EUR 3,177 million. Average remaining maturity of senior debt was 3.7 years and EUR 1,250 million of it had a maturity longer than 5

years. Senior debt is used to fund other financial assets as well. The average maturity of sub-ordinated loans and fixed income instruments of EUR 554 million was three years. Funding structure of strategic holdings and other holdings can be considered strong.

The capacity to generate funds is dependent on leverage and liquidity buffers which can be inferred from the table Sampo plc Balance Sheet Structure, 31 December 2017 and 31 December 2016.

Sampo plc Balance Sheet Structure 31 December 2017 and 31 December 2016

EURm	31 Dec 2017	31 Dec 2016
Assets total	10,939	11,196
Liquidity	1,199	1,439
Investment Assets	235	179
Real estate	2	2
Fixed income	58	28
Equity & Private equity	175	148
Sub-ordinated loans	496	637
Equity holdings	8,958	8,900
Subsidiaries	3,401	2,370
Associated	5,557	6,530
Other assets	50	41
EURm	31 Dec 2017	31 Dec 2016
Liabilities total	10,939	11,196
CP's issued	293	671
LT Senior debt	2,884	2,877
Private placements	138	132
Bonds issued	2,746	2,745
Sub-ordinated debt	0	0
Capital	7,714	7,549
Undistributable capital	98	98
Distributable capital	7,616	7,451
Other liabilities	48	99

Leverage of Sampo plc was modest at year end by several measures.

- The financial leverage measured as the portion of debt within all liabilities was 29 (32) per cent.
- Sampo's net debt of EUR 1,424 (1,443) million is modest when compared to Sampo's equity holdings and financial assets.
- The gross debt divided by estimated market value of equity holdings, the ratio would be around 15 per cent.

In regards to liquidity, the liquid funds of Sampo plc were EUR 1,199 (1,439) million. At the end of May 2018 when all

expected cash flows from dividends and other transactions have been settled the liquidity will normalize to below EUR 100 million which is adequate for normal cash management purposes. Furthermore, a remarkable portion of sub-ordinated loans issued by group-companies (496) and other investment assets (235) can be sold in case liquidity is needed. Short-term liquidity can be considered to be adequate.

All in all, Sampo plc is in a good position to refinance its current debt and even issue more debt. This capacity together

with the tradable financial assets, means that Sampo plc is able to generate liquid funds.

Sampo Group has also a buffer for own funds. Because subordinated loans presented in the table Sampo plc Balance Sheet Structure, 31 December 2017 and 31 December 2016 are issued by If P&C, Mandatum Life, Nordea and Topdanmark, they are eliminated from Group's own funds. In case these assets would be sold, in addition to liquidity in Sampo plc, also own funds would be created and Sampo Group Solvency ratio would increase marginally.

When Sampo plc is managing its funding and capital structure and liquidity it takes into account that some of its

operative companies have other base currencies (SEK, DKK) than EUR and all its operative business areas are exposed to low interest rates. These risks may affect Sampo's decisions on issuance of debt instruments and composition of liquidity portfolio.

This is why part of Sampo plc's debt instruments are issued in SEK and interest rate duration is maintained relatively short. However, the market view is also affecting decisions and for instance at the moment SEK-dividends paid by If P&C are still in SEK and SEK debt is converted into EUR using cross-currency swaps, due to tactical market-view reasons.

