Mandatum

Initiation of coverage

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Inderes corporate customer

This report is a summary translation of the report "Taseen täydeltä osinkoja" published on 10/12/2023 at 7:59 am EEST

Balance sheet full of dividends

We initiate coverage of Mandatum with a EUR 4.2 target price and a Buy recommendation. Mandatum's investor story is based on two cornerstones: growth in capital-light asset management and a significant release of capital from a continuously declining with-profit business. With our estimates, we find the share's valuation to be very attractive from several angles, and an exceptionally attractive dividend outlook clearly supports the share. Increasing the result will, however, be difficult in the next few years, and we expect that the result will remain at about the current level.

On of Finland's leading life insurance companies and a considerable asset manager

Mandatum Group has two business areas: Life Insurance and Asset Management. In life insurance, Mandatum offers savings and investment, compensation and rewards, pension plans and personal risk insurance services to its private and corporate customers. Asset management combines fund business and wealth management services to institutional customers and wealthy individuals. The cornerstones of the company's strategy rely on strong growth in the capital-light businesses with a strong focus on asset management solutions and significant release of capital from the with-profit business. In asset management, Mandatum has profiled itself as a high-value-added product house and its core competence is alternative investments and interest rate products. Acquisitions are also a key part of the growth strategy and the company has openly flagged its desire to participate in the consolidation of the fragmented Finnish investment services market, which was not possible as part of Sampo.

Earnings growth will be hard, but the dividend outlook is exceptionally attractive

Even though the company has very good growth prospects in asset management, the structural decline in the with-profit business will cause a significant drop in earnings. Therefore, even maintaining the current result could be considered an excellent performance, as the majority of the Group's profit is currently generated by the with-profit business. We expect the result to remain at around EUR 200 million in the next few years. Mandatum's balance sheet, in turn, is clearly overcapitalized. We estimate that the company currently has some EUR 400-700 million in excess capital and the amount will increase to EUR 800-1,000 million by the end of 2025 when it exits from PE investments and capital is released from the with-profit portfolio. Given the strong capital buffers and good earnings outlook, Mandatum has no problem meeting its cumulative dividend target of EUR 500 million in 2024-2026. We consider this target conservative and additional profit distribution is very likely. The amount of the extra profit distribution is partly dependent on possible M&A transactions.

The share is cheap by all measures

We have estimated the fair value through the value of its parts, relative and absolute valuation and a dividend model. In our research, we focus in particular on the dividend model, as it best considers the high payout ratio and the unwinding of the overcapitalized balance sheet (value EUR 4.2 per share). The balance sheet-based sum of the parts analysis is also included in our examination (value EUR 4.5). All of our valuation methods indicate that the share is clearly undervalued. Mandatum's expected return is slightly exceptionally based primarily on high dividend yields, as achieving earnings growth will be challenging in the coming years. However, there should be a gradual upside in the multiples as the focus of the result increasingly shifts to the capital-light business.

Recommendation

Buy

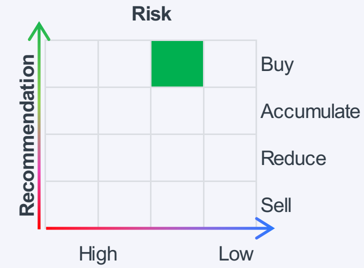
(previous -)

EUR 4.20

(previous -)

Share price:

3.70



Key figures

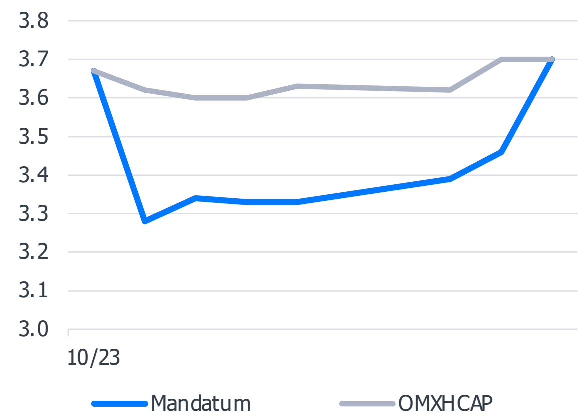
	2022	2023e	2024e	2025e
PTP	75.7	184.7	214.0	205.2
Net result	146.7	171.2	164.2	159.1
EPS (adj.)	0.15	0.29	0.34	0.33
DPS	0.39	0.33	0.35	0.35
Payout ratio	265%	113%	103%	107%
ROE-%	4.4%	8.8%	10.4%	10.0%
P/E (adj.)	25.1	12.7	10.8	11.3
P/B	1.1	1.1	1.1	1.1
Dividend yield-%	10.5 %	8.9 %	9.5 %	9.5 %

Source: Inderes

Guidance

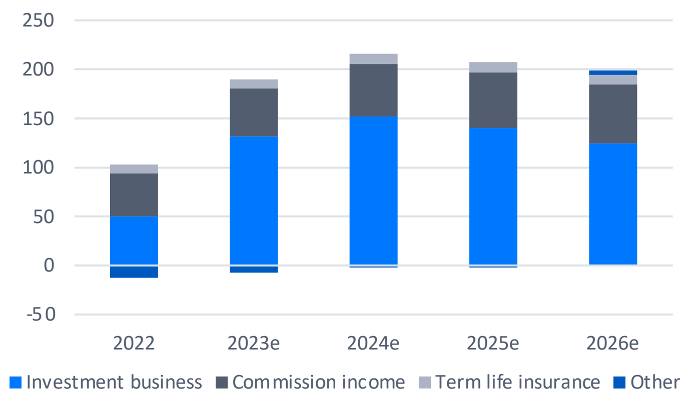
(No guidance)

Share price



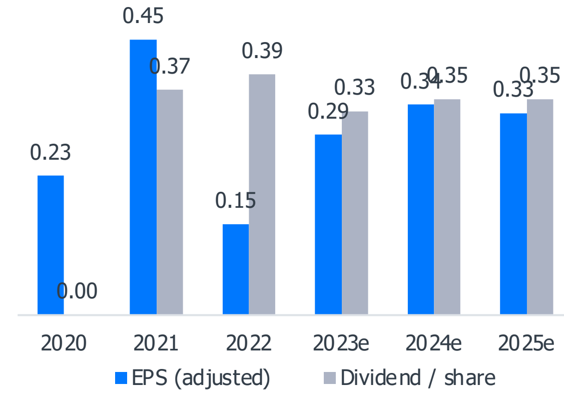
Source: Millistream Market Data AB

Mandatum's PTP breakdown (MEUR)



Source: Inderes

EPS and dividend



*From 2022 according to IFRS 17 standard

Source: Inderes

Value drivers

- Growth in capital-light asset management
- Relative profitability has clear improvement potential with revenue growth
- With the rise in interest rates, the with-profit business has become clearly more attractive than before
- Release of capital from the with-profit portfolio and from PE investments
- Value creating acquisitions in the domestic asset management sector

Risk factors

- The company's result remains highly dependent on investment returns
- A fall in interest rates would weaken solvency and make it more difficult to manage with-profit business
- Life insurance risks (especially biometric risks)
- Maintaining good return levels for funds
- Adverse changes in the tax legislation on investment insurance

Valuation	2023e	2024e	2025e
Share price	3.70	3.70	3.70
Number of shares, millions	501.8	501.8	501.8
Market cap	1857	1857	1857
P/E (adj.)	12.7	10.8	11.3
P/E	12.7	10.8	11.3
P/B	1.1	1.1	1.1
Payout ratio (%)	112.9 %	102.6 %	107.0 %
Dividend yield-%	8.9 %	9.5 %	9.5 %

Source: Inderes

Contents

Mandatum in brief

Mandatum is a Finnish financial group that offers private and corporate customers a wide range of life and pension insurance solutions, as well as asset management services.

2023
Listing on the main list of the Helsinki stock exchange

EUR 11.2 billion
Customer assets under management (AUM) at the end of H1'23

~500 MEUR
Cumulative dividends paid during 2020-2022

32 %
Market share in the Finnish life insurance market in 2022

At the forefront of product development (1998-2007)

Mandatum Bank is integrated into Sampo-Leonia.

Henki-Sampo makes a strategic decision to focus on unit-linked insurance

An agency agreement is signed with Sampo Bank (currently Danske Bank) while the company is sold to a new owner

Focus on products that tie up little capital

Updated "Rahat ja henki" (Money and life) strategy (2008-2020)

The present Mandatum is born

Asset management is established, Henki-Sampo changes its name to Mandatum Life, and the new strategy is implemented

Mandatum acquires Silta Oy's pension and personnel fund operations and the group pension insurance portfolio of Suomi Mutual Insurance Company is transferred to Mandatum

Mandatum and Danske Bank sign a renewed cooperation and agency agreement

Intra-group restructuring (2021-2023)

Mandatum Holding is established whose subsidiaries are Mandatum Life and the new Mandatum Asset Management that focuses on asset management

Nordhaven's business that focuses on share incentive schemes and Trevian Rahastot AIFM Oy that manages real estate funds, are acquired

Mandatum's Baltic life insurance business is divested

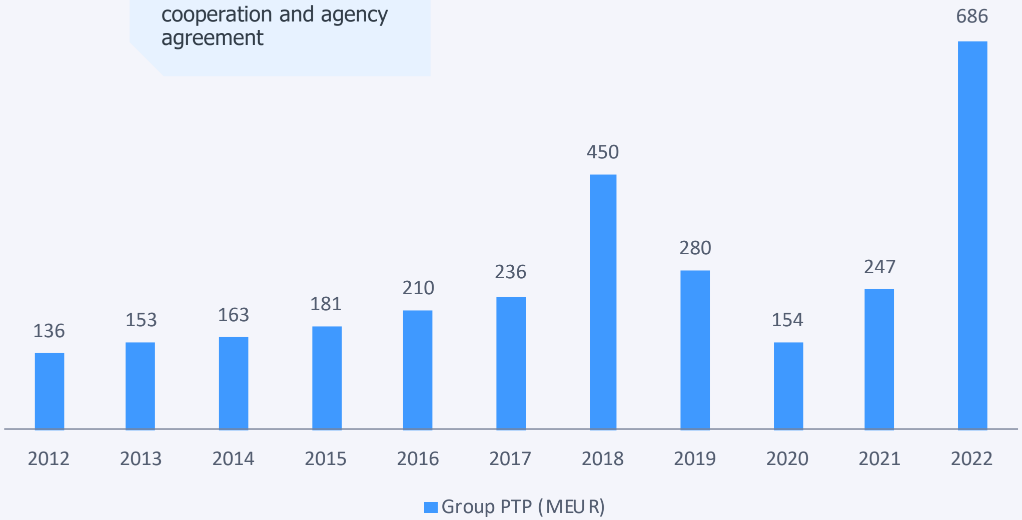
A more stable and capital-light company (2023-)

Mandatum is listed on the stock exchange through a partial demerger.

The restructuring continues with a gradual ramp-down of with-profit liabilities.

Growth is sought especially in products that tie little capital and are based on recurring commission income

Opportunities for inorganic growth as part of the consolidation of the asset management market



Source: Mandatum/Inderes
[1]PTP in accordance with the IFRS 17 standard

Company description and business model 1/2

MANDATUM

Mandatum plc

Mandatum Group has two business areas: Life Insurance and Asset Management. In its life insurance business, Mandatum offers savings and investment, compensation and rewards, pension plans and personal risk insurance services to its private and corporate customers. Asset management combines fund business and wealth management services to institutional customers and wealthy individuals.

OPERATIONAL BUSINESSES

Life Insurance	Asset Management
Personal risk and pension insurance	Fund business
Insurance-based investment	Full mandate wealth management
Compensation and reward services	Consultative wealth management

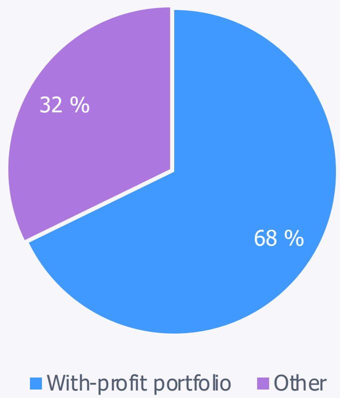
The operating segments form Mandatum's capital-light business, largely based on recurring commission income. These are also at the heart of the Group's growth strategy. In life insurance, the most important customer segment is corporate customers and in asset management institutional investors, as well as wealthy individuals. The Group's operations focus strongly on investment and asset management solutions

Customer assets managed by the Group have grown strongly in recent years, and primarily recurring commission income was already around EUR 126 million in 2022.

However, the main focus of the Group's earnings and share value remains strongly in the with-profit liabilities business, where Mandatum carries the investment risk of the portfolio.

- In 2022, the company employed approximately 660 people.
- At the end of Q2'23, Mandatum's AUM stood at EUR 20.1 billion [1]
- The Group has approximately 330,000 private customers and 20,000 corporate customers
- The largest operations are located in Finland, but the company also has international asset management customers.

PTP (H1'2023)



Source: Mandatum

[1] Includes 4.3 billion in with-profit liabilities and 4.6 billion in large mandates. AUM of external customers EUR 11.2 billion

Company description and business model 2/2

Ownership base

In the demerger, Sampo's shareholders received one new Mandatum share for each Sampo share they owned, which resulted in Sampo's owners becoming Mandatum's owners. Therefore, Mandatum's ownership structure is very fragmented just like Sampo's. The 10 largest owners registered in Finland own about 16% of the shares. The largest owners are Solidium (6.6 %) and domestic pension companies. Nominee registered investors own approximately 60% of Mandatum. Since Mandatum does not have a clear main owner, the role of the Management Team and the Board of Directors is emphasized in steering the company's operations.

Composition of the Management Team

Mandatum Group's Management Team consists of seven members and Petri Niemisvirta has been the CEO since 2001. Niemisvirta has also served as a Member of Sampo Group's Management Team since 2001 until the demerger.

Matti Ahokas has been appointed CFO of Mandatum. He was formerly the Head of Investor Relations at Nordea. The Group's former CFO Jukka Kurki will serve as CFO until Ahokas takes up his duties. Kurki also serves as the CEO of Mandatum Life.

Mandatum's CIO is Juhani Lehtonen, who has over 15 years of experience in the company. Since 2020, the CEO of Mandatum Asset Management has been Lauri Vaittinen, who also has a long background in Mandatum. Overall, the Management Team has a strong background in Mandatum (according to our calculations, Management Team members have primarily been employed by the company or its predecessors for over 20 years), as well as industry expertise, and we estimate that the management is well placed to lead Mandatum in the current strategic direction.

Management holdings in Sampo were significant, but with the demerger the euro-denominated holdings in Mandatum are clearly more moderate. However, since trading began, management has bought quite a lot of company shares from the market. Based on stock exchange releases, we have assessed the current situation which we present in the right sidebar. The current holdings are already substantial, which we naturally consider positive, since this harmonizes the interests of management and shareholders.

Composition of the Board of Directors

Mandatum's Board of Directors consists of six members with Patrick Lapveteläinen serving as the full-time Chairman of the Board. He has worked in several managerial positions in Sampo for over 20 years. Lapveteläinen also has a significant shareholding in Mandatum, which we consider positive for shareholders just like the significant management holdings. The members of the Board of Directors have a wide range of expertise in various management positions in the asset management and insurance sector, and we believe the Board of Directors is quite competent to make strategic decisions in the interest of shareholders.

Largest shareholders registered in Finland (situation 10/2023)	Share of shares
Solidium Oy	*6.63 %*
Varma	*4.43 %*
Ilmarinen	*1.25 %*
Oy Lival AB	*0.76 %*
Elo	*0.74 %*
The State Pension Fund	*0.58 %*
OP Life Assurance Company Ltd	*0.37 %*
Svenska litteratursällskapet I Finland r.f.	*0.32 %*
OP-Suomi -sijoitusrahasto	*0.31 %*
Nordea Nordic Fund	*0.26 %*
10 largest total	**15.65 %**

Management's share holdings (Inderes' estimate 10/2023)	Number of shares
Patrick Lapveteläinen	*577,058*
Petri Niemisvirta	*179,370*
Jukka Kurki	*31,191*
Juhani Lehtonen	*16,414*
Lauri Vaittinen	*4,973*
Tarja Tyni	*34,652*
Petri Vieraankivi	*18,639*
Sanna Rajaniemi	*21,280*
Total	**883,577**

Source: Mandatum/Inderes

Mandatum's history 1/2

A brief history of Mandatum

Mandatum’s roots go back almost 150 years and the company has a long history as part of Sampo. Mandatum gained wide recognition as an investment bank during the 1990s, but we believe that the history of current Mandatum can be traced back to the early 2000s when the company began to focus on life insurance and wealth management solutions. The original investment bank Mandatum ended up in the hands of Danske Bank with Sampo Bank in 2007, but the name Mandatum remained in Sampo Group’s possession.

The sale of Sampo Bank to Danske Bank in 2006 fundamentally changed Henki-Sampo’s identity. So far, the company has built its success by utilizing many distribution channels and a majority of insurance sales had been carried out through Sampo Bank. Even though the cooperation with Danske Bank continued with the agency agreement, the company had to invest more strongly in its own service and sales organizations.

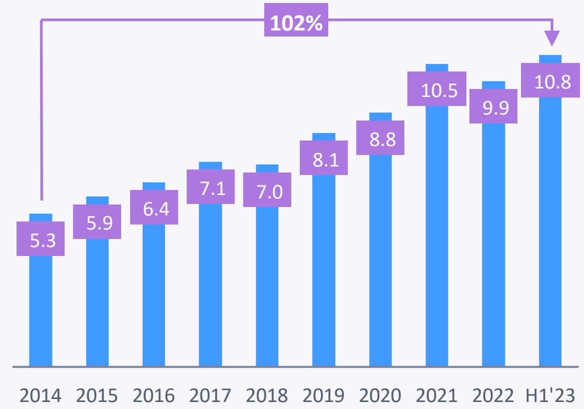
In 2008, Henki-Sampo's name was changed to Mandatum Life and the company adopted a new strategy – Rahat ja henki (Money and life). Wealth management services were introduced as part of life insurance, which enabled the company to expand from own balance sheet investments to managing customers' assets. The advantage of wealth management compared to balance sheet investments is, in particular, that the business is capital light. In 2021, Mandatum carried out an internal Group restructuring to seek growth and operational synergies. As a result, Mandatum Holding was established where Mandatum Life was transferred from Sampo's ownership and a completely new asset management company Mandatum Asset Management was formed by combining the investment operations of Sampo and Mandatum Life.

Since the 2008 strategy overhaul, Mandatum has focused exclusively on life insurance and asset management, which enables the company to offer its customers more comprehensive financial planning and risk management. In life insurance, Mandatum’s new sales focuses on unit-linked insurance and personal risk insurance, and we believe that the current product and service range offers the company good opportunities to utilize its extensive existing corporate customer base in cross-selling services. In wealth management, the focus of growth is on institutional clients.

