Sampo

Extensive report

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inderes.

The King of the Nordic P&C insurance market

Sampo operates mainly in the very lucrative Nordic P&C insurance market with high-quality business operations. The company currently performs excellently, and we expect stable earnings growth and a strong dividend stream for the upcoming years. The share's valuation is in line with the valuation methods we use, and we reiterate our Reduce recommendation for the share as the expected return relies largely on the dividend stream. We revise our target price to EUR 44.0 (was EUR 47.0) mainly due to the dividend payment in May.

Leading insurance company in the Nordic countries

Sampo is the leading insurance group in the Nordic region that also operates in the UK and the Baltic countries through its subsidiaries. Sampo's largest subsidiary is the largest P&C insurer in the Nordic countries, If. Sampo also owns about half of the Danish Topdanmark and the combined market share of If and Topdanmark in the Nordic countries is about 20%. The Nordic P&C insurance market is very attractive. The market is highly consolidated (market shares of the three largest players 65-80%) and, as a result of high service levels, customer retention is very good. The profitability levels in the market are therefore excellent across the board, which has been highlighted over the past decade as zero interest rates have shifted the focus of the result from investment income to the underwriting result. Market growth is slow, but defensive. Sampo has undergone a major transformation during the 2021-2023 strategy period. The company has focused on P&C insurance, has exited from Nordea, repaid substantial own capital to shareholders and announced a partial demerger of Mandatum.

The company performs strongly and the earnings growth outlook is stable

If and Topdanmark, are currently performing excellently and in our view, their earnings growth will inevitably be moderate in the upcoming years. Hastings has the preconditions to grow clearly faster than we estimate, but caution is justified considering the challenging market in the UK. As a whole, we estimate that Sampo's normal earnings level with its current structure is EUR 2.5–2.7e per share, including Mandatum. Given the fierce performance of the businesses, there is no reason to expect major corrections to this level, but the result will grow steadily, supported by strong P&C insurance performance and ongoing share buybacks (2024-2026 average EPS growth 7%). A key forecast risk is still related to a deterioration in the earnings mix as rising investment income increases the likelihood of higher competitive pressure, which would have a negative impact on the insurance service result. Sampo still has surplus capital in its balance sheet for about EUR 2–3 per share and we expect the company to gradually dismantle this capital with extra profit distribution when the PE investments are exited.

The share appears to be correctly priced and the expected return relies mainly on the dividend

We have estimated Sampo's fair value through the value of its parts, relative and absolute valuation, as well as dividend flow calculations. We give most weight for the sum of the parts, as it takes into a consideration the different profiles of the businesses. In addition, the value will be released when PE investments are sold, and Mandatum is demerged. The value based on our sum of the parts is approximately EUR 44 per share (previous 47e). The peer analysis, absolute multiples and our DDM model support the current target price, and we believe that Sampo's share price is currently roughly at the right level. In our view, the expected return of the share relies largely on the dividend stream, which is over 5% on average for the next few years. We do not consider this to be sufficient compensation, especially as investors are also bearing the risk of falling multiples as interest rates rise.

Recommendation

Reduce
(previous Reduce)

44,00 EUR
(previous 47.00 EUR)

Share price:
43,08

Key indicators

	2022	2023e	2024e	2025e
PTP	1924	1476	1600	1679
growth-%	-39 %	-23 %	8 %	5 %
Net Income	1426	1045	1135	1203
EPS (adj.)	3,71	2,41	2,70	2,89
Dividend/share	2,60	2,40	2,50	2,10

