

# Sampo Group

Despite the low interest rate environment, 2016 was a very good year for Sampo Group as profit before taxes amounted to EUR 1,871 million (1,888) and the total comprehensive income for the period, taking changes in the market value of assets into account, rose to EUR 1,760 million (1,564).

Earnings per share was almost unchanged at EUR 2.95 (2.96) but mark-to-market earnings per share improved significantly to EUR 3.14 (2.79). Return on equity for the Group amounted to 15.0 per cent (14.0) for 2016. Net asset value per share on 31 December 2016 was EUR 24.86 (23.79).

The Board proposes to the Annual General Meeting to be held on 27 April 2017 a dividend of EUR 2.30 per share (2.15). The proposed dividend payment amounts in total to EUR 1,288 million (1,204).

Profit before taxes for the P&C insurance was EUR 883 million (960). Insurance technical result was excellent and combined ratio for January - December 2016 reached a record of 84.4 per cent (85.4). Even adjusted for non-recurring items the combined ratio for 2016 was still best ever and amounted to 86.1 per cent and 86.5 per cent for 2015. Return on equity was 25.3 per cent (21.5). The contribution of Topdanmark's net profit for 2016 amounted to EUR 65 million (43).

Sampo's share of Nordea's net profit for 2016 amounted to EUR 773 million (751). Nordea's RoE, excluding non-recurring items, amounted to 11.5 per cent (12.3) and core Tier 1 ratio (excluding transition rules) was stronger than ever before at 18.4 per cent (16.5). In segment reporting the share of Nordea's profit is included in the segment 'Holding'. Nordea's Board of Directors proposes to the AGM 2017 a dividend of EUR 0.65 per share (0.64). If the AGM

approves the Board's dividend proposal, Sampo plc will receive a dividend of EUR 559 million (551) from Nordea on 27 March 2017.

Profit before taxes in life insurance operations rose to EUR 210 million (181). Return on equity amounted to 15.9 per cent (12.7). Premium income on own account was EUR 1,116 million (1,144) as the premiums in the fourth quarter grew 46 per cent. The discount rates for with profit policies used for 2017, 2018 and 2019 are 0.25 per cent, 0.50 per cent, and 2.25 per cent, respectively. The discount rate reserve reached an all-time high of EUR 273 million.

Sampo Group's total investment assets on 31 December 2016 amounted to EUR 20.7 billion (19.4), of which 79 per cent was invested in fixed income instruments (78), 16 per cent in equities (16) and 4 per cent in other assets (6). If P&C's share of assets was 59 per cent (59), Mandatum Life's 34 per cent (32) and Sampo plc's 7 per cent (9).

Sampo Group's equity as at 31 December 2016 amounted to EUR 11,934 million (11,411). Equity was strengthened mainly by the comprehensive income for the year of EUR 1,760 million and reduced by the EUR 1,204 million of dividends paid. Other changes were insignificant.

Sampo Group's solvency capital calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (2004/699) based on Directive 2002/87/EC of the European Parliament and of the Council exceeded the minimum solvency requirements at the end of 2016 by EUR 3,849 million (3,179) and the conglomerate solvency ratio stood at 154 per cent (145).

## Key Figures

### Sampo Group, 2016

EURm	2016	2015	Change, %
Profit before taxes	1,871	1,888	-1
P&C Insurance	883	960	-8
Associate (Nordea)	773	751	3
Life Insurance	210	181	16
Holding (excl. Nordea)	6	-1	-
<b>Profit for the period</b>	<b>1,650</b>	<b>1,656</b>	<b>0</b>
	<b>2016</b>	<b>2015</b>	<b>Change</b>
Earnings per share, EUR	2.95	2.96	-0.01
EPS (incl. change in FVR), EUR	3.14	2.79	0.35
NAV per share, EUR	24.86	23.79	1.07

Average number of staff (FTE)	6,780	6,755	25
Group solvency ratio, %	154	145	9
RoE, %	15.0	14.0	1.0

Income statement items are compared on a year-on-year basis and comparison figures for balance sheet items are from 31 December 2015 unless otherwise stated.