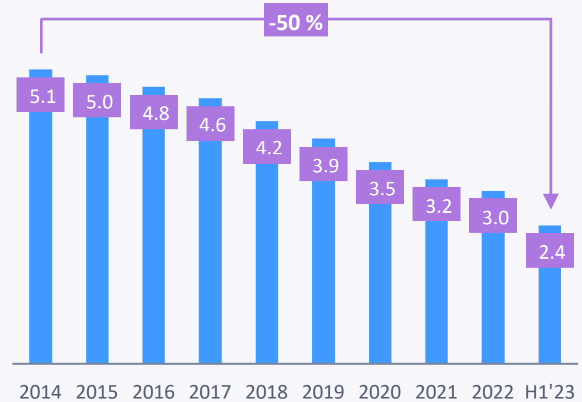
Partial demerger

In spring 2023, Sampo announced its intention to list Mandatum on the stock exchange through a partial demerger, which took place recently in October 2023. Before the demerger, Mandatum was already largely separate from Sampo’s other operations and did not have any significant operational synergies with Sampo’s non-life insurance business. The demerger enables flexibility for Mandatum to operate as an independent company, offering the opportunity to pursue faster growth both in Finland and abroad. As part of its growth strategy, the company now also sees inorganic growth opportunities in the consolidation of the Finnish asset management market. Under Sampo, larger inorganic moves were not possible as the Group’s strategy focused on non-life insurance. From Sampo's viewpoint, the demerger of Mandatum was, in practice, the last step toward a full-fledged P&C insurance company.

Development of unit-linked technical provisions (EUR bn)



Development of with-profit technical provisions (EUR bn)



Source: Mandatum

Mandatum's history 2/2

1996
Insurance company Henki-Sampo is established

2000
Sampo and Leonia are merged into the financial company Sampo-Leonia.

2001
Mandatum Bank and Sampo-Leonia merge and the Group name is shortened to Sampo

2004
Henki-Sampo acquires Sampo's Baltic life insurance companies

2008
Asset management is established, Henki-Sampo changes its name to Mandatum life insurance company, and a new strategy is implemented

2011
Mandatum Life acquires pension and personnel fund operations from Silta Oy

2014
Suomi Mutual Insurance Company's group pension insurance portfolio is transferred to Mandatum

2018
Mandatum and Danske Bank sign a renewed cooperation and agency agreement

2021
Mandatum Holding is established whose subsidiaries are Mandatum Life and the new asset management company MAM

2021
Nordhaven's business that focuses on share incentive schemes and Trevian Rahastot AIFM Oy that manages real estate funds, are acquired

2022
Mandatum's Baltic life insurance business is divested

2023
Mandatum is listed on the Helsinki Stock Exchange through a partial demerger

Source: Mandatum

Strategy and financial targets 1/3

Financial targets

We find the financial targets realistic

The annual net subscription target with the current AUM means annual net subscriptions of approximately EUR 600 million. This is in line with the levels achieved in recent years and with the normal net subscription volumes we estimate for key peers. We find the level realistic, especially considering the company's desire to maintain a strong fee margin. Our forecasts are in line with the target.

The fee margin target is quite wide, but we believe it clearly highlights Mandatum's desire to maintain its current high fee margins. In practice, it also means focusing on a higher value added product offering and a selected customer base. Defending the margin at the current level would be very difficult if, e.g., the company started to aggressively seek growth in traditional asset management.

In terms of the cost/income ratio, we consider the improvement target to be self-evident, as the asset management business is very scalable and the company's cost/income ratio still has clear improvement potential. In practice, this is achieved through revenue growth and successful cost control. We believe that the company is well placed to succeed in both targets, and we expect that the cost/income ratio will decline gradually in the coming years.

The target of reducing technical provisions is based, in addition to the maturity of contracts, on active measures by the management. These include, e.g., the option offered to customers to transfer with-profit savings to unit-linked ones. Historically, the company has been able to reduce its position at the targeted rate, so we do not see any reason to assume significant deviations in the future. We point out that, at the current interest rate level, the pressure to reduce technical provisions through own measures is clearly lower than before.

The solvency target is well in line with peers and we consider it reasonable from the point of view of efficient capital use. The company's current solvency is well above the target level and solvency will improve systematically when with-profit liabilities melt and capital-binding Enento and Saxo are exited. In its communications, the company has emphasized that the target is for the medium term. The company probably wants to keep its balance sheet overcapitalized also because it has openly flagged its willingness to participate in the consolidation of the Finnish investment services field. Therefore, we do not expect a rapid unwinding of the balance sheet, and it may remain overcapitalized for quite a long time if no moves are made on the acquisition side.

The dividend target is quite exceptional, but justified in view of the current situation of the company. In its communications, the company has emphasized that the EUR 500 million goal is "sacred" so it is not prepared to compromise it even if acquisitions would require it. In the longer term, Mandatum talks about maintaining a stable dividend distribution, and this is well in line with our current forecasts, where the drop in with-profit-based earnings largely buries the earnings growth from asset management. Any additional repayment of capital is largely dependent on acquisitions. We discuss acquisitions in more detail on page 12.

Financial targets

Mandatum's financial targets:

- **Annual net subscriptions:** Medium-term target is 5% growth in annual net subscriptions relative to AUM (excluding with-profit assets and large mandates)
- **Fee margin:** the target is fee margin development based on disciplined pricing
- **Cost/income ratio:** the target is to improve the cost/income ratio
- **Development of technical provisions:** the aim is to reduce the amount of with-profit technical provisions with active measures
- **Solvency 2 ratio:** target level 170-200% in the medium term
- **Cumulative dividend** totaling EUR 500 million in 2024-2026, plus the possibility to distribute additional capital to the owners

Inderes' estimates 2023-2026e:

- Net subscriptions: **+6% p.a. relative to AUM**
- Fee margin: **Remains stable for the next few years**
- Cost/income ratio: **Improves systematically**
- Technical provisions: **~50% decrease by 2031**
- Solvency ratio 2026e: **> 300%**
- Cumulative dividend 2024-2026e: **500 MEUR**

Strategy and financial targets 2/3

The cornerstones of Mandatum's strategy and their link to value creation

Increase in recurring income and AUM

Improving cost-efficiency

More efficient use of the balance sheet

Value driver 1:
Increase in commission income

- Growth in Finland's wealthy individuals and in institutions both in Finland and internationally.
- New funds and growth in the size of funds.
- A gradual expansion of the product offering would be justified as the company's offering is quite focused.
- Systematic growth of product sizes is key to scalability.
- We feel systematic strengthening of distribution in other Nordic countries is more than justified, considering the company's excellent track record in these markets.
- As a manager that relies on value creating strategies, Mandatum has to systemically offer its investors good returns. Good returns support business growth through new sales, product size growth and pricing power, and offer potential for performance fees.

Value driver 2:
Rising operational profitability

- In recent years, the company has invested a lot in building its platform, and as is typical for the industry, fixed costs should offer more scalability in profitability than before.
- In asset management that is key for Mandatum's growth strategy, cost efficiency should be clearly scaleable as AUM continues to grow. Here the company still has to prove itself in the coming years.
- The company should also succeed in general cost control.

Value driver 3:
Release of capital

- The company's balance sheet is clearly overcapitalized and will strengthen further in the coming years.
- The balance sheet will be unwound through additional profit distribution and possible acquisitions.
- However, the company is likely to want to maintain a very strong balance sheet position in the coming years in view of acquisitions. We see acquisitions as a very interesting path for Mandatum to accelerate growth in asset management and create shareholder value.
- Growth in the operational business will only tie up limited capital.
- In our opinion, systematic unwinding of the overcapitalized (and continuously strengthening) balance sheet is the only correct solution, and the company has indicated it intends to do so.

Strategy and financial targets 3/3

Mandatum and acquisitions

In connection with its listing, Mandatum has flagged very openly its interest to participate in the consolidation of the fragmented Finnish asset management market. Unlike many of its peers, the company has clearly focused on its home country in its communications, and we believe international acquisitions have so far been excluded.

Although Mandatum has emphasized the role of acquisitions in its strategy, the company stressed in its September strategy info that acquisitions are not an intrinsic value and the only reason for acquisitions is to create shareholder value. In our view, Mandatum is not forced to make acquisitions, but we feel that arrangements would be a very logical way for it to accelerate growth in wealth management. We feel that from Mandatum's point of view, the main reasons for acquisitions would be to expand the product offering, increase the customer base, and achieve cost synergies typical of the industry. Furthermore, certain players could also strengthen Mandatum's distribution, especially internationally, but we do not believe that strengthening distribution is sufficient to justify acquisitions.

The company is in a good position in market consolidation

The company is very interesting from the point of view of asset management market consolidation, as it is significantly larger than its key peers. Mandatum's current market cap is of the same size as the combined market cap of the other listed asset managers so it would clearly be in the driver's seat in any possible arrangement. In addition, Mandatum has considerable leeway in terms of its balance sheet and solvency (more on page 36), so that the company could also finance moderate-sized transactions with pure cash, unlike any other listed peers. On paper, we find that possible partners for Mandatum among listed players would be at least CapMan, Evli or Taaleri.

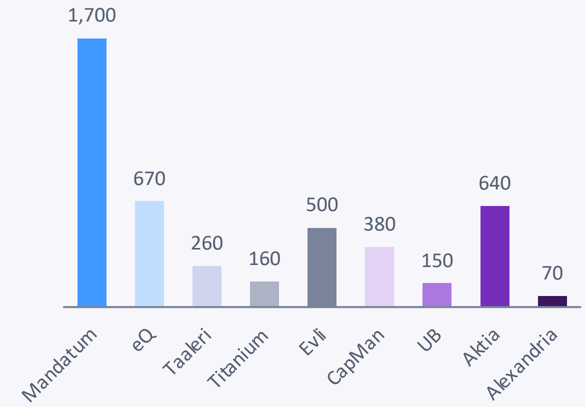
CapMan would provide Mandatum with a clear expansion of its current product offering and the overlaps in the offering are limited. The arrangement should also generate significant cost synergies. The customer bases would also complement each other well, as CapMan's clientele focuses mainly on larger institutions.

Evli, on the other hand, would be a clear leap for Mandatum toward a "generalist asset manager", as most of Evli's capital is on the traditional side. In addition to expanding into traditional asset management, Evli would expand Mandatum's customer base and support international distribution. Cost synergies would also be significant.

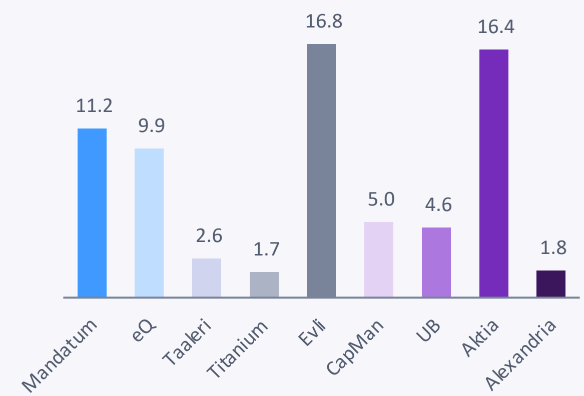
In Taaleri's case, the private equity fund business would complement Mandatum's current focused product offering and Garantia would not become a problem due to its small size relative to Mandatum.

One possible, but rather unlikely, M&A transaction could also be divestment of the with-profit business. In a zero interest period, this would not have been possible at a reasonable price, but in the current interest rate environment we feel it would be possible to obtain a price close to the balance sheet value. Given the clearly improved outlook for the business, we do not believe that Mandatum has any greater desire to divest the business, but it is good to consider the possibility, as it would significantly change the company's investor story.

Market cap of peers 10/5/2023 (MEUR)



Customers' assets under management of peers H1'2023 (EUR bn)



Source: Companies' quarterly reports

Life insurance market 1/4

We examine the life insurance market by dividing it into term life insurance and unit-linked products, as the demand factors for the products differ somewhat. Term life insurance are pure insurance products, whereas unit-linked products are very similar to asset management.

Unit-linked market is growing rapidly

According to Finance Finland, the size of the Finnish life insurance market was some EUR 55.6 billion measured by insurance savings in 2022. Insurance savings in the life insurance market cover both unit-linked and calculated interest products, but not term life insurance. More than half of the insurance savings in the life insurance market come from private customers and the rest from corporate customers. Market growth in corporate customers has accelerated over the past few years and the market has grown by an average of 4% p.a. in 2018-2022, while at the same time private customers' insurance assets have fallen by an average of 2% p.a.

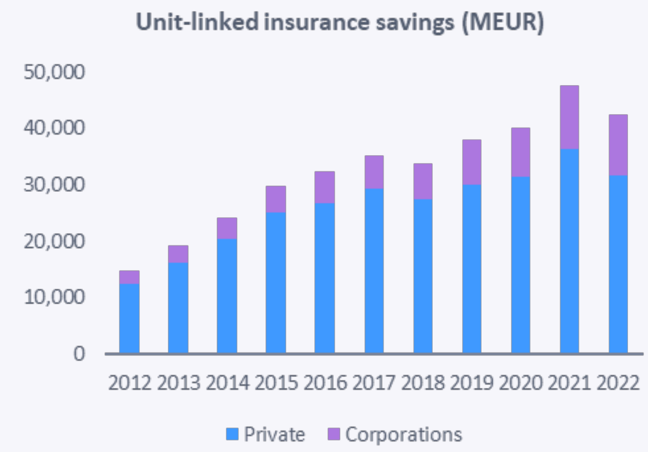
The majority of insurance savings consist of unit-linked products, which have increased significantly over the last 15 years (2008: 24 % vs. 2022 82 %). This change is due to the tendency of policyholders and insurance companies to shift from calculated interest investments to more flexible investment options, where investments can be changed throughout the saving period. Unit-linked products also tie up less capital and do not constitute an investment risk for insurance companies. We feel examining unit-linked insurance is most sensible from the perspective of insurance savings (and not premiums written), as in these contracts, the income of insurance companies is mainly based on the amount of assets contained in insurance policies. In addition, premiums written include subscriptions made within insurance policies, so the figure rather poorly reflects the size of a commission-based business.

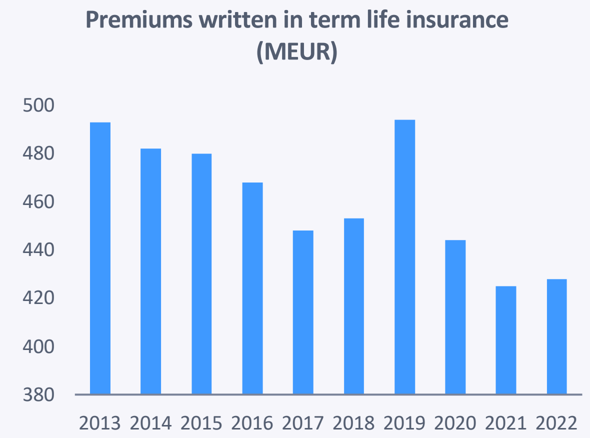
Over the past 10 years, the market for unit-linked products has grown by an average of 11% p.a. (CAGR), especially driven by the strong growth of capitalization agreements. We believe that the strong growth drivers in the asset management market are also be reflected in the unit-linked insurance market, and expect the industry to continue to grow clearly in the coming years. In turn, the amount of pension insurance has decreased, which we estimate is mainly explained by changes in their tax treatment.

Term life insurance has developed slowly

In 2022, premiums written in the Finnish life insurance market were approximately EUR 4.4 billion, of which term life insurance accounted for some 10%. The average growth rate of premiums written in term life insurance has been around -2% over the past decade .

According to a study by Etla, a majority of Finnish families do not have term life insurance, and its popularity has not changed much during the past decade. Many people feel that term life insurance is unnecessary, and there are also misconceptions concerning the terms, coverage and the purchasing process of the policy. We believe that these factors have at least partly been negatively reflected in the development of premiums written in term life insurance. Therefore, we expect that the market growth of risk insurance will be close to zero in coming years.





Source: Financial Supervisory Authority/Finance Finland

Life insurance market 2/4

The life insurance market is highly concentrated

The Finnish life insurance market is highly concentrated. In 2022, the market share of the three largest players was around 80% both based on insurance savings and premiums written. The key players measured by market shares are Mandatum, Nordea, OP, LocalTapiola and Fennia Life.

In addition, life insurance activities are quite local and, based on the statistics of the Finnish Financial Supervisory Authority, domestic players are responsible for almost the entire market. As in asset management, life insurance requires trust between the customer and the service provider, which is why a local player is often a natural choice. In addition, the interest of foreign players is reduced by the relatively small size of the Finnish market, strong customer retention and licenses required.

Average profitability at a good level

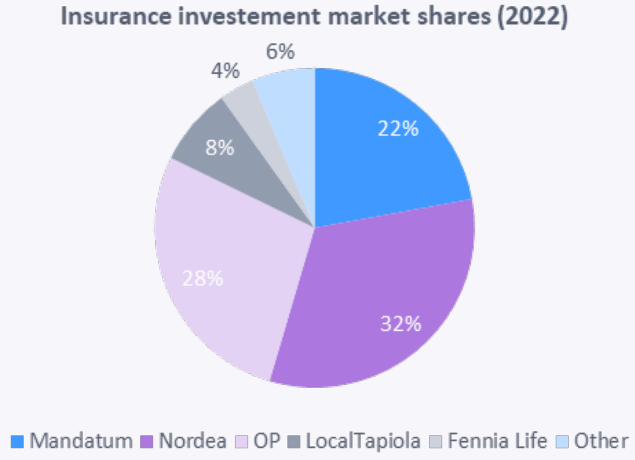
The median return on equity (ROE) in the life insurance market has been around 12% over the past 10 years, which is slightly above our required ROE estimate for the market. Profitability has fluctuated somewhat between different companies over the past decade, but on the median level, the largest life insurance companies (excluding LocalTapiola) have managed to improve their ROE over the past five years.

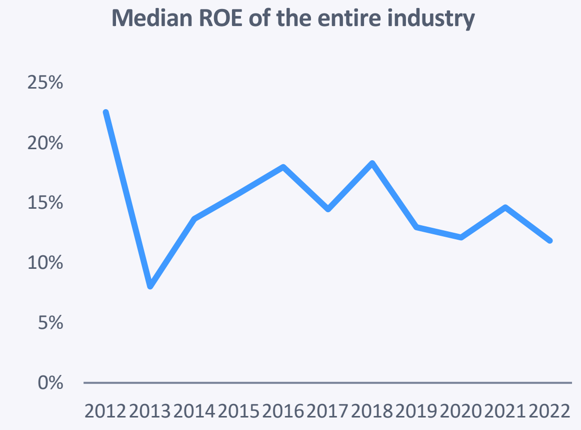
The median ROE for the five largest life insurance companies has been almost 20% over the past 10 years, well above the median market level and the companies' justifiable required return. It is noteworthy that especially market leaders Mandatum, Nordea and OP have historically reached the highest profitability levels. We believe this is explained in particular by economies of scale, which increase relative profitability as the share of fixed costs is significant in the industry. At the same time, strong customer retention effectively prevents price competition. We believe that the high ROEs of the large companies in the industry are a strong indication of there being competitive advantages.

Current competitive situation is not particularly tense

In unit-linked products, market shares between life insurance companies have remained relatively stable historically. In term life insurance, competition has tightened more clearly over the past decade, which resulted in Nordea and OP losing market share. LocalTapiola has become the strongest player in the market over the past decade.

In the private customer market, competition has mainly been a rivalry between the large banking groups Nordea and OP, as their distribution power to that segment is superior in our opinion. In corporate customers, however, Mandatum has held the position of market leader which we suspect is explained by the company's sales efforts concentrating on these customers, as well as by the product and service portfolio that is well suited for the segment.





Source: Financial Supervisory Authority

Life insurance market 3/4

Structure and competitive advantages of the sector

In the sidebar, we outline the importance of the competitive forces affecting life insurance for the overall profitability of the sector. We estimate that competitive advantages in the life insurance market are based on economies of scale that enable companies to achieve efficiency gains. This is because products are quite scalable in the industry and fixed costs do not increase in proportion to revenue or commission income.