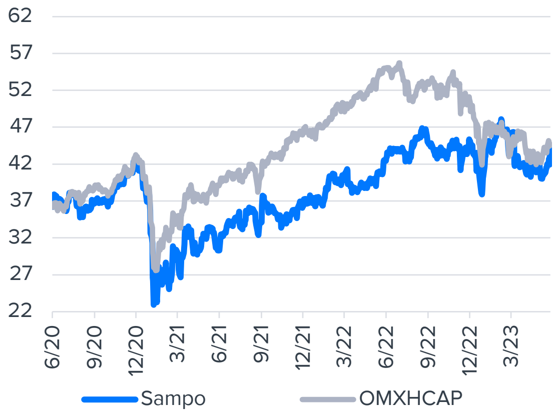
P/E (adj.)	13,1	17,9	16,0	14,9
P/B	2,6	2,3	2,2	2,2
Dividend yield-%	5,3 %	5,6 %	5,7 %	4,8 %
Dividend/EPS-%	70 %	100 %	93 %	73 %

Source: Inderes

Guidance (Unchanged)

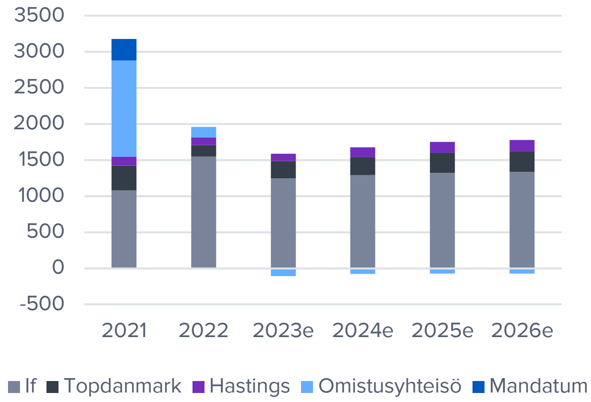
Sampo Group's P&C insurance operations are expected to achieve underwriting margins that meet the annual targets set for 2021-2023. At group level, the target is a combined ratio of less than 86%, and If' P&Cs target is less than 85%. Hastings targets an operating ratio of below 88%. With the strong performance in Q1, If P&C's 2023 combined ratio is expected to be 82-84%.

Share price



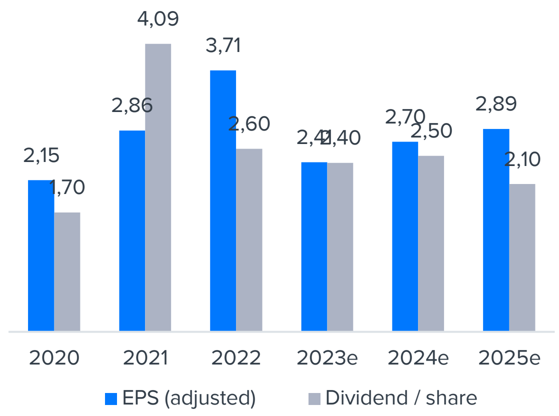
Source: Millistream Market Data AB

Sampo's PTP breakdown (MEUR)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Profitable growth in insurance activities
- Capital released from non-core business activities
- Higher interest rates would improve investment income
- Topdanmark acquisition
- Other M&A transactions

Risk factors

- Rising interest rates could weaken underwriting results and depress insurance companies' acceptable multiples
- Tightening competition in the Nordic insurance market

Contents

Sampo in brief

Sampo is the leading P&C insurance group in the Nordic region that also operates in the UK and the Baltic countries through its subsidiaries. Sampo's strategic focus area and the core of shareholder value creation is the P&C insurance business.

1909
Year of establishment

1988
Listing on the main list of the Helsinki stock exchange

8,404 MEUR
Gross premiums written last 12months

1,592 MEUR
Profit before taxes last 12 months

~6,500 MEUR
Capital returned to shareholders after 2021

20%
Market share of the Nordic P&C insurance market in 2022

Active M&A (2001–2008)

Sampo enters the banking business by merging with Leonia Bank

Sampo acquires Mandatum and Björn Wahlroos becomes Group CEO

Sampo acquires If (2002–2004)

Sampo sells its banking business to Danske at a great price

Financial conglomerate (2008–2019)