### Exchange Rates Used in Reporting

	1-12/2016	1-9/2016	1-6/2016	1-3/2016	1-12/2015
EUR 1 = SEK					
Income statement (average)	9.4676	9.3712	9.3023	9.3241	9.3534
Balance sheet (at the end of period)	9.5525	9.6210	9.4242	9.2253	9.1895
DKK 1 = SEK					
Income statement (average)	1.2718	1.2586	1.2486	1.2501	1.2542
Balance sheet (at the end of period)	1.2849	1.2912	1.2668	1.2381	1.2314
NOK 1 = SEK					
Income statement (average)	1.0192	0.9998	0.9875	0.9790	1.0475
Balance sheet (at the end of period)	1.0513	1.0706	1.0133	0.9799	0.9570

## Economic Environment

Growth rates in the Nordic countries are converging, as Swedish GDP growth is slowing, while Norway, Denmark and Finland are slowly picking up speed. The Norwegian economy is supported by higher oil price, whereas the consumer sector has been the main driver in Finland and Denmark. The notable depreciation of the Swedish krona has not given a prominent support for exports, the sector causing challenges for Denmark and Finland as well.

Despite the slowdown in growth figures, the Swedish economy is still on a steady growth path. Interest rates are extremely low, which supports lending. Despite slightly lower GDP growth in 2016, employment continued to grow at a healthy clip. Labour shortages, which act as a drag on growth, have emerged in most sectors. It is a special situation when the sector setting the benchmark for pay rises – the export industry – is the sector struggling the most. Consequently, low inflation continues to be a challenge for the Riksbank.

Mainland economic growth has been weak over the past years in Norway, dragged down by a sharp drop in production in the industries delivering to the oil companies. Due to high price growth, real wages have been declining, dampening consumption growth. However, due to low interest rates, housing prices are now rising by a hefty 12 per cent year-on-year. Unemployment remains at very low levels. Norges Bank has indicated that the current level of interest rates is appropriate in 2017 as well.

In recent years the Danish economy has been mocked for its low growth and weak productivity

improvements. But suddenly this has changed due to major revisions to foreign trade data, lifting the current account surplus by no less than 40 per cent. That also gave a major boost to GDP growth. Over the past couple of years Danish households have benefited from declining interest expenses, rising employment, higher housing prices and positive real wage growth due to the historically low level of inflation. The biggest risk is foreign trade as protectionism and growing political uncertainty can harm Danish exports.

Recent growth figures from Finland have been encouraging and unemployment rate has continued on a steady downward trend. Consumer confidence is high which is supportive for consumption. Construction sector has also performed well in 2016. Exports have been on a declining trend for several years, partly induced by falling prices and the low demand from Russia due to low oil prices. Some budding signs of growth are visible in the export sector as well, however the data is very sporadic.

Global growth continued slightly above 3 per cent in 2016, but global trade barely grew at all. Of major economies, the growth in US and Eurozone is expected to have remained clearly below 2 per cent. Chinese growth reached 6.8 per cent and growth in Japan remained below 1 per cent.

Higher commodity prices started to support commodity-producing countries towards the end of 2016. Despite the increase in commodity prices, low interest rate regime in western countries will persist

for a long time, with the exception of the US, which is already in a hiking cycle. The Federal Reserve started raising rates in December 2015 and hiked again in December 2016 while indicating three more 25bp rate hikes for 2017.

However, the year 2016 will be remembered as the year of huge political surprises. First the UK votes to leave the EU. And then Donald Trump is elected to

become the next US president. Increasing protectionism continues to be a major theme in the international economy and an important issue for the Nordic countries. The Nordic countries are small open economies, which have been dependent on trade for decades. Globalization and free trade has opened new markets to the Nordics and have been the very basis for increased living standards.