We believe another important element is strong retention in existing customers, which provides insurance companies with better pricing power and enables utilization of economies of scale. In pension and investment life insurance, good customer retention is based on the fact that in principle it is impossible to transfer insurance savings to another company without losing accrued tax benefits. In addition, life insurance is a long-term product and concentrating services under the same player is common, which we feel raises the threshold for customers to switch from one service provider to another. Strong customer retention is very important for a player benefiting from economies of scale, as without customer retention, competitors could achieve a similar size class, e.g., by driving down prices. This also clearly reduces the threat of new competitors.

However, the customer base of insurance companies is constantly reformed as old age groups leave the market and new age groups are born, which means it is critical for companies to succeed in new customer acquisition. In the case of new customers, the bargaining power of insurance companies is clearly lower and the price and image (e.g. insurance company brand) play an essential role when choosing an insurance provider, which means that competition can also be considered more intense. Here,competition for new customers may lead to changes in market shares between existing operators, which would also reduce average profitability as sales and marketing costs increase. Due to the high entry barriers, we consider a successful entry of new competitors to the market to be rather unlikely. For example, in non-life insurance with similar competitive dynamics, it is difficult to come up with examples of successful price-driven expansions to a completely new market. In addition, for new customers, economies of scale do not play a significant role between leading companies in the industry. This is because the size of all of these is large enough, so that the share of fixed costs no longer plays an essential role (a difference of a few percentage points in fixed costs relative to revenue is, in our opinion, insufficient to exploit economies of scale in pricing).

However, as the market grows, we do not think that the key players have any particular incentive to compete aggressively with price. Therefore, we expect the profitability of large companies in the industry to remain at a good level in the future. In turn, we expect the profitability of small life insurance companies to suffer from the dynamics of the industry.

In unit-linked insurance products, life insurers can also be considered to compete with other domestic asset managers, which means that possible changes in tax practices pose the greatest demandrisk.

Competitive forces of life insurance

Current competitive tightness (low)

- The current competitive situation is rather serene and there is no aggressive price competition.
- The growing overall market curbs competition.
- We suspect that the effects of potentially tightening price competition would be especially reflected on private customers, as the price of the product plays a larger role in the choice of supplier than in the corporate segment.

Customers' bargaining power (moderate)

- The bargaining power of the existing customer base is rather weak, as it is in principle impossible to transfer insurance savings to another company without losing accrued tax benefits. However, contracts are often long-lasting, which limits companies' ability to utilize their pricing power during the contract period.
- For new customers, the bargaining power is clearly better, as the products and services of different companies are almost identical and the importance of price is emphasized in the choice. This applies to both risk insurance and unit-linked products. Digitalization has made it easier to compare operators.

Threat from new competitors/ products (low)

- Barriers to entry are high, as customer retention is strong and the required infrastructure and solvency capital increase initial investment.
- The small size of the Finnish market decreases attractiveness from the perspective of large international operators, even if initial investments would not be an obstacle.
- Unit-linked products compete with other asset management solutions, but it is difficult to find relevant substitutes for risk insurance.

Life insurance market 4/4

The most significant risks in the industry lie in the tax incetives of products

In recent years, the taxation of term life insurance and unit-linked products has changed several times, which has also reduced tax incentives in the products. For example, the partial tax exemption of death benefits from life insurance to close relatives was abolished in 2018, and since then the benefit has been subject to full inheritance taxation. For unit-linked products, the tax-exempt share of next of kin was abolished in 2013, after which the total savings amount has been subject to gift tax. In addition, capital accrued from unit-linked products could be withdrawn without tax consequences until the benefit was abolished in 2020 and taxation became very similar to that of share savings accounts. In the same reform, losses became deductible only in the year when the agreement expires.

As the attractiveness of products relies heavily on taxation factors, we feel tightening tax regulation is a risk that can lead to a decrease in customer interest and thus a decrease in the demand for products. Unit-linked products are also characterized by a complex cost structure consisting of annual management fees and the commissions of the investment objects. In addition, some operators also collect premium and redemption fees. The high and unclear cost structure is the main drawback of unit-linked products.

Moreover, similarity (excluding tax incentives) with other asset management solutions limits the pricing power of life insurance companies. Share savings accounts in particular compete in the private customer segment with capitalization agreements offered by life insurance companies. Therefore, we believe the government's plan to increase the maximum investment amount of the share savings account from EUR 50,000 to EUR 100,000 would negatively affect the demand for insurance wrappers among small investors.

Asset management market 1/5

Asset management market is growing despite weak economic development

The asset management market in Finland is relatively young and, for example, the first mutual funds were only established at the end of the 1980s. Over the last three decades, the asset management business has grown rapidly with the growth of the national economy and the prosperity of citizens. Historically, a majority of the wealth of Finnish households has been tied to housing and it remains by far the largest asset item of households, although other forms of investment have become more common. The young age of capital markets in Finland is also seen in the fact that a significant proportion of the non-housing investment assets of households are still on banks' current accounts.

At the end of 2022, the size of the Finnish asset management market was some EUR 250 billion. Since 2005, the market has on average grown by about 5% per year. This growth has been partly explained by the increase in asset values and partly by the flow of new capital into asset management. Of this 250 billion, about half are invested in domestic investment funds and the rest are covered by consultative or power of attorney portfolio management. Of course, a significant proportion of the fund capital is also subject to various asset management agreements. Calculating the exact size of the market is difficult, as it is largely dependent on which asset classes and customer segments are included. However, the size class we estimate is indicative.

Long-term growth outlook is good

In the long term, the Finnish asset management market will receive significant support from structural changes, as the wealth collected by the baby boom generation begins to pass to the next generation through inheritance. According to our estimates, this sudden increase in wealth will inevitably lead to an increase in the asset management market, as more and more people are interested in investing and also become attractive clients for investment service companies. Concerns about the sustainability of the pension system will also generate structural interest in long-term investing and asset accumulation. However, this structural change will only take place over the coming decades and won't therefore affect the short-term prospects of the sector. In the long term, we believe that the asset management market in Finland is well positioned to continue the annual growth of about 5% so it still remains a clear growth sector.

Strong years behind for the industry

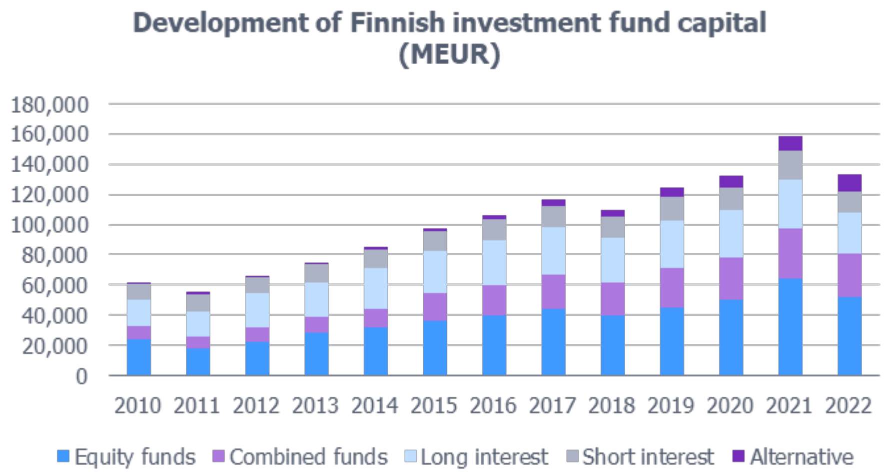
Although the Finnish economy has developed subduedly, investment service companies have been able to enjoy very good returns over the past few years. The recovery of central banks and the resulting historically low interest rates have strongly driven capital into higher-cost products (e.g. equity funds) and have opened doors for the development of alternative asset classes. In addition, the historical strong development of the capital market has increased the volume of AUM and increased performance fees. Since 2022, the market situation has deteriorated markedly due to, e.g., geopolitical risks and higher interest rates. Naturally, the biggest structural change in the market has been the rise in interest rates, with which interest rates are again a relevant asset class after a long time. In the short term, this is likely to direct capital to interest-rate products with lower fee levels. In the longer term, however, the change is clearly positive, as it provides managers with more tools to serve their customers and facilitates attracting new capital that seeks lower risks to asset management services.

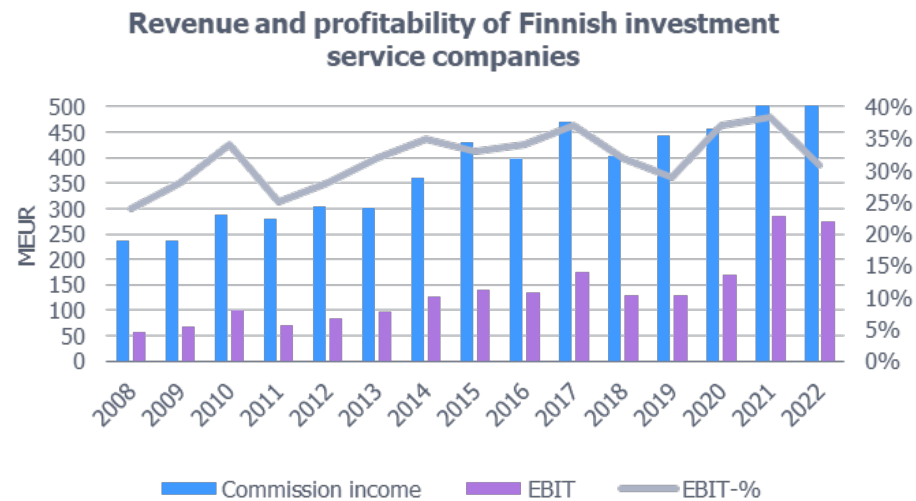
Non-listed market

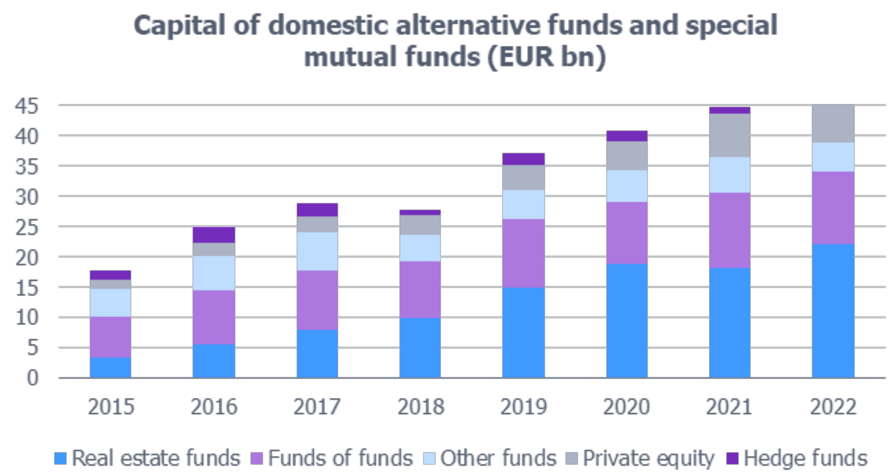
In the last 20 years, the global non-listed asset market has grown exponentially, with the market cap becoming over tenfold since 1999. Hamilton Lane estimated the global market cap of non-listed asset classes to be around USD 5,700 billion in June 2019. Although the growth of non-listed asset classes has been explosive for the last two decades, the market cap of non-listed assets only corresponds to about 12% of the global stock market.

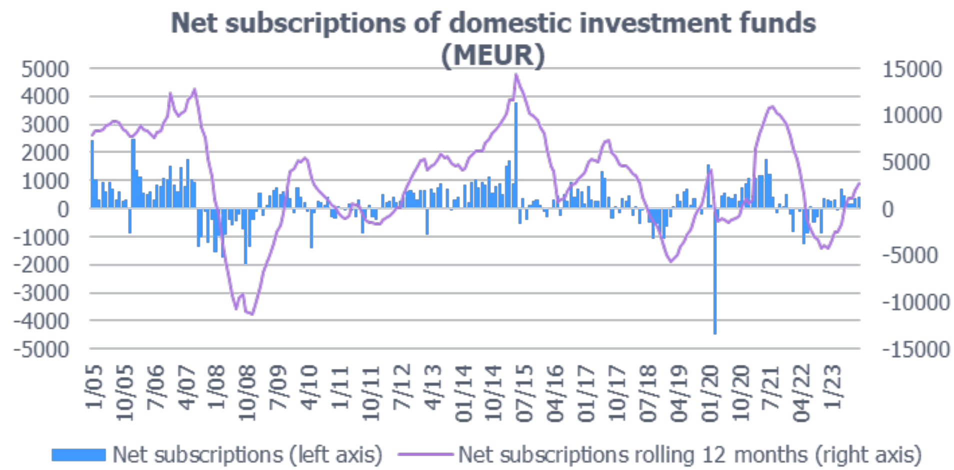
In recent years, capital has been channeled into non-listed asset classes, in particular because of the long-standing zero interest rate environment and the willingness of investors to seek income sources that don't correlate with the stock market. Although this trend will, at least temporarily, clearly weaken due to interest income returning, alternative options have established themselves as one of the pillars of investment portfolios.

Asset management market 2/5









Asset management market 3/5 – industry drivers and trends

Digitalization

Digitalization enables a more efficient service for new customer groups and a significant improvement in efficiency in the companies' internal operations.

Increasing regulations

The increasing number of regulations grow the administrative burden of the field and weakens the position of small players in particular In addition to the small players, the regulations hit banks hard

A renaissance for interest rates

After nearly a decade of low interest rates, interest rates have risen sharply, making a return as a relevant asset class.

Responsibility (ESG)

Responsibility has become a key part of the investment process as investors increasingly want to have an impact with their capital. Responsibility has already become a central theme guiding investment decisions and a significant standard for the entire industry.

Evolving needs of investors

- Unlisted asset classes have become part of a modern investment portfolio
- Interest rate products have again become a relevant asset class
- Responsibility has become a guiding theme for investment decisions
- Investors are looking for more and more individual wealth management
- The requirements for asset managers increase as the role of alternatives grows in investment portfolios
- Regulation, digitalization and ESG raise the barrier to entry

Investors' requirements are growing

- Demand for passive investment products continues to grow thanks to their superior cost/return ratio
- Traditional wealth management will face even more aggressive price pressure
- Wealth managers must find ways to generate genuine additional value to their customers

Asset management market 4/5 – industry drivers and trends

Victory march of alternative assets

The share of active funds in the AUM has decreased, particularly as a result of passive and non-listed products growing in popularity

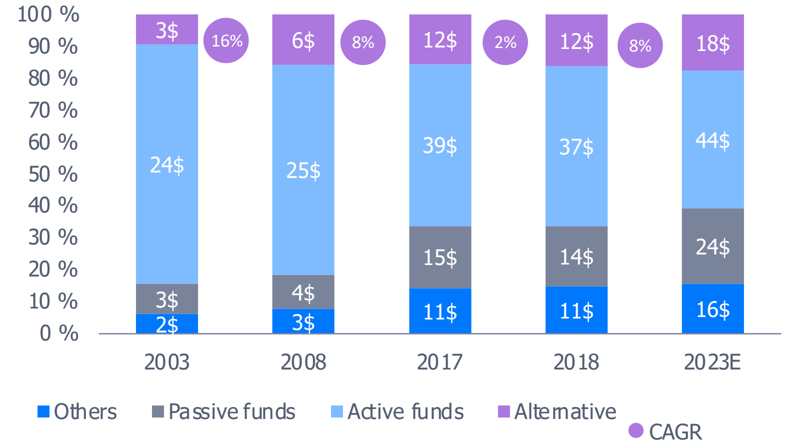
Passive products don't represent a significant source of income for investment service companies due to low fee levels, although they account for a significant share of total assets

The average fee levels for active investment funds have fallen clearly

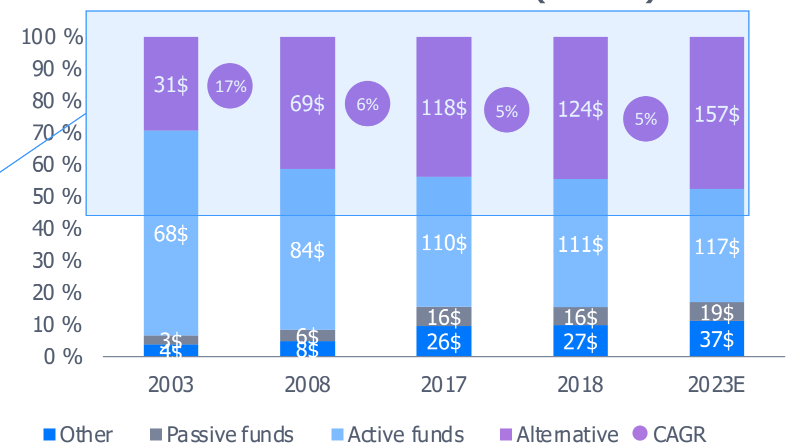
The fee levels of alternative assets significantly better than traditional funds

The share of alternative assets of global commission income has risen to almost half

Distribution of global AUM (USD bn)



Global revenue distribution (USD bn)



Source: BCG Global Asset Management 2019

Asset management market 5/5 – consolidation expected in the industry

Wealth management competition

Banks

Nordea, PANKKI, ÅLANDSBANKEN, SEB, Aktia, Danske Bank, omasp (Lähellä ja läsnä)

Medium-sized investment service companies

MANDATUM, EVLI, CapMan, LÄHITAPIOLA, UB (United Bankers), TAALERI, TITANIUM, eQ, ALEXANDRIA

Small investment service companies

ICECAPITAL, FINLANDIA, FOURTON, FONDITA, PYN (PYN ELITE), DC (DASOS CAPITAL)

Consolidation drivers

Trends

Digitalization Return of interest rates Responsibility (ESG)	Regulation Alternative asset classes

Sale synergies	**Cost synergies**
Growing the product and service range Increasing distribution capacity Increasing AUM	IT costs Administrative expenses Personnel costs

Drivers for consolidation are clear and we believe that consolidation will continue as active

Finalized M&A transactions

- eQ → ADVIUM
- eQ → ICECAPITAL
- UB (United Bankers) → SUOMEN PANKKIIRILIIKE
- UB (United Bankers) → KJK Capital
- CapMan → NORVESTIA (NORVESTIA OYJ)
- CapMan → jam advisors
- ELITE → Alfred Berg 1863
- TITANIUM → INVESTIUM
- TAALERI → GARANTIA
- TAALERI → TAALERI VARAINHOITO
- Aktia → TAALERI VARAINHOITO
- EVLI → ELITE ALFRED BERG
- EVLI → KELONIA (Ab Kelonia Oy)

Source: Inderes

Life insurance 1/6

The life insurance business offers Mandatum's customers comprehensive wealth and preparedness services, including unit-linked insurance and related asset management, investment services, personal insurance, and corporate pension and reward solutions, as well as related consulting in cooperation with asset management. Measured by premiums written, Mandatum was the largest life insurance company in Finland in 2022 and the third largest life insurance company in Finland measured by balance sheet size.

Life insurance products offered by Mandatum can be classified as unit-linked insurance and personal risk insurance. These constitute the Group's capital-light business, the operating model of which is mainly based on recurring fees. Previously, Mandatum also offered with-profit products, but their sales were discontinued about 15 years ago. Mandatum has undergone a significant change over the past decade, as the amount of with-profit-based technical provisions has decreased from approximately EUR 5 billion in 2014 to the current EUR 2.4 billion. At the same time, the amount of unit-linked policies has risen from good 5 billion to over 10 billion. With-profit-based insurance products are discussed in more detail on page 25.

Unit-linked insurance products

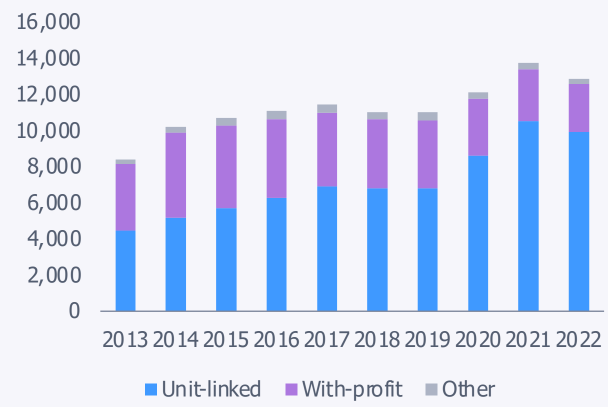
Mandatum's unit-linked products include, e.g., voluntary pension insurance, capitalization agreements and endowment insurance. Insurance customers include both entrepreneurs and private individuals.

Mandatum's **pension insurance policies** are voluntary policies that allow policyholders to supplement their social security. Pension insurance is mainly unit-linked, i.e. the return on pension savings and the amount of the final pension are based on the value development of selected investment objects.

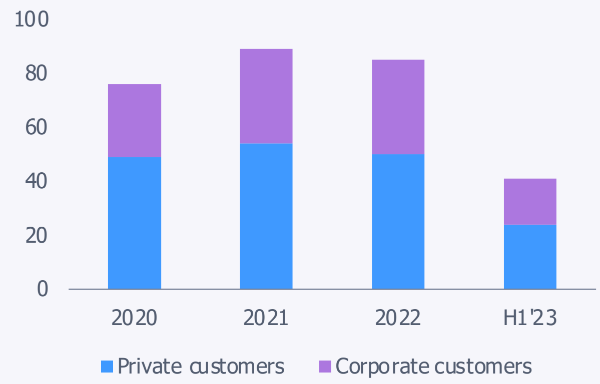
Endowment insurance and capitalization agreements are also unit-linked insurance. These savings consist of payments made during the life of the insurance, the revenue generated by them and charges related to the contract. The difference between the contracts is mainly related to the treatment in the event of the policyholder's death, as in endowment insurance the life insurance compensation is paid to the beneficiary designated by the insurance contract without a separate will. The capitalization agreement does not expire when a person dies, but the contract is transferred to the estate.

Due to product-specific differences, the customer benefits also vary slightly, although the differences are quite small. In endowment insurance, income is only taxed at the end of the insurance or when savings are withdrawn. In capitalization agreements, taxation also applies to withdrawal of assets. However, compared to endowment insurance, the wider range of investment instruments can be seen as an advantage of a capitalization agreement. In pension insurance, the company can deduct the pension insurance contributions in full up to a certain amount, and these contributions are not, as a rule, considered as earned income of the insured employee. In pension insurance, income taxation can be postponed to a later date. To sum up, one could say that the majority of the benefits of unit-linked insurance products are based on tax considerations.

Development of technical provisions



Development of commission income (MEUR)



Source: Mandatum

Life insurance 2/6

The flip-side of the coin is the relatively high cost of the products. Mandatum collects management fees for products (0.5-0.6% of insurance assets) and subscription fees for payments made in the insurance. In terms of business model and demand logic, unit-linked insurance is very similar to asset management, and the risk of changes in the value of investments is borne by the customer.

Personal risk insurance

Personal risk insurance provides the customer and their family with financial security and leeway in the event of serious illness, accident, disability or death. In risk insurance, Mandatum collects annual insurance premiums from its customers to cover future claims and business expenses.

In death cover, a lump sum is paid to the beneficiary of the insurance and, if not specified, to the estate. The policyholder can determine the compensation and this affects the premiums collected by the insurance company. Similar insurance is also available for serious illness. Some life insurance policies are statutory, as employers are obliged to provide employees with group life insurance under an agreement between national labor market organizations. Employee group life insurance is compulsory in all sectors where there is a contractual provision for group life insurance in the collective agreement.

In addition to these, Mandatum offers insurance against disability and illness. These differ mainly in terms of compensation payments, since policyholders are entitled to a daily allowance instead of a lump sum.

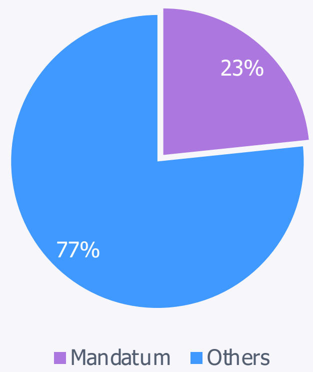
Compensation and reward services

In addition to insurance, Mandatum offers a wide range of compensation and reward solutions and advice to its corporate customers. The services include, e.g., personnel funds that Mandatum establishes and manages on behalf of its customers, through which the employees of the customer company can invest their remuneration from incentive schemes tax efficiently. Also from the customer company's point of view, this compensation form is cost-effective, as the company does not have to pay indirect employee costs on this part of wages. Mandatum's market share in corporate personnel funds is approximately 70% in Finland. In addition, Mandatum designs and implements share-based incentive schemes mainly for management and key personnel, performance bonus schemes for personnel, and provides consultation on organizations' general remuneration models.

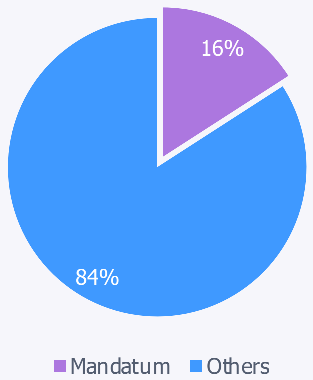
Two customer segments in life insurance

The life insurance business (risk insurance, unit-linked insurance and remuneration services) is divided into two segments: Private and corporate clients. In our examination, we use a similar division, as a sensible analysis by product group is not possible due to the limited data available. The Group has about 20,000 corporate customers and some 330,000 private customers (includes life insurance portfolio and asset management sold to If). The third customer segment consists of institutional and asset management customers, which is discussed in the next section of the report. In addition, the company reports the income from the with-profit business as a separate line and the Other segment (discussed on page 37), which includes, e.g., the Group's PE investments and net financial expenses.

Mandatum's market share in unit-linked products (2022)



Mandatum's market share in term life insurance (2022)



Source: Financial Supervisory Authority/Finance Finland

Life insurance 3/6

Sales focus on corporate customers

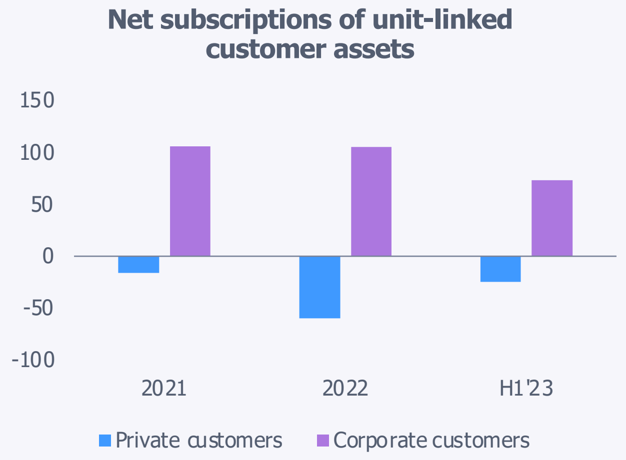
The distribution channels used by Mandatum vary slightly by product and customer group. In risk and pension insurance, the main customer segment is corporate customers, while a larger share of the assets managed in other unit-linked insurance products comes from private customers. However, the focus of sales and growth will in future be strongly on corporate customers.

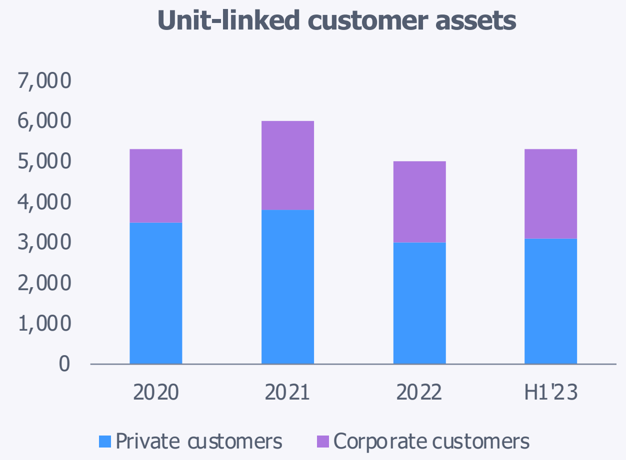
Net sales (subscriptions and redemptions) of unit-linked products in the private customer segment have been modestly below zero in recent years. We believe the reason is the strong distribution power of banks to their own customer base, which makes new sales difficult for other operators. For example, in traditional investment funds (UCITS), OP and Nordea have a combined market share of over 60%. Although Mandatum has a unit-linked insurance distribution agreement with Danske Bank, this has not attracted significant customer capital in recent years. We suspect this is due to Danske focusing its sales on the distribution of its own products and solutions, as well as Danske's own internal problems (money laundering scandal). Mandatum's own distribution (telesales + website) does not seem to have been particularly strong either, so we estimate the majority of new sales to private customers has come from Danske Bank. At the end of H1'23, the AUM for unit-linked products of private customers amounted to EUR 3.1 billion.

Sales of risk insurance in the private customer sector have also relied on the Danske Bank cooperation (e.g. loan insurance) and Mandatum's own sales channels. Previously, non-life insurer If distributed Mandatum's life insurance policies, but the cooperation agreement was terminated at the end of September. At the same time, Mandatum sold the death cover portfolio distributed by If of approximately 50,000 customers to If for EUR 17.5 million. As a result, the remaining risk insurance business for private customers is estimated to be rather small-scale, and almost the entire result of personal risk insurance will come from corporate customers in the future. Therefore, we feel, the focus of private customer sales in all product groups will continue to be in partnerships, and Mandatum has no desire to invest in ramping-up its own sales team.

In corporate customers, net subscriptions for unit-linked products have been at a fairly good level in recent years of over EUR 100 million. Mandatum's foothold in the corporate market is significantly stronger than on the private customer side, as in 2022 Mandatum's market share of unit-linked pension insurance sold to companies was 48% and 31% in corporate risk insurance (measured by premiums written).

We suspect the main focus of unit-linked insurance for corporate customers is on various pension solutions, and distribution of products and services to corporate customers is mainly handled by the company's own sales team. In addition, some of the assets invested in personnel funds end up in Mandatum's own products. At the end of H1'23, the AUM for unit-linked products of corporate customers amounted to EUR 2.2 billion.





Source: Mandatum

Life insurance 4/6

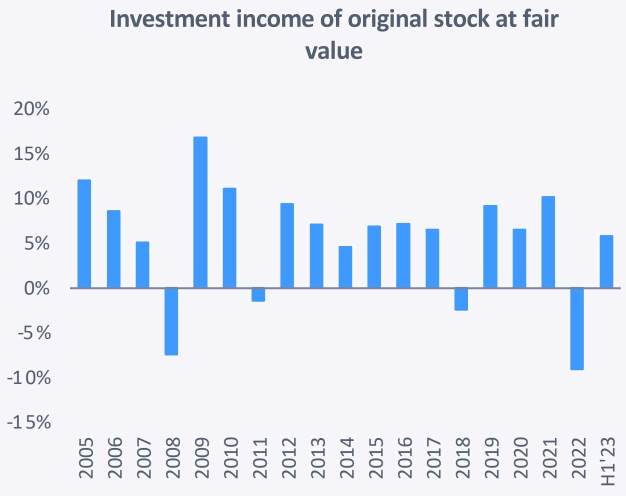
Investment activities relate to with-profit portfolio

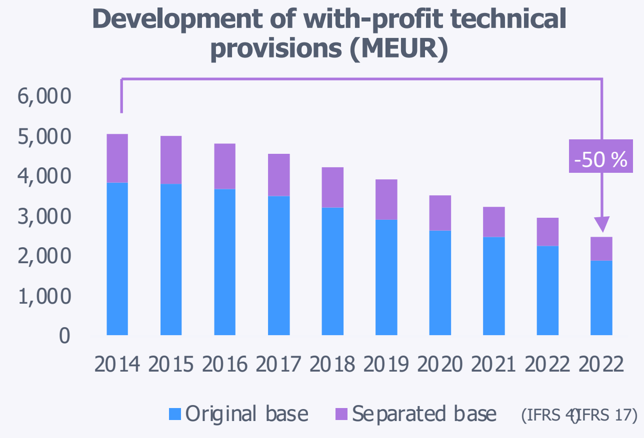
Mandatum Life also has significant investment activities based on its substantial portfolio of with-profit insurance. Next to the with-profit portfolio, the Group's other investment activities are relatively small-scale and include PE investments transferred from Sampo Group, which are reported in the Other segment. In addition, investment income consists mainly of interest income on cash.

In with-profit insurance, Mandatum pays policyholders a fixed guaranteed interest rate on the assets invested in the insurance (mainly 3.5-4.5% p.a.). However, sales of these products were discontinued about 15 years ago, so the current base dates back to the period before that. As part of the current strategy that ties up little capital, Mandatum has actively sought to reduce the size of the with-profit portfolio and focus on commission income based business. However, the agreements are long-term, so it will take time to ramp-down the base. During 2014-2022, the with-profit portfolio decreased by approximately 50%, and the company expects the base to decrease by 7-8% annually in the future, partly due to the company's active measures (e.g. insurance buybacks and conversion to unit-linked). Even so, the importance of the with-profit base is still high to the company's earnings and value, and in our estimates, the business accounts for some 70% of the current year's PTP. However, the significance decreases as the base is ramped down and capital is allocated elsewhere.

Unlike unit-linked products, Mandatum bears the investment risks associated with with-profit insurance policies. These can therefore be seen as a source of capital for the Group, the return on which determines the profitability of the business. Previously, the challenge in the business was that the effective return on fixed-income investments was well below the GAR, which meant that the portfolio's returns relied heavily on shares and alternative investments. Although the portfolio generated an average yield of around 5.6% in 2005-2022, the increased weight of shares also resulted in higher capital requirements, which weakened the return on own funds committed to the stock. At the end of H1'23, with-profit assets amounted to EUR 4.3 billion and liabilities to EUR 2.4 billion, thus making the net worth of the base EUR 1.9 billion. The NAV of the with-profit portfolio constitute the solvency buffer required to hedge market risks.

With the rise in market interest rates, the effective yield (running yield) of with-profit investments has also risen to around 6%, which has clearly increased the attractiveness of the business model. At the same time, Mandatum has been able to reduce its weight of shares and release additional capital. We estimate that at current interest rates, the portfolio's expected ROE roughly corresponds to Mandatum's own required return. From an investor's point of view, this means that the rate at which the base is ramped down is no longer that relevant as the capital produces sensibly also in the company's balance sheet. However, we still consider the ramp-down of the with-profit portfolio justified, as capital released from this can be used, e.g., for value-creating acquisitions.





Source: Mandatum

Life insurance 5/6

Segment-specific strategy

Mandatum's life insurance business will in future focus heavily on capital-light products, i.e. unit-linked insurance and personal risk insurance. We believe the key is unit-linked products, the market for which has grown strongly over the past decade. Customer retention in AUM is also high, as in Finland it is not possible to transfer insurance assets to another company without tax consequences (applied to both private customers and companies). Strong customer retention combined with good fee levels and low capital needs make investing in unit-linked products attractive, also from the perspective of creating shareholder value We note that while demand drivers for unit-linked insurance and risk insurance differ slightly, the solutions sold by Mandatum often include a combination of both products.

In the customer segments, corporate customers are at the core of Mandatum's growth strategy, and the strong existing customer base (some 20,000 companies) offers cross-selling potential especially towards asset management. Typically, Mandatum first offers its corporate customers pension preparedness and reward services and as the wealth of the company's key personnel grows, the product offering is expanded to include other wealth management and savings solutions. The success is demonstrated by the fact that the majority (~70%) of the Group's current asset management customers have a corporate connection.

On the private side, expansion is clearly more challenging, as banks' distribution power to the segment is clearly stronger. Therefore, we do not expect the company to make significant investments in its own sales team, and we expect that distribution to private customers will continue mainly through partnerships.

Insurance business risks

The key risks of Mandatum's life insurance can be divided into risks related to the with-profit portfolio and forecast risks related to the assumptions of risk insurance. The main risks in the with-profit portfolio consist of the investment risks of the assets covered by the insurance and the risk associated with the discount rate on the technical provisions. The risk associated with the discount rate arises from a possible decrease in interest rates increasing the present value of contract liabilities, which may require supplementing the technical provisions. However, due to the significant buffer of own funds, we consider the importance of the risk very small.

The biometric risk of risk insurance arises from the fact that policyholders could receive more death or disability benefits than expected, which would increase the ratio of claims costs to premium income. The cost risk, in turn, is realized if operating expenses prove higher than expected during the validity of the insurance. However, based on historical figures, the profitability of risk insurance has been good and the Group's solvency is strong, so as a whole we consider Mandatum's balance sheet risks to be fairly moderate. We also believe the development of claims expenses for term life insurance is fairly predictable, and Mandatum has reduced its risk concentration with disaster reinsurance.

Example of Mandatum's cross-selling process

Providing pension preparedness and reward services to a customer companies

A customer company decides to acquire unit-linked pension insurance for its key personnel

The aim is to extend the product offering to key personnel to other wealth management and savings solutions

Positive experience in pension preparedness enables successful cross-selling of wealth management services

Source: Mandatum

Life insurance 6/6

Insurance companies' accounting standards makes comparison with other asset managers difficult

Interpretation of Mandatum's operational figures is not straightforward, as the company follows the income statement formula of insurance companies in accordance with IFRS. Applied accounting methods also vary depending on the terms of the products and services. Thus, Mandatum's reporting distinguishes between 1) commission-based result (in accordance with IFRS 9), which includes unit-linked insurance products and asset management business, and 2) insurance service result, which includes the result from risk insurance and a majority of the result from pension insurance (in accordance with IFRS 17). In addition, segment reporting includes the with-profit business and Other segment.

Therefore, comparing the income statement with asset managers on the Helsinki stock exchange, for example, is not meaningful, even though the business logic is quite similar. However, examining the commission income and AUM of the Private customers and Corporate customer segments offers a sufficient picture on the size of the businesses and development in recent years. These are also the key indicators to monitor in Mandatum's life insurance business, as growth is sought especially in unit-linked products for corporate customers.

For risk insurance, the insurance service result is reported that considers premiums received, claims paid and actual operating expenses. However, the result also includes purely imputed items arising, e.g., from a change in the interest rate used in discounting liabilities or a change in key insurance assumptions. These may include, e.g., an update in the life expectancy of the customer base or changes in Mandatum's cost structure. Therefore, the performance of the risk insurance business should be examined on a slightly longer perspective than on the basis of an individual quarter.

The development of the contractual service margin included in the insurance liability of the balance sheet is also an indication of the development of the risk insurance portfolio's size and profitability. In life insurance, the contractual service margin (CSM) can be interpreted as Mandatum's estimate of future returns (considering the time value of money) from current life insurance contracts, with a slight simplification. This balance sheet item is unwound annually by the company through profit or loss. If the cash-flow assumptions are consistent with the outcome, the insurance service result is roughly equal to the development of the CSM for the financial year. Monitoring this item in the longer term may thus provide information about the company's ability to assess the risks associated with the policies it issues. We note that the CSM in the balance sheet also includes items from unit-linked contracts, so it does not purely reflect the development of risk insurance.

Due to these challenges posed by IFRS, we recommend that investors focus on PTP in Mandatum, which is also quite comparable to those of key peers.

Distribution of AUM H1'2023 (EUR bn)

Source: Mandatum

Asset Management 1/3

A significant asset manager on the Finnish scale

Mandatum's asset management serves institutional investor customers, and produces fund business and financial management services both for its own and Mandatum Life's customers. In addition, the asset management unit manages the Group's investment assets. The corporate customers of the life insurance business are an important sales channel for asset management services, as services for corporate customers increasing their wealth can be expanded from risk and pension insurance to wealth management solutions. Thus, asset management is not separate from Mandatum's other business, but closely linked to life insurance especially through unit-linked insurance solutions.

In Mandatum's reporting, asset management forms the "institutional and asset management customers" segment, which includes the business of external asset management customers. The fees for unit-linked insurance products are, in turn, reflected in the result line of the relevant customer segment (Corporate/Private customers).

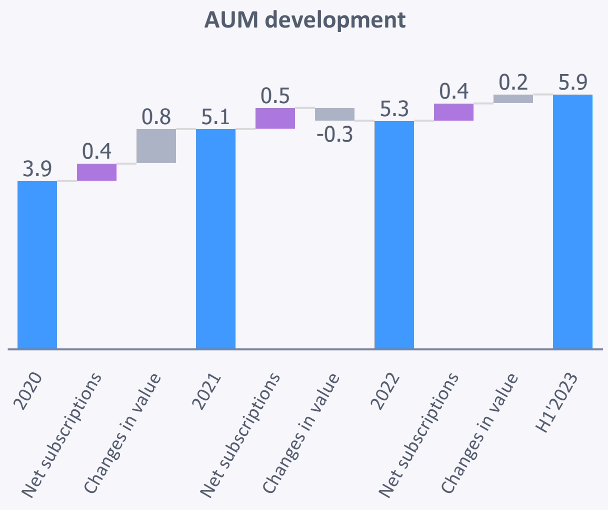
In addition to Sampo Group, the company's direct customers include Nordic and European institutional customers and very wealthy individuals (High-Net-Worth and Ultra-High-Net-Worth Individual). In addition, Mandatum provides Sampo's subsidiaries with asset management services (even after the demerger), but the commission level in this cooperation is very modest.

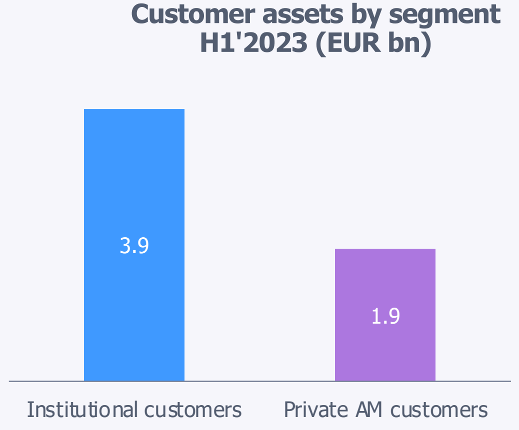
AUM gives the best picture of the size of Mandatum's asset management relative to its key peers. Measured by AUM, Mandatum is one of the largest asset managers independent of banks in Finland with approximately EUR 11.2 billion of customer assets, which puts its size class between eQ and Evli. EUR 5.3 billion (47%) of the Group's external managed customer assets consists of Mandatum Life's insurance products and the remaining EUR 5.9 billion of MAM's asset management to its customers.

Asset management's customer segments

Unit-linked life insurance and pension solutions can be considered part of the Group's asset management business, as the demand drivers for these are quite similar. However, in this section on asset management, we focus on institutional and UHNWI customers to ensure consistency with the company's own reporting. We use the common term "asset management customers" for Mandatum's "institutional and asset management customers" segment. Asset management customers are further divided into institutional customers and private asset management customers.

In 2022, asset management customers generated about EUR 41 million of the Group's commission income. This figure includes management fees charged by Mandatum from its direct customers and performance fees. The corresponding figures for corporate and private customers reported in their own segments were EUR 35 and 50 million, and include the fees charged by the Group for asset management, insurance wrappers and Mandatum's own underlying fund products.





Source: Mandatum

Asset Management 2/3

Assets under management

Asset management's customer base is strongly focused on institutional customers and very wealthy individuals. External customer assets managed by Mandatum totaled EUR 5.9 billion (excluding insurance products), which were divided between institutional customers (3.9 bn) and private wealth management customers (1.9 bn). In addition, Mandatum manages large mandate portfolios worth EUR 4.6 billion, including Sampo Group's investments, among others.

Asset management's product offering covers all key asset classes, but the company's core competence is interest rate and alternative products. The company's product offering is relatively focused and we see the company more as a product house than a generalist asset manager. Approximately 39% of the segment's customer assets were invested in alternative products, 32% in debt investments and 29% in other asset classes such as listed shares.

The segment has grown rapidly

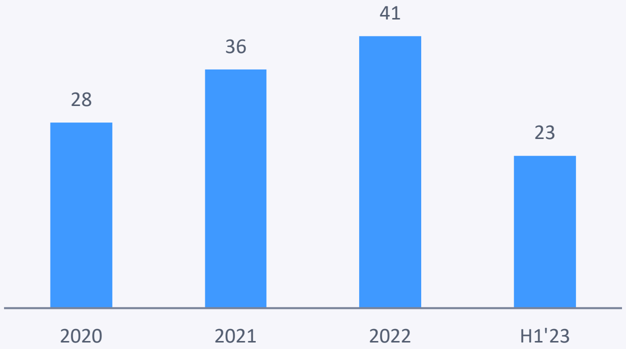
Asset management is the key area of the Group's growth strategy. The growth of AUM in the institutional and asset management segment has been clearly strongest among Mandatum's segments in recent years. During the last two and a half financial years, asset management's new sales have on average been over EUR 400 million per year, which can be considered a fairly good performance. Domestic customer AUM have grown by an average of 15% per year in 2017-2022. The company also has international customers in Sweden and Denmark. Total customer funds from these countries amount to some EUR 1.5 billion. International growth has also been fast, and AUM has grown on average by over 30% in 2017-2022, underlining the competitiveness of the company's product offering.

However, it should be noted that as a player in alternative asset classes, the company has clearly benefited from the tailwind in demand like its peers, while the low interest rate level in particular drove up the weight of alternative investments in institutional investors' portfolios. Mandatum Asset Management's commission income has grown most strongly in alternative investments – on average by over 40% in 2017-2022. However, the temporary slowdown in demand for alternatives is compensated by the increased attractiveness of interest rate products.

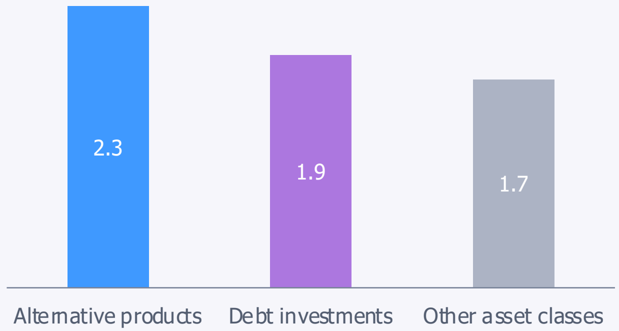
Commission income based on Mandatum's total managed assets has grown at an average annual rate of 27% during the same period. Although the market has provided tailwind, Mandatum has simultaneously been able to increase its market share, especially in institutional asset management. Based on a market survey conducted by SFR in 2022, approximately 50% of the Finnish institutional investors surveyed named the company as one of their service providers (2015: ~12 %).

Mandatum also earns fees for its products, like other asset managers. However, we believe the significance of fees is reasonably small for the company and clearly smaller than for example for eQ or CapMan. 2022 was a strong year for the company in terms of performance fees, and it recorded EUR 8.5 million in performance fees, which we estimate is well above the average level.

Development of commission income from asset management customers (MEUR)



Customer assets by asset class H1'2023 (EUR bn)



Source: Mandatum

Asset Management 3/3

Sales to institutional customers and private asset management customers are arranged with a modest sales team, as the number of potential customers is relatively small. This offers the company clear efficiency benefits similar to eQ. International sales are also currently mainly carried out from Finland (one branch office in Sweden). In addition to asset management's own sales machinery, the Corporate customers segment of the life insurance business continuously generates potential customer flow to the asset management business.

Mandatum has also announced that it is actively researching the possibilities of M&A transactions in asset management to accelerate growth. Acquisitions as part of the Group 's growth strategy are discussed on page 12 of the report.

Asset management is at the core of the growth strategy

Thanks to the large, growing overall market and the attractive fundaments of the industry, it is logical that Mandatum expects the segment to be the primary source of its capital-light business growth.

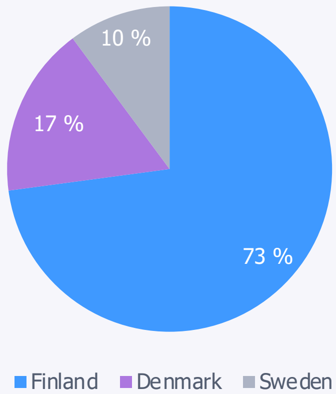
Mandatum's clear strength in the distribution of asset management services is the strong corporate customer base of the life insurance business, whose current service offering can also be expanded to asset management solutions. At present, approximately 70% of asset management customers have an existing corporate customer relationship. For example, compensation and reward services for management and key personnel create wealth and, at the same time, a potential customer base for asset management services. This model is very good in terms of sales efficiency and also provides direct access to an attractive customer base.

Simultaneously, the company aims to increase the share of AUM in the total wealth of its existing asset management customers. We believe this growth of the so-called "share of wallet" offers the company significant growth potential both through increasing the number of products and through selling of asset management services.

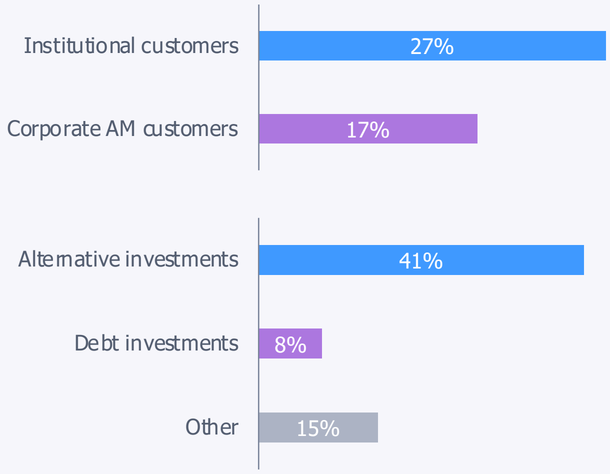
Growth is also sought from Nordic institutional customers. In this area, the track record is strong, even though the presence in the target market is relatively modest so far. In the future, the company plans to build local teams to support growth. This naturally delays the scaling of the cost level, but at the same time provides better opportunities for further growth. In Sweden, the company has AUM amounting to EUR 0.6 billion and in Denmark EUR 1.0 billion (end of H1'23). On the international side, the company's focus will be on selling individual spearhead products. This is, in our opinion, the most logical way to stand out as a relatively unknown player.

We believe Mandatum Asset Management's implicit strengths are its strong product expertise and good reputation, especially in loan and alternative investment products, brought about by its return history. The company's product offering is still well focused and high-quality products are counterbalanced by very good fee structures. The company has clearly indicated its desire to maintain high fee margin levels, and we believe that this requires maintaining a relatively focused product offering. However, we believe that the company will gradually expand its product offering as part of its growth strategy.

Customer assets by country (H1'2023)



Customer assets by customer group and product (H1'2023)



Source: Mandatum

Summary of listed asset managers

	eQ	TAALERI	TITANIUM	EVLI	CapMan	UB UNITED BANKERS	Aktia	ALEXANDRIA	MANDATUM
MCAP (MEUR)	**670**	**260**	**160**	**500**	**380**	**150**	**640**	**70**	**1800**
Actual profitability	EBIT in recent years +50%. Profitability at excellent level already without performance fees.	The profitability of Garantia has been very good, but the profitability of private equity funds has remained poor, especially in terms of recurring income.	EBIT % (adj.) +50%. Exellent profitability, performance and transaction fees play an important role	EBIT 30-40%. Very good profitability and practically based largely on continuing earnings.	Profitability based on continuing earnings from management business has improved clearly in recent years. Still much improvement potential in cost efficiency,	EBIT (adj.) +30%. The earnings mix (share of recurring income) has improved significantly in recent years.	ROE has been modest in recent years.	Profitability improved clearly with revenue growth. The share of structured products in turnover remains dominant (>50%).	The profitability of asset management is at a good level, but there is still a clear improvement potential in terms of scaling growth.
Track-record	The company's track-record of organic earnings growth is exceptionally strong in recent years. Shareholder value has grown rapidly.	The company has created considerable shareholder value with M&A transactions. Operational performance has been more subdued.	Very strong track-record due to the exceptionally attractive fee structure of Hoivarahasto.	Result has grown clearly thanks to improved cost efficiency and excellent new sales.	The track-record after the 2017 strategy update is very strong.	New sales have developed strongly and profitability has clearly improved. The implementation of the strategy has become significantly more efficient.	Asset management track-record tolerable and Taaleri integration had many challenges. Growth has been weak and profitability challenging during zero interest rates in conventional banking.	The company's historically weak development has made a clear level adjustment upwards in the last three years. The fund business was ramped-up convincingly.	The compan's track record in asset management growth is very good. Management of the with-profit portfolio has also created significant shareholder value.
Strengths / weaknesses	Strong institutional sales & excellent products. Dependence on individual products and the real estate sector is a weakness.	Strong track-record in private equity funds. Cost control is challenging.	Hoivarahasto is an exceptionally good product for the fund manager. Significant dependence on a single fund is a weakness.	Excellent institutional sales. International sales and low price level clear strengths. Dependence on traditional asset management is a key weakness.	Position in alternative investments is a strength. The volatility of the result is high due to the large role of own balance sheet investments.	Strategy focusing on real asset classes and extensive sales power are strengths. Profitability based on recurring fees is a challenge.	The company's product offering in conventional asset management is strong. Lack of alternative investment products, sales efficiency and cost pressures are key challenges.	Extensive distribution network in the less competed private investor segment is a strength. Weaknesses compared to peers are lower business scalability and a lower share of recurring fees.	High-quality products and strong sales machinery enable excellent fee margins. The company's result is still very dependent on the with-profit portfolio.
Strategic direction	Continues growing strongly in real estate and PE funds and maintains exceptional cost efficiency. M&A transactions possible.	Continue strong organic and inorganic growth of the business. M&A transactions part of the company's story also in future.	Ramp-up of Baltia fund and expansion of product offering. Acquisitions possible.	Growth in alternative investment products and international sales. M&A transactions unlikely.	Continued profitable growth of the management business. Acquisitions are very likely.	Focus on growth and continuing earnings. Growth in real asset products and private equity funds. Acquisitions possible.	Company seeks strong growth especially in asset management with which profitability should also be able to scale.	Focus on increasing continuing earnings and customer-specific size class. Here funds and new asset management service are in focus.	Strong growth in asset management, spearhead in sales is high-quality products. Acquisitions are very likely.

Source: Inderes / Refinitiv. Data gathered 10/05/2023

Risk profile of the business model

Source: Inderes

Investment profile

1. **Great growth potential in asset management**

2. **The balance sheet is very strong and significant capital will be released in coming years**

3. **An active player in the consolidation of the Finnish asset management market**

4. **Capital-light business enables simultaneous dividend distribution and operational business growth**

5. **The reduction in the with-profit portfolio makes it difficult to increase the result from the current level**

Potential

- Growth in capital-ligh asset management
- Relative profitability has clear improvement potential with business growth
- With the rise in interest rates, the with-profit business has become clearly more attractive than before
- Capital is released from the with-profit portfolio and PE investments
- Value creating acquisitions in the domestic asset management sector

Risks

- The company's result remains highly dependent on investment returns
- A fall in interest rates would weaken solvency and make it more difficult to manage with-profit business
- Life insurance risks (especially biometric risks)
- Maintaining good return levels for funds
- Adverse changes in the tax legislation on investment insurance

Source: Inderes

Financial position 1/4

The business ties up a lot of capital

Mandatum's balance sheet is, as is typical of a life insurance company, very large and at the same time differs significantly from the balance sheets of listed asset managers on the Helsinki stock exchange. The biggest difference arises from Mandatum recognizing all unit-linked insurance contracts in its balance sheet, as from the point of view of accounting standards these are treated as insurance contracts, even if the investment risk is borne by the policyholder. This is the key difference between other listed asset managers, where all managed client assets are off-balance-sheet. For the sake of clarity, it should be noted that Mandatum's non-insurance-based asset management (e.g. institutional asset management) is not reflected in the balance sheet. With-profit liabilities and the corresponding assets are naturally visible on both sides of the balance sheet, and the investment risk associated with these contracts is borne by Mandatum.

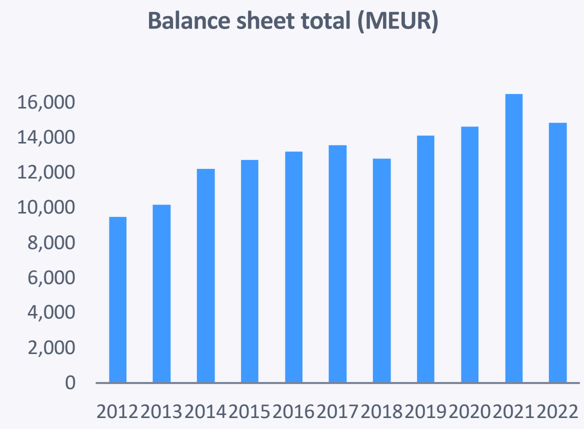
As a whole, we feel the size of Mandatum's balance sheet gives the wrong impression of the capital needs of the business. In reality, the asset management contracts related to insurance contracts are pure accounting items as they do not involve balance sheet risk and do not tie up the group's own funds. Correspondingly, the items related to the with-profit portfolio are very relevant to the balance sheet and the majority of Mandatum's capital is also committed to them.

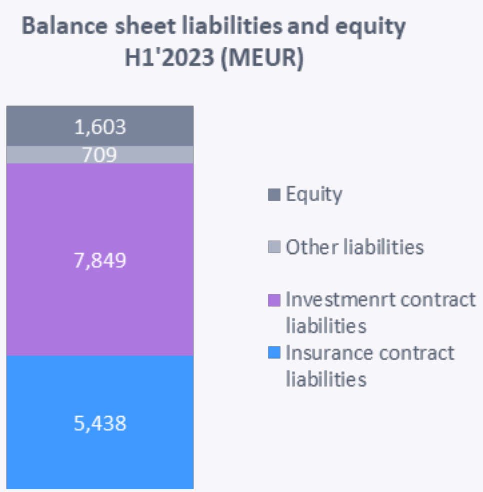
The largest balance sheet items on the asset side relate to insurance assets that guarantee customers' unit-linked insurance contracts. At the end of Q2'23, Sampo had close on EUR 11 billion of such investments in its balance sheet. At the end of Q2'23, financial assets totaled some EUR 3.5 billion, and the item includes Mandatum's investments at own risk (their counterpart is with-profit insurance liability). The third significant balance sheet item is cash and cash equivalents (cash) that amounted to approximately EUR 850 million at the end of Q2'23 (before the transactions with Sampo). A significant share of cash is related to the with-profit portfolio (+500 MEUR).

As is typical of the industry, there are no material intangible or tangible assets in the balance sheet, and the remaining items on the asset side are small and irrelevant to the investor.

The largest item on the liabilities side is the company's insurance-related liabilities (insurance and investment contract liabilities), which amounted to EUR 13.3 billion at the end of Q2'23. This item includes both unit-linked liabilities (EUR 10.9 bn) and with-profit liabilities (EUR 2.4 bn). The company had a capital loan of EUR 350 million, of which EUR 100 million is from Sampo. The loan was repaid in connection with the demerger. The rest of the subordinated loans is a EUR 250 million Tier 2 loan issued during the zero interest rate era with a very low interest rate of 1.875%. The first redemption option is on October 4, 2024. Other items on the liability side are not relevant to investors.

At the end of Q2'23, Mandatum's equity stood at EUR 1,603 million. The amount is exceptionally high relative to other asset managers, which is also reflected in the company's exceptionally low P/B ratio. The capital requirement for the company's business are mainly tied to the with-profit portfolio, as well as Saxo's and Enento's investments. Adjusted for these, the capital requirements are closer to other listed asset managers.





Source: Mandatum
**Situation before the demerger and transactions with Sampo*

Financial position 2/4

When assessing Mandatum's historical numbers, it should be noted that IFRS 17 and IFRS 9, which became mandatory for insurance companies at the beginning of 2023, have had a significant impact on the figures, so figures from 2021 and older historical figures are not fully comparable with more recent figures.

The demerger brought clear changes to the balance sheet

As part of the demerger, Sampo will sell Saxo's and Enento's investments to Mandatum, as well as other clearly smallerassets for an estimated EUR 430 million. The implementation of the arrangement is still pending approval by the authorities. The transaction will be financed with a one-off payment of EUR 150 million and a loan of EUR 280 million to Sampo. As part of the arrangement, Mandatum also repaid a hybrid loan of EUR 100 million to Sampo and Sampo allocated EUR 80-95 million of Group liabilities to Mandatum.

According to our calculations, before the arrangements with Sampo, Mandatum had net cash of some EUR 500 million, and as a whole, the arrangements will weaken net cash by around EUR 600 million. Correspondingly, investment assets of EUR 430 million will be included in balance sheet investments, and considering this, the net decrease is some EUR 200 million.

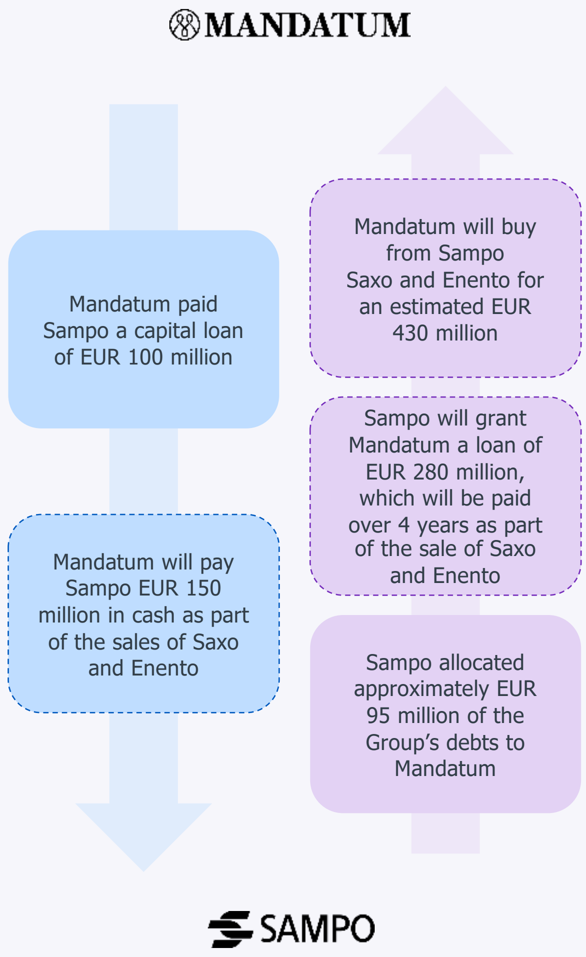
For Mandatum, the acquisition of Saxo and Enento is two-fold. On the other hand, both are better suited to Mandatum than to Sampo, because Mandatum has small-scale cooperation with Saxo and Enento's Chairman of the Board is also Mandatum's Chairman of the Board. On the other hand, the size class of the investments, and especially Saxo, are considerable for Mandatum. In addition, Mandatum ties up a significant part of its surplus capital, at least temporarily, into these investments, when the capital could be used for M&A transaction on the Finnish asset management market. Both Saxo and Enento are pure financial investments for Mandatum, and Mandatum's Chairman of the Board of Directors commented very bluntly at the company's investor event that the aim is to exit from both investments "at as good a price as possible and as quickly as possible."

Gearing

Mandatum currently has a Tier 2 loan of EUR 250 million, a EUR 95 million share of the Group's loans transferred from Sampo in connection with the demerger, and a debt of EUR 280 million to Sampo arising from the sale of PE investments. In total, Mandatum's interest-bearing debt is thus slightly over EUR 600 million (considering the 100 MEUR loan paid to Sampo in connection with the demerger). Therefore, considering the post-demerger transactions, the company has an estimated net debt of approximately EUR 100 million.

We expect Mandatum to refinance its EUR 250 million Tier 2 loan in a year's time in the fall, and the interest rate on this loan will naturally rise significantly due to the higher interest rate levels. The aim is to repay the EUR 280 million loan from Sampo in 4 years and we wouldn't be surprised if it was repaid prematurely. The approximately EUR 95 million share of the Group's debts transferred from Sampo will be repaid in accordance with Sampo's loan terms and conditions.

The arrangement between Sampo and Mandatum



Source: Mandatum

Financial position 3/4

Mandatum has a credit rating from S&P Global Rating. The latest rating considers Mandatum as an independent company separate from Sampo Group. The credit rating is currently A and stable outlook, which is a very strong level.

Solvency

Mandatum's solvency is very strong, and at the end of Q2'23 the company's Solvency 2 rate was 296%. The solvency ratio of an insurance company describes the ratio of own assets to the minimum capital requirement set by the supervisor. Solvency has strengthened significantly since the beginning of 2022 due to the rapid rise in interest rates and the company's own measures to ease solvency requirements (mainly changes in the allocation of investments). As a result, solvency has increased from 192% at the beginning of 2022 to the current 296%. Considering the planned acquisition of Saxo's and Enento's shares and the related loan arrangements, solvency would have been 232%, and it should also be roughly at this level at the end of Q3.

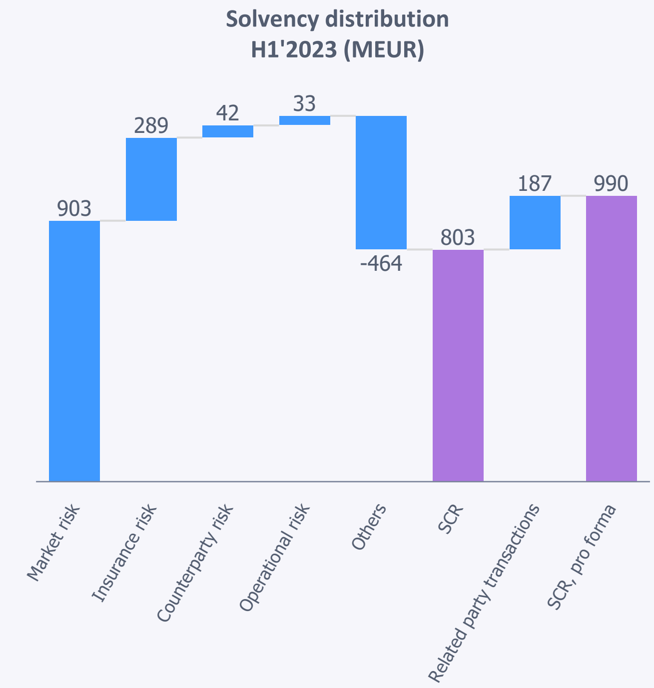
We feel Mandatum's balance sheet is overcapitalized and, in the long term, it offers considerable leeway, for example in M&A transactions. We, therefore, find it quite likely that Mandatum wants to be an active player in Finland's consolidating asset management market (more about this on page 12). To date, we feel Mandatum has not had preconditions for bigger transactions, since larger transactions outside P&C insurance have not been part of Sampo's strategy. However, in the short term, larger transactions may be held back by the acquisition of the shares in Saxo and Enento, as they temporarily reduce the leeway in the balance sheet in terms of solvency.

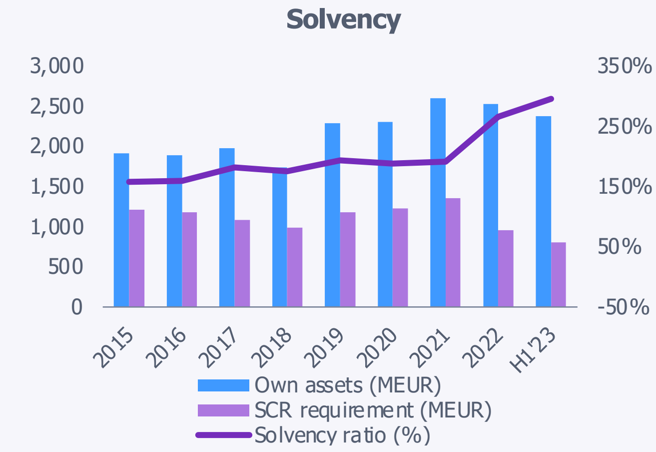
However, an exit from Saxo may be relatively quick, as in 2022, Saxo planned a listing through a SPAC arrangement. In January 2023, the company commented publicly that it was considering listing or other ownership arrangements following the collapse of the SPAC project. Saxo has communicated very clearly that an IPO or other ownership arrangement offers Sampo and the Chinese Geely (holding some 50%) an exit option. Therefore, we expect that Mandatum will exit from both Saxo and Enento by 2025.

After these exits, Mandatum's solvency improves significantly and if other parameters remain unchanged the impact on solvency would be over 50 percentage points. As the with-profit portfolio also continues to decrease, the company's solvency will systematically strengthen despite the high distribution of profits.

In its prospectus, Mandatum has stated that its medium- and long-term solvency ratio target is 170-200%. The level reflects a situation where Mandatum has been able to unwind its current overcapitalization in the balance sheet. However, we believe that solvency will remain above this level for a long time to come.

With our current estimates, Mandatum will have excess capital of EUR 400-700 million at the end of 2023 relative to its financial targets. As a result of Enento's and Saxo's exits and considering the capital released in the next few years, the amount of excess capital will increase to EUR 800-1,000 million by the end of 2025.





Source: Mandatum

Financial position 4/4

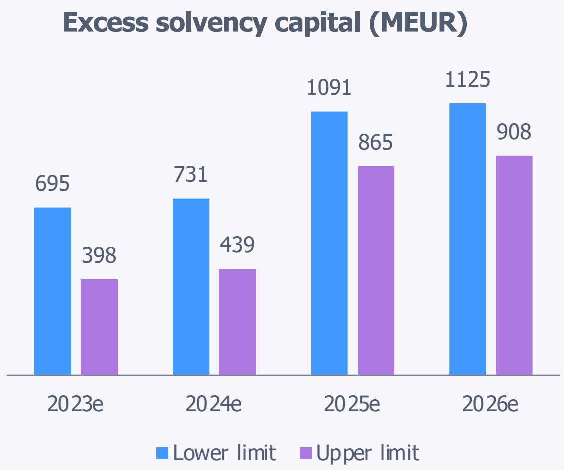
As a whole, Mandatum has considerable leeway in terms of its solvency, and we expect the company to gradually unwind its balance sheet through additional profit distribution and/or acquisitions. We also point out that in potential acquisitions, the company would probably also use its own shares in addition to cash.

Other segment

Mandatum reports virtually all income and expenses related to its balance sheet in the Other segment. In future, income and losses from direct investments and cash positions will be recorded in net investment income in the Other segment. We believe that after the exit from Enento and Saxo the company will not make any direct investments so these returns will be relatively small going forward, as long as the company exits the investments and the overcapitalization in the balance sheet is unwound.

Interest on loans is recorded in the Other income line. We expect the company to repay its loans gradually, and in our estimates gross debt falls from the current good EUR 600 million to EUR 250 million by the end of 2026.

Currently, interest rates on loans significantly exceed investment income, and according to our calculations, the segment's result should annually be slightly in the red with the current balance sheet structure.



Source: Mandatum/Inderes

Estimates 1/4

Changes in accounting make it difficult to interpret historical figures and weaken comparability

Mandatum's figures changed significantly at the beginning of 2023 with IFRS 17 and IFRS 9 accounting standards that became mandatory for insurance companies. In IFRS 17, premiums written and technical result are replaced by insurance service result. The most important change brought on by IFRS 9 is that changes in the fair value of balance sheet investments are recognized directly in the income statement in the future. Therefore, 2022 figures are not fully comparable, as they include amendments for IFRS 17 but not for IFRS 9. Thus the 2022 result seems too good in terms of financial income.

The second key difference relates to the income statement formula. As Mandatum follows the accounting model of insurance companies, it does not have any actual revenue. Mandatum's capital-light business result is reflected in three different items in the income statement, which makes interpretation of reported figures somewhat difficult.

Commission-based earnings include fees and expenses for asset management and a majority of unit-linked insurance. To put it simply, the result based on commission income is quite similar to the result of other asset managers.

However, the majority of unit-linked pension insurance policies are still recorded through **the insurance service result**, as their conditions differ somewhat from other unit-linked products. New pension insurance contracts (as of January 1, 2023) are recognized as part of commission income. In future, all new pension insurance contracts will be treated on a fee basis in accordance with IFRS 9, so the significance of the item will decrease over time as the old contracts mature.

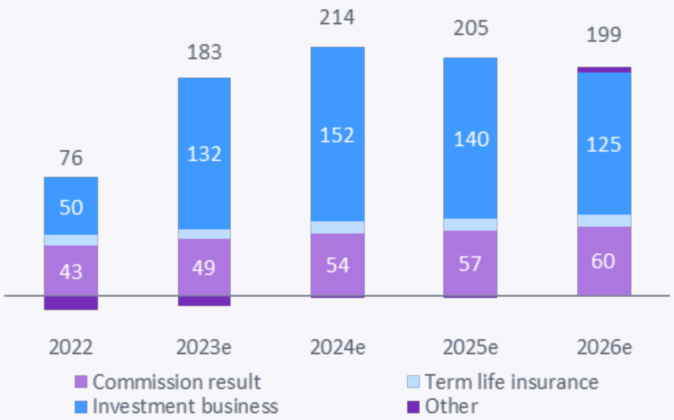
The third key component in the income statement of capital light businesses is the **insurance service result from risk insurance**. The insurance service result consists mainly of the contractual service margin (CSM), which Mandatum recognizes in the balance sheet throughout the contract period. In a somewhat simplified approach, the CSM in the balance sheet can be interpreted as Mandatum's estimate of future returns (considering the time value of money) from current life insurance contracts.

Estimates involve a higher risk than usual

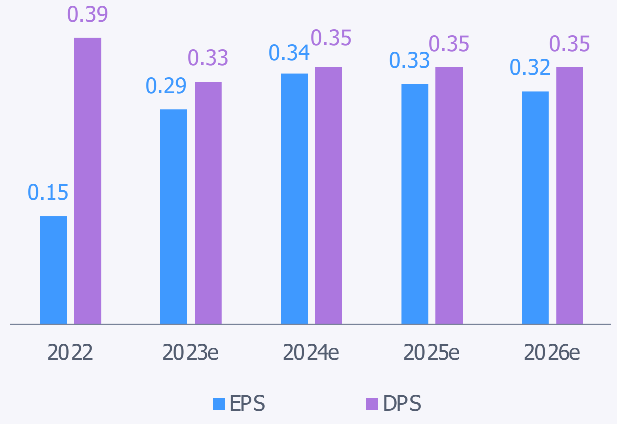
Due to changes in accounting practices, the usability of historical figures is exceptionally poor. During its listing process, Mandatum has also provided a fairly limited amount of comparable information on the development of its various segments. Due to these factors, accurate modeling of Mandatum's business is exceptionally difficult and, therefore, the uncertainty associated with the estimates is also quite high. This is particularly true for the capital-light business. Due to the limited amount of information, we model the commission income from life insurance and asset management at group level.

Quarterly forecasting of the with-profit business is extremely difficult, but in the longer term, the estimates should be at least in the right ballpark. In addition, the rise in interest rates and the clear increase in the interest rate weight of the with-profit portfolio also facilitates short-term forecasting.

Mandatum's PTP (MEUR)



Earnings ands dividend per share



Source: Inderes / Mandatum

Estimates 2/4

Market situation remains favorable despite short-term headwinds

We expect the market situation to remain at least reasonable for Mandatum in the coming years. Although the situation in the capital market has caused temporary headwinds for the asset management market, the long-term fundaments of the Finnish asset management market remain strong. The asset management market in Finland will continue to grow rapidly as new wealth is constantly being created and an increasing share of the wealth is covered by professional asset management. Mandatum is also excellently positioned in an attractive segment of wealthy individuals, where we estimate market growth to be very rapid.

The interest rate increase has been very positive for Mandatum, as the higher interest rate level significantly facilitates the fulfillment of the liabilities of the with-profit portfolio and clearly improves the related risk/return ratio. Although the rise in interest rates has significantly weakened demand for alternative products, Mandatum's strong interest rate side compensates for this, as interest rates have again become a relevant asset class.

Maintaining the result would be a good performance

The big picture of Mandatum's performance development is a so-called defensive action. The trend in the with-profit portfolio is clearly declining, although the current high interest rate level may slightly soften this (Mandatum has fewer incentives to accelerate the ramp-down).

This pit is being filled by strong growth in asset management. As the with-profit business is extremely profitable in absolute terms, compensating for it requires significant growth in Asset Management. In our opinion, it is clear that Mandatum's earnings growth will be challenging in the coming years, and even maintaining the current result would be a good performance.

It is important for investors to note that the distribution of the result will improve significantly as the focus gradually shifts from the structurally declining with-profit portfolio to continuously billed asset management. This change in the distribution should also have a significant positive impact on the company's acceptable valuation multiples. The key issues in terms of this change that the company needs to succeed in are:

1) increase AUM and recurring fees;

2) development of profitability based on recurring fees;

3) performance of the funds; and

4) successful risk management in risk insurance.

Structure of the result

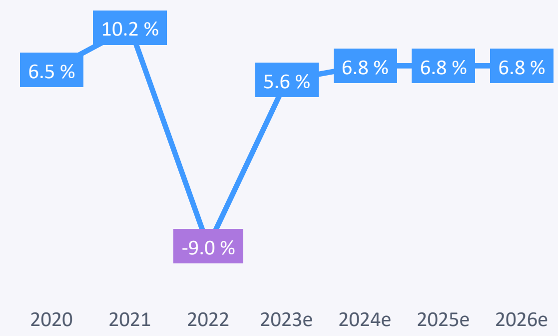
Mandatum's result consists of four components:
1) net fee income (in practice result associated with capital-light asset management)

2) the result of term life insurance,

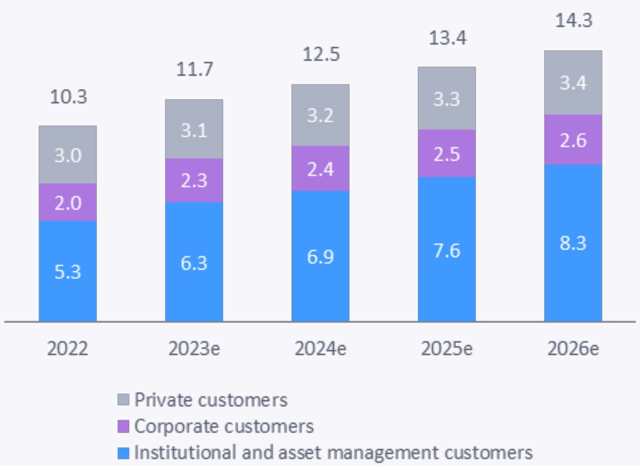
3) investment income from with-profit portfolio, and

4) other segment (net financial expenses and PE investments).

Investment income estimates for with-profit portfolio (%)



AUM development (EUR bn)



Source: Inderes / Mandatum

Estimates 3/4

Investment income still plays the biggest role in Mandatum's earnings, but the trend is naturally declining. The result from asset management will continue to grow clearly and it is mainly a question of the growth rate. We note that performance fees can sway the result of Asset Management between quarters, although the proportion of performance fees is quite moderate in Mandatum. The earnings outlook for term life insurance is stable for the next few years and its role in the Group's profit is quite small. The Other segment should generate a relatively small loss in the coming years from the Group's perspective, without possible returns/losses from investment exits.

2023: good progress despite market challenges

Mandatum's H1'23 went smoothly. Investment income suffered from the change in the discount rate and the result of term life insurance was also subdued due to imputed changes in the underlying assumptions. Asset management, on the other hand, was very strong. Net subscriptions were some EUR 500 million positive, which can be considered an excellent performance in the current uncertain market. In addition, we suspect the quality of net subscriptions has remained high as they flow mainly into own products with good margins. The Group's cost level also developed very favorably in H1 as partly non-recurring investments made in the previous two years, e.g., in systems, are gradually coming to an end. This is naturally very important, as the scalability of costs, and in particular, of asset management, is one of the key earnings growth drivers.

Overall, Mandatum generated a result of some EUR 80 million in H1. Of this, investment activities accounted for EUR 61 million and capital-light businesses (risk insurance, unit-linked products and asset management) for EUR 22 million.

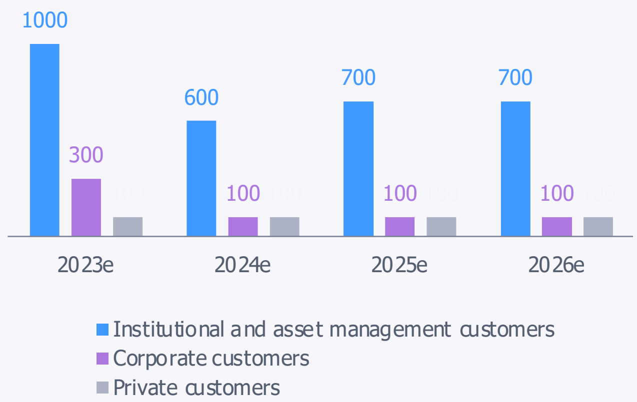
We think that the outlook for the rest of the year is very good. The continued rise in interest rates has further improved the outlook for the with-profit business and investment income should be at a good level. In term life insurance, we expect an improved result from the weak H1 level.

The biggest question for the rest of the year's development is new sales in asset management. The situation has remained uncertain in the capital market, which has been widely reflected in the sector's new sales. Especially in alternative products, new sales have been very tough. We believe Mandatum should be well placed to continue good development of new sales in institutional and asset management customers. Cost-efficiency should also continue to improve as the cost level remains at the previous year's level. As a whole, we expect Mandatum's PTP to be EUR 184 million and EPS EUR 0.29 in 2023.

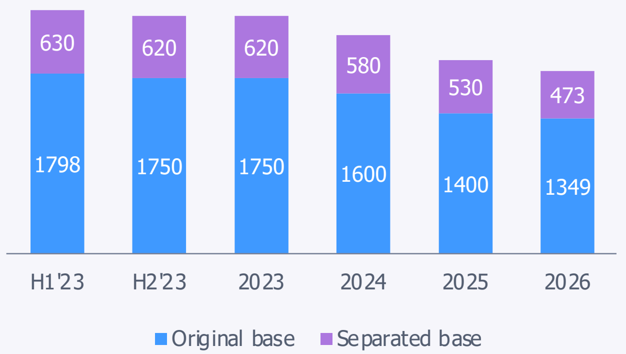
2024-2026: Steady growth in asset management

Mandatum's performance in the next few years follows very similar steps as in 2023. The result of the with-profit portfolio will be at a very strong level due to the improved portfolio return expectation with interest rates. The risk/return ratio has also improved clearly as a corresponding return expectation is achieved with significantly lower risk. This is due to the increase in the portfolio's interest rate weight compared to historical levels.

AUM growth estimates by customer segment (MEUR)



Expected development of with-profit technical provisions (MEUR)



Source: Inderes / Mandatum

Estimates 4/4

The capital-light business will continue to grow and we expect net subscriptions and wealth growth to amount to some EUR 800 million per year. The quality of AUM remains high as we do not expect changes in the company's focused high value added asset management offering. The key driver of sales is institutional customers in Finland and other Nordic countries, and wealthy individuals in Finland. We expect no miracles from the private customer business, as the volumes of the Danske Bank cooperation have long been modest. Also in the corporate customer sector, it is difficult for Mandatum to grow significantly due to its high market share. Fee income from the capital-light business is expected to grow at an annual rate of approximately 10% in the coming years.

As a whole, we expect the company's PTP to remain around EUR 200 million. In our opinion, a significant increase in the result is unlikely due to the structurally declining with-profit result. However, the earnings distribution will improve clearly and the share of the with-profit result in the Group's total result decreases to around 60% in our forecasts by 2026 from the current almost 80%.

Profit distribution will be very high

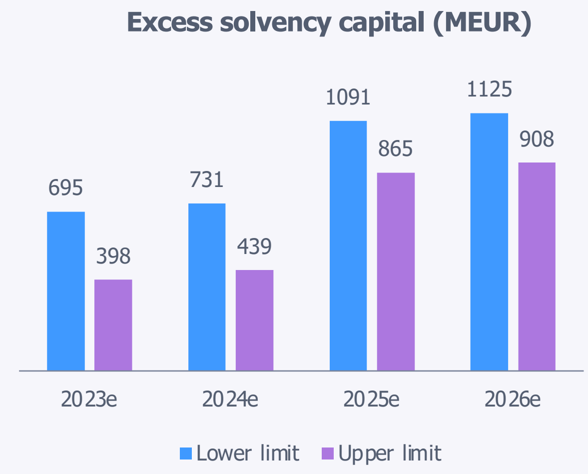
Mandatum aims to distribute cumulative dividends of EUR 500 million (approximately EUR 1 per share) for the next three years. In addition, the company has very openly indicated the possibility of additional capital repayments.

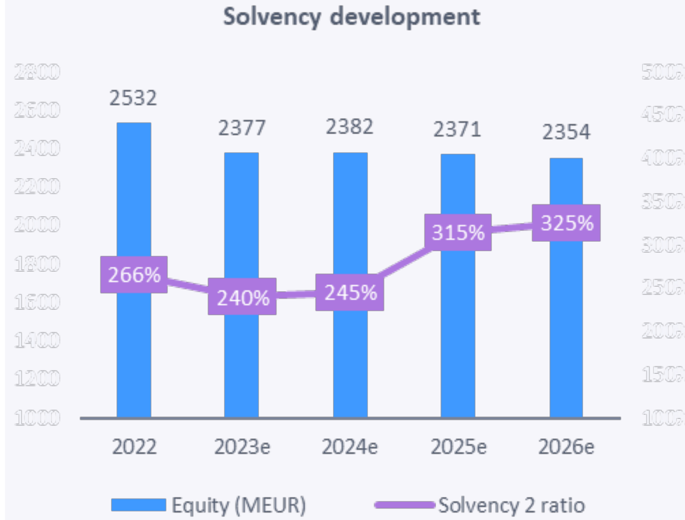
With our current estimates, Mandatum will have excess capital of EUR 400-700 million at the end of 2023 relative to its financial targets. As a result of Enento and Saxo exits and considering the capital released in the next few years, the amount of excess capital will increase to EUR 800-1,000 million by the end of 2025.

The company does not have the slightest problem of redeeming its EUR 500 million dividend promise, and we believe that the associated risk is non-existent. We expect a dividend of EUR 0.33 for next spring and a dividend of EUR 0.35 for the next two years.

We do not currently forecast additional repayment of capital, but consider them quite likely, because there is simply so much capital in a few years' time. The final distribution of excess profits will naturally depend on M&A transactions, as we believe Mandatum has earmarked at least some of the excess capital for this purpose.

Since the company is only in the initial stages of its stock exchange journey, we do not expect any quick moves with released excess capital and we do not think it realistic to expect an additional return of capital, e.g., next spring. We feel the logical time for repaying excess capital would be in connection with the Saxo and/or Enento exit, which we expect by the end of 2025. In addition, it is clear to us that over the next three years (same period as the dividend guidance) the company will make moves with the excess capital in its balance sheet.





Source: Inderes / Mandatum

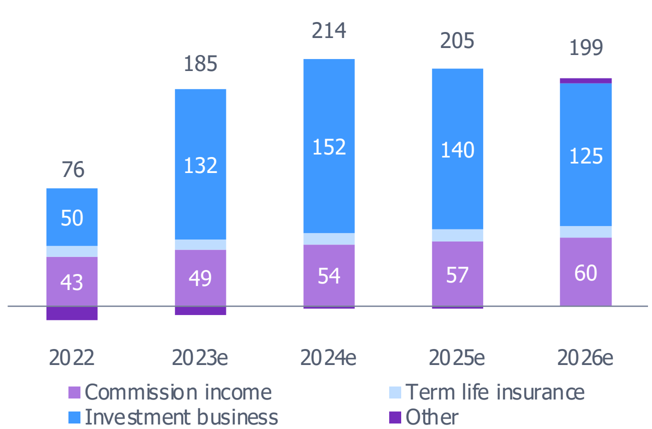
Estimate summary 1/2

Group	2023e	2024e	2025e	2026e
Commission result	**49.1**	**53.8**	**56.7**	**59.9**
Insurance service result	27.1	26.0	26.0	26.0
Result from investment contracts	22.0	27.8	30.7	33.9
Result from term life insurance	**8.9**	**10.2**	**10.2**	**10.2**
Result from investment activities	**131.7**	**151.9**	**140.4**	**124.5**
Others	**-7.6**	**-1.9**	**-2.1**	**4.3**
Mandatum PTP	**184.7**	**214.0**	**205.2**	**198.8**
Earnings per share (EPS)	0.29	0.34	0.33	0.32
Dividend per share	0.33	0.35	0.35	0.35

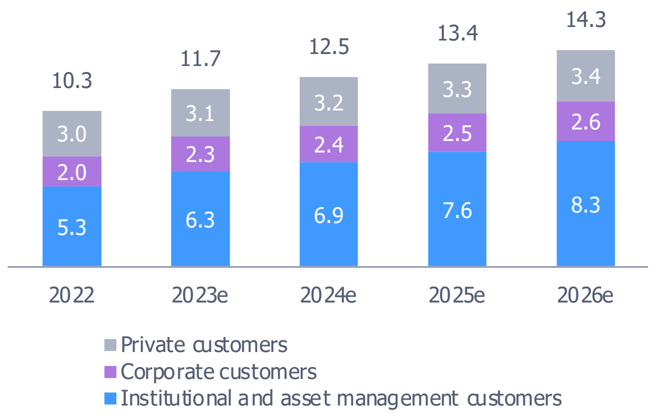
AUM	2023e	2024e	2025e	2026e
Group's customer assets (MEUR)	**11,700**	**12,500**	**13,400**	**14,300**
Institutional and asset management customers	6,300	6,900	7,600	8,300
Business Banking	2,300	2,400	2,500	2,600
Personal Banking	3,100	3,200	3,300	3,400
Group's commission income (MEUR)	**131**	**138**	**144**	**150**
Net growth (AUM)	**1,400**	**800**	**900**	**900**
Institutional and asset management customers	1000	600	700	700
Business Banking	300	100	100	100
Personal Banking	100	100	100	100

Solvency	2023e	2024e	2025e	2026e
Solvency 2 ratio	240 %	245 %	315 %	325 %
Equity (MEUR)	2,378	2,383	2,372	2,355
Solvency capital requirement (SCR)	990	972	754	724
Excess solvency capital at the lower limit	695	731	1,091	1,125
Extra solvency capital at the upper limit	398	439	865	908
Excess capital per share at the lower limit	1.38	1.46	2.17	2.24
Excess capital per share at the upper limit	0.79	0.88	1.72	1.81

Mandatum's PTP (MEUR)



Development of AUM (EUR bn)

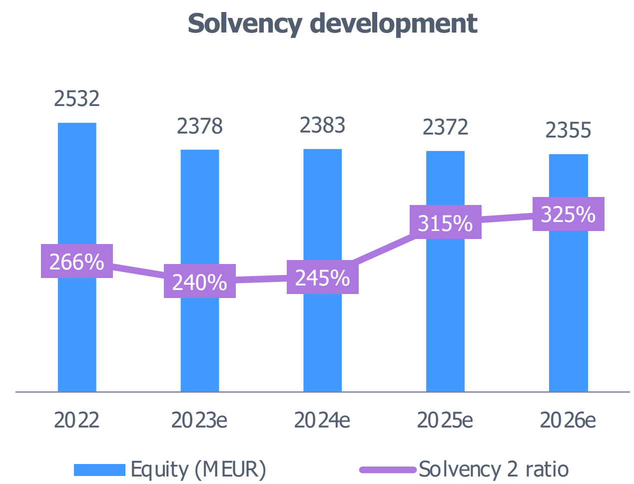


Estimate summary 2/2

Capital-light business	2023e	2024e	2025e	2026e
Result from investment contracts	22.0	27.8	30.7	33.9
Insurance service result	27.1	26.0	26.0	26.0
Result from term life insurance	8.9	10.2	10.2	10.2
Segment's PTP	**58.0**	**64.0**	**66.9**	**70.1**

With-profit business	2023e	2024e	2025e	2026e
Net investment income	228.5	239.1	217.6	197.4
Financing costs of insurance	-96.8	-87.2	-77.2	-72.8
PTP of investment activities	**131.7**	**151.9**	**140.4**	**124.5**

Others	2023e	2024e	2025e	2026e
Net investment income	10.1	16.9	17.0	16.8
Other income	-17.7	-18.8	-19.1	-12.5
Segment's PTP	**-7.6**	**-1.9**	**-2.1**	**4.3**



Valuation 1/5

Valuation summary

We have estimated Mandatum's fair value through the value of its parts, relative and absolute valuation and a dividend model. In our research, we focus in particular on the dividend model, as it best considers the company's high payout ratio and the unwinding of the overcapitalized balance sheet The balance sheet-based sum of the parts analysis is also included in our examination.

The different valuation methods all indicate that Mandatum's share is clearly undervalued. In our view, the main reason for the company's undervaluation and the weak share price development since the demerger is technical selling pressure, e.g., from index funds and institutions that cannot or do not want to own Mandatum. We see the current price level as a good opportunity to hop on board Mandatum. Our target price is EUR 4.2, which is also in line with our view of the share's fair value

Mandatum's expected return is slightly exceptionally primarily based on high dividend yields, as it will be challenging to achieve earnings growth in the coming years, and we believe that even maintaining current earnings would be a good performance for the company. However, the earnings distribution should improve clearly as the focus shifts from the structurally declining with-profit business to the growing capital-light business.

Sum of the parts supports the valuation

The value for Mandatum according to our sum of the parts calculation is EUR 4.5 per share. Most of the value is committed to the with-profit portfolio.

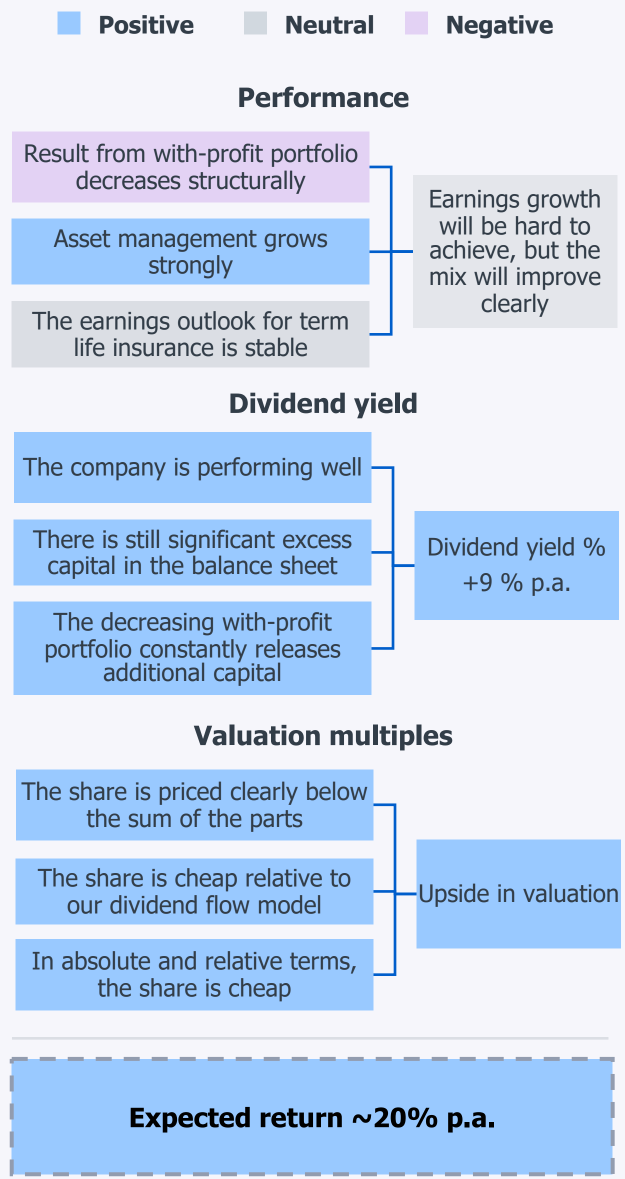
In Mandatum's case, the sum of the parts calculation is quite theoretical and describes the value that can be released from the company's balance sheet if the company exits from non-operational items (with-profit portfolio and PE investments) and the excess profits are returned to shareholders. However, the liquidation of significant balance sheet items is highly unlikely, as the company has communicated its objective of steadily reducing the with-profit portfolio. The method does not take a position on the timing of unwinding the balance sheet, which means the time value of money is ignored. However, the sum of the parts provides a fairly relevant perspective on the value committed to the Group's balance sheet items.

As a whole, we do not see such value in the sum of the parts that would not be realized within the company's current strategy. We, therefore, consider it reasonably unlikely that Mandatum would carry out significant balance sheet arrangements (excl. possible acquisitions).

Sum of the parts: With-profit portfolio

In our calculation, we have assigned a value of EUR 1,710 million to the with-profit portfolio corresponding to 90% of the portfolio's net assets (financial assets-insurance liabilities). We believe that this roughly corresponds to the price that Mandatum would receive for selling the portfolio. In general, the net assets of the with-profit portfolio gives a good picture of its value, as the investments have been valued at market value and the insurance liability related to the contracts has been discounted.

TSR drivers



Valuation 2/5

We have also considered the Group's interest-bearing liabilities in the valuation of the with-profit portfolio, as it is not possible to distribute all of the capital released from the with-profit portfolio to shareholders under Solvency 2 regulations. After deducting the Group's interest-bearing debt from the realization value of the portfolio (90%* NAV), the shareholders' share is valued at EUR 1,060 million. We note that, for the sake of simplicity, we have included all interest-bearing liabilities when processing the with-profit portfolio.

Adjusted for these, the equity of the Group's operational business is about EUR 100 million, which we estimate will roughly meet the solvency requirements of capital-light business at the company's target level (170-200% Solvency 2 ratio). Mandatum can distribute the rest of the capital to its shareholders within the solvency limits.

Sum of the parts: Capital-light business

A high-quality peer group is available for Mandatum's core business on the Helsinki stock exchange, as most of the key asset managers in the industry are listed. Although the peer group offers very limited information value at Group level, it provides a good indication of the acceptable valuation levels for a capital-light business.

We have used all listed asset managers as domestic peers: Evli, eQ, Taaleri, Alexandria, CapMan, United Bankers, Titanium and Aktia.

When assessing the relative valuation, we examine the P/E ratio and dividend yield.

On average peer companies are currently priced at a P/E ratio of 12-14. The levels are in line with the previous 5-year average and we believe they provide a reasonable indication of the sector's acceptable valuation level.

By applying the average valuation levels of the sector, the value of capital-light business is approximately EUR 650 million. Relative to AUM, the level is approximately 6 %, which is a relatively high level, but can be justified by the very good quality of AUM (good fee level and higher-than-average customer retention).

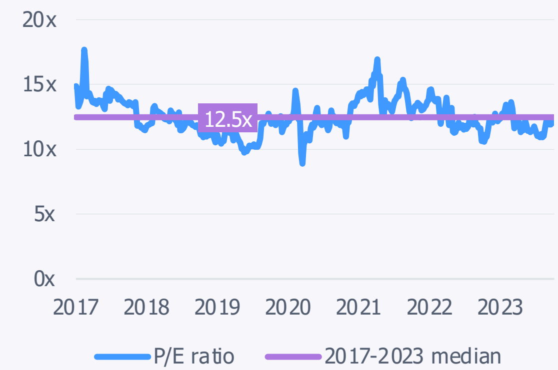
Sum of the parts: investments and cash

We estimate that Mandatum's parent company currently has around EUR 100 million in cash. The share of with-profit investments has been adjusted from this figure.

The company's other investment assets consist in practice of shares in Saxo and Enento that we have valued at EUR 430 million, which corresponds to their purchase price. We point out that, although the arrangements are still pending approval by authorities, we feel their implementation involves no notable uncertainty. In addition, from the point of view of the outcome of our sum of the parts calculation, the outcome of the arrangement is irrelevant. In total, we assign the investments and cash assets a value of EUR 530 million.

Sum of the parts calculation (MEUR)

P/E ratio development of Mandatum's domestic peer group



Source: Bloomberg / Inderes

Valuation 3/5

Dividend model (DDM)

Our DDM model indicates a value of some EUR 4.2 per share for Mandatum. We believe that the dividend model works very well for Mandatum due to its modest investment needs (and thus high payout ratio) and the overly strong balance sheet that the company intends to unwind as the with-profit portfolio gradually decreases and when it exits from investments. In addition to cash flow from operating businesses and unwinding of the balance sheet, our model considers the time value related to the return of capital, as even with current management estimates, the ramp-down of the with-profit portfolio will take well over a decade. Thus, we feel this method gives a rather good picture of Mandatum's fair value. We consider the dividend model to be Mandatum's primary valuation method, for which the sum of the parts calculation provides support.

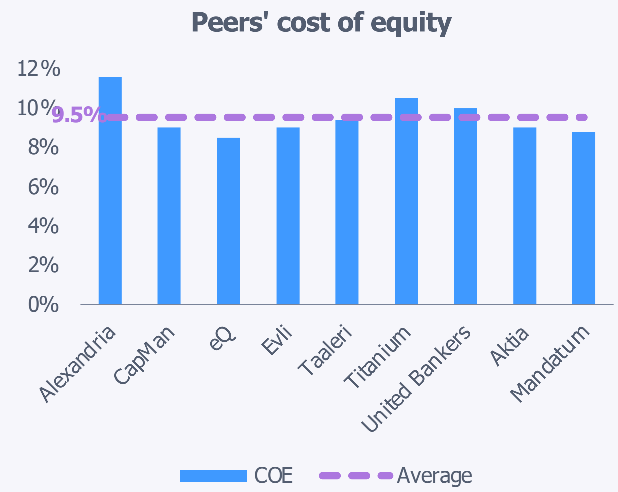
We note that our current balance sheet estimates do not include return of capital to shareholders from the ramp-down of the with-profit portfolio and investment exits in full. Therefore, the assumptions of the dividend model can be considered quite conservative. We feel this is justified considering the considerable market risk related to the result of the with-profit portfolio and the uncertainty surrounding the timing of the return of balance sheet capital. For example, a drop in market rates would lower the long-term expected return of a debt-centric portfolio or, correspondingly, lower the amount of excess capital in the balance sheet (as the weight of shares increases the equity requirement). In addition, the profit-based portion of dividends is strongly linked to the profit development of the with-profit portfolio. These represent the central estimate risk of the model.

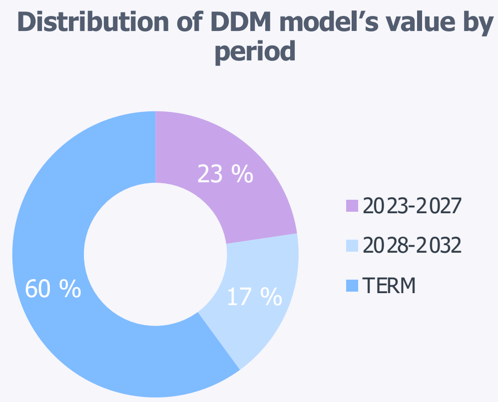
Our estimates do not include possible acquisitions either, which we consider quite possible in the coming years. While we believe that the conditions for value-creating M&A transactions are in place, we have assumed the effect from these to be neutral in our valuation (ROE of investments = required return on equity).

We have discussed our shorter-term earnings estimates in more detail in the previous section of the report. In the long-term, we expect the company's PTP to remain around EUR 200 million.

In 2027-2031, we expect the company's payout ratio to be 150%, so that model better reflects the unwinding of the company's significant overcapitalization. We stress that the total amount of this additional profit distribution is around EUR 400 million, i.e. very conservative relative to the expected amount of excess capital. In practice, this profit distribution in excess of earnings could be covered by the funds from the sales of Saxo and Enento alone.

Our terminal growth assumption is 0%, as the company still has a significant structurally decreasing with-profit portfolio in our estimates in 2031. The ROE requirement we apply is 8.7%, which is in line with key asset manager peers.





Source: Inderes

Valuation 4/5

Peer group: domestic asset managers

Domestic asset managers provide a relatively weak control group for Mandatum Group. This is due to the fact that although listed asset managers are highly relevant competitors for Mandatum's capital-light business, Mandatum's structure differs considerably from them at Group level. The main distinguishing factors are the predominant share of the with-profit business and the clearly bigger role of life insurance than among the peers.

Thus, domestic asset managers even at best only provide an approximate indication of the company's acceptable valuation and we do not give a significant weight to the peer group in our valuation. We have used all listed asset managers as domestic peers: Evli, eQ, Taaleri, Alexandria, CapMan, United Bankers, Titanium and Aktia.

When assessing relative valuation, we use the P/E ratio and dividend yield, as EV-based multiples work poorly for insurance companies.

Relative to the peer group, Mandatum is priced at a reasonable discount. With P/E ratios, the discount is slightly over 10% and with the dividend yield the discount is around 25%. If the peer multiples are applied with equal weights, Mandatum's value is slightly over EUR 4 per share. However, due to the challenges mentioned above, we do not give the method any significant weight in our valuation.

Peer group: international life insurers

As a second control group, we have used European life insurers (table on page 50). We point out that the group contains very different companies, so their comparability is passable at best. Thus, the value offered by this group of companies is also indicative at best. We use P/E and P/B ratios, as well as dividend yield in our peer group analysis.

The valuations of the peers are at low levels throughout and the average P/E ratios for 2023 are around 10x and approximately 8x for 2024, P/B ratios are good 1x and the dividend yield around 7-8%. These are roughly in line with the historical levels of the sector and in the previous 5 years the P/E ratio for the sector has been on average 9x.

By applying the multiples of the peers and our current estimates, Mandatum's value is approximately EUR 1.9 billion. We feel Mandatum's significantly overcapitalized balance sheet should be considered, so we find it justified to include the EUR 430 million investment in Saxo and Enento as additional capital. Considering this, the value is approximately EUR 2.3 billion, or some EUR 4.5 per share.

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Aktia	675								8.1	7.7	7.3	8.5	1.0
Alexandria	64	48	6.4	5.0	4.9	4.0	1.2	1.1	10.1	9.5	6.6	8.5	2.1
CapMan	373	444	20.0	10.8	18.8	10.5	6.6	5.7	23.5	13.3	7.7	8.1	2.9
Evli	496	451	10.3	7.7	9.2	6.9	4.1	3.5	16.0	12.1	8.3	10.1	3.6
eQ	666	627	14.6	11.7	14.2	11.4	8.4	6.9	19.6	15.9	5.2	6.5	8.1
Taaleri	279	225	7.3	6.2	7.2	6.1	3.6	3.1	12.7	11.2	8.0	8.5	1.4
Titanium	173	154	10.1	8.8	9.7	8.5	5.5	4.9	14.3	12.5	7.0	8.0	6.9
United Bankers	151	139	8.7	7.9	7.7	7.0	2.7	2.5	12.4	11.9	7.1	7.8	2.9
Mandatum (Inderes)	**1857**	**1965**	**10.6**	**9.2**	**10.2**	**8.8**	**15.4**	**14.2**	**12.7**	**10.8**	**8.9**	**9.5**	**1.1**
Average			**11.1**	**8.3**	**10.3**	**7.8**	**4.6**	**4.0**	**14.6**	**11.8**	**7.1**	**8.3**	**3.6**
Median			**10.1**	**7.9**	**9.2**	**7.0**	**4.1**	**3.5**	**13.5**	**12.0**	**7.2**	**8.3**	**2.9**
Diff-% to median			***5%***	***16%***	***12%***	***26%***	***274%***	***304%***	***-6%***	***-9%***	***24%***	***14%***	***-61%***

Source: Refinitiv / Inderes

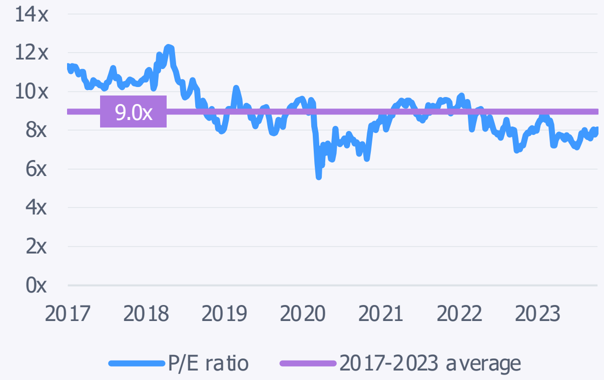
Valuation 5/5

Valuation multiples are neutral

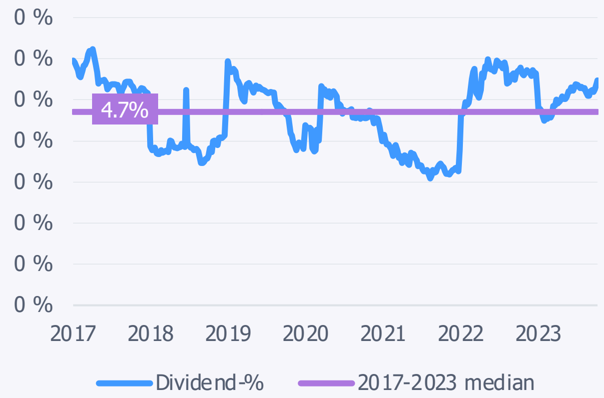
From an earnings-based perspective, Mandatum's share seems very affordable. The P/E ratios for the coming years will be at an absolute low level of just over 10x. Although the company's earnings do not increase in our forecasts, the earnings distribution improves gradually, which should support the valuation level and provide a gradual upside for the share price.

In the components of the share's expected return, dividends play the key role with the dividend yield being over 9% at the current share price. The long-term (5-10 years) dividend growth is close to zero, as the reduction in the with-profit portfolio affects the Group's net result negatively. Correspondingly, the ramp-down of the portfolio supports the dividend yield so in our calculations the net effect from these is close to zero.

P/E ratio development of Mandatum's international peer group



Dividend yield development of Mandatum's domestic peer group

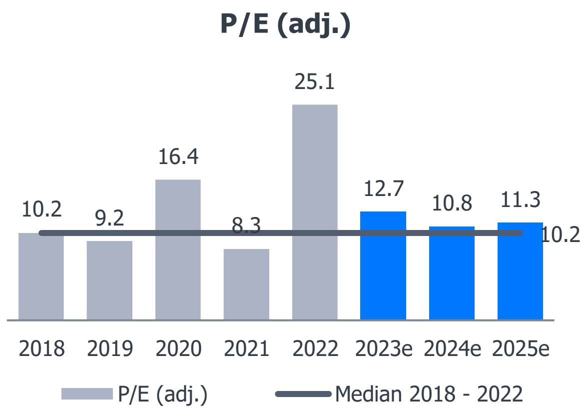


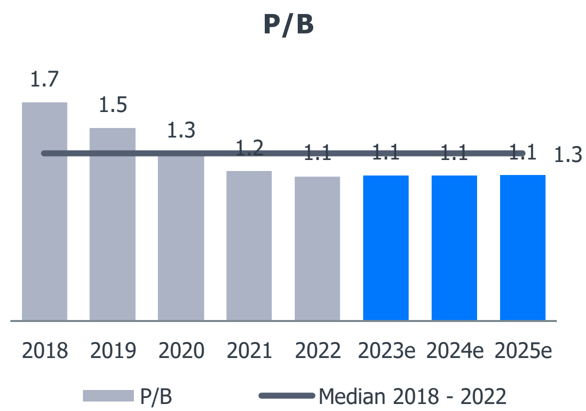
Source: Bloomberg

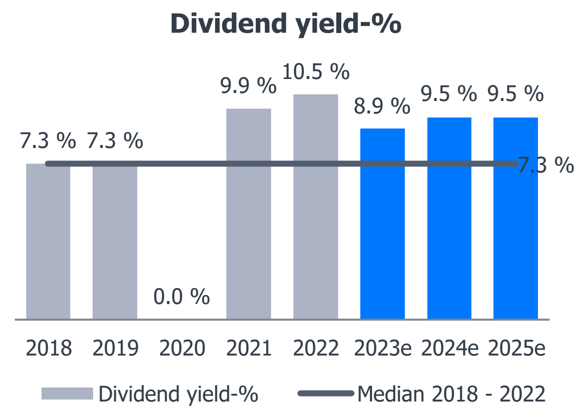
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	3.70	3.70	3.70	3.70	3.70	**3.70**	**3.70**	**3.70**	**3.70**
Number of shares, millions	556.6	556.6	556.6	548.0	514.5	**501.8**	**501.8**	**501.8**	**501.8**
Market cap	2059	2059	2059	2028	1904	**1857**	**1857**	**1857**	**1857**
P/E (adj.)	10.2	9.2	16.4	8.3	25.1	**12.7**	**10.8**	**11.3**	**11.7**
P/E	10.2	9.2	16.4	8.3	25.1	**12.7**	**10.8**	**11.3**	**11.7**
P/B	1.7	1.5	1.3	1.2	1.1	**1.1**	**1.1**	**1.1**	**1.1**
Payout ratio (%)	74.2 %	67.1 %	0.0 %	81.7 %	265.1 %	**112.9 %**	**102.6 %**	**107.0 %**	**110.4 %**
Dividend yield-%	7.3 %	7.3 %	0.0 %	9.9 %	10.5 %	**8.9 %**	**9.5 %**	**9.5 %**	**9.5 %**

Source: Inderes NB! The closing price of the first trading day has been used as the historical share price







Life insurance peer group

Peer group valuation	Market cap	P/E		Dividend yield-%		P/B
Company	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Prudential Plc	27547	12.8	9.8	1.9	2.1	1.5
Legal & General Group Plc	14889	11.0	7.7	9.4	9.9	2.6
Aviva Plc	12823	10.3	8.9	8.2	8.5	1.2
Phoenix Group Holdings Plc	5377	12.1	8.8	11.3	11.6	1.2
Just Group Plc	836	3.2	3.2	2.9	3.0	0.5
NN Group N.V.	9134	6.4	5.1	9.3	9.9	0.5
Ageas N.V.	7160	6.3	6.1	8.3	8.7	0.8
Swiss Life	17703	13.0	12.0	5.5	6.0	1.8
Aegon	9309	9.0	6.9	6.7	7.8	0.8
Mandatum (Inderes)	**1723**	**11.2**	**9.5**	**10.2**	**10.8**	**1.0**
Average		**9.5**	**7.8**	**7.4**	**7.8**	**1.2**
Median		**10.3**	**7.7**	**8.2**	**8.5**	**1.2**
Diff.-% to median		**9 %**	**23 %**	**24 %**	**27 %**	**-17 %**

Source: Bloomberg / Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**15197**	**13961**	**14390**	**14390**	**13960**
Goodwill	41.4	41.2	41.2	41.2	41.2
Intangible assets	12.9	13.9	14.1	14.5	15.0
Tangible assets	27.6	25.6	24.6	24.0	23.7
Associated companies	1.3	4.3	4.3	4.3	4.3
Other investments	15114	13876	13876	13876	13876
Other non-current assets	0.0	0.0	430	430	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**1273**	**894**	**808**	**720**	**875**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	353	168	168	168	168
Receivables	1.5	1.5	1.3	1.4	1.4
Cash and equivalents	918	725	638	551	706
Balance sheet total	**16470**	**14854**	**15197**	**15110**	**14835**

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**1738**	**1692**	**1638**	**1643**	**1632**
Share capital	5.0	5.0	5.0	5.0	5.0
Retained earnings	559	534	480	485	474
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	1174	1153	1153	1153	1153
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**14295**	**12937**	**13200**	**13120**	**12977**
Deferred tax liabilities	159	160	160	160	160
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	375	350	613	533	390
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	13762	12427	12427	12427	12427
Current liabilities	**437**	**226**	**360**	**347**	**226**
Interest bearing debt	0.0	0.0	134	121	0.0
Payables	0.0	0.0	0.0	0.0	0.0
Other current liabilities	437	226	226	226	226
Balance sheet total	**16470**	**14854**	**15197**	**15110**	**14835**

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Buy The 12-month risk-adjusted expected shareholder return of the share is very attractive

Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

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Date	Recommendation	Target	Share price
10/12/2023	Buy	4.20 €	3.70 €

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