Wahlroos becomes Chairman of the Board and Kari Stadigh is appointed Group CEO

Topdanmark minority acquisition in 2011 and gradual increase of the holding

Nordea's challenges are also reflected in Sampo's development

Despite constant rumors, big business transactions are not implemented

Focus on P&C insurance (2020–2023)

Torbjörn Magnusson becomes Group CEO in 2020

New strategy sharpens focus on P&C insurance

Hastings acquisition and expansion to a new market

Exit from Nordea and significant capital returned to shareholders

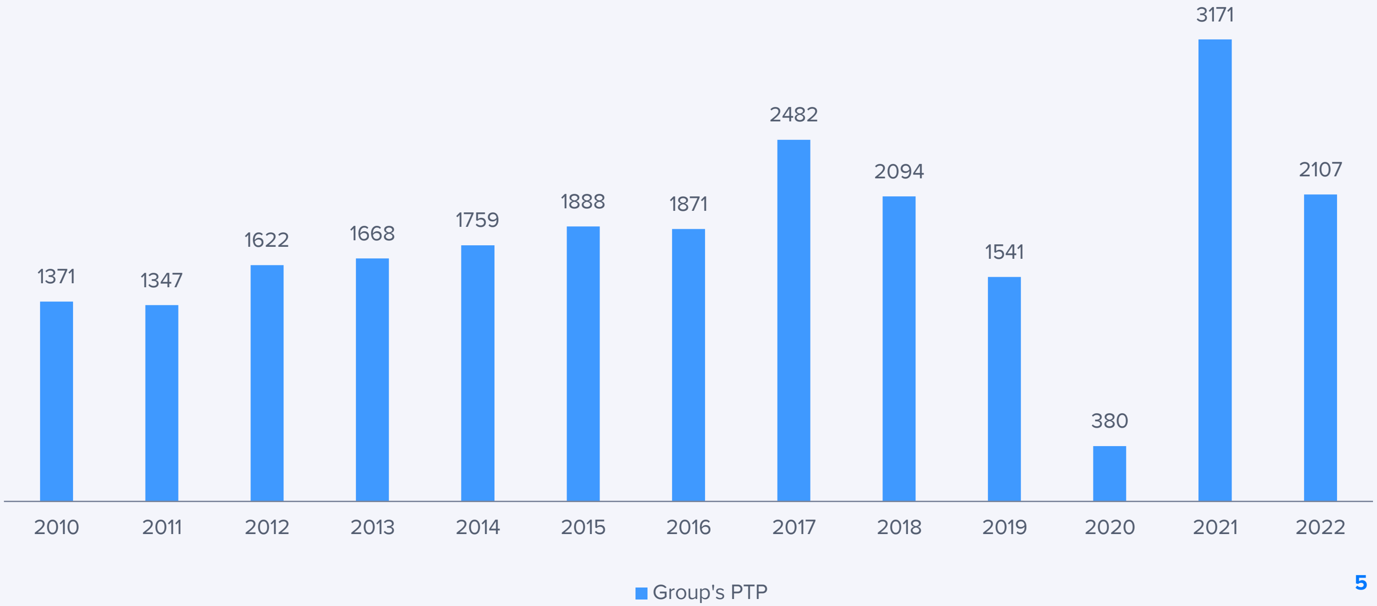
Mandatum listed on stock exchange through a partial demerger (planned on 10/1)

"Boring is good" (2024–)

The focus of the next strategy period will continue to be on excellent operational performance

Returning remaining surplus capital to shareholders

We consider the acquisition of Topdanmark's minority certain at some point, but in other respects we assume that M&A transaction aspirations are low



Source: Inderes / Sampo

Company description and business model 1/2

Sampo is the leading insurance group in the Nordic countries that also operates in the UK and the Baltic countries through its subsidiaries. Sampo's strategic focus area and the core of shareholder value creation is the P&C insurance business.

Sampo plc

Sampo plc is the parent company of Sampo Group, which is responsible for implementing the Group's strategy and allocating capital. In addition to subsidiaries involved in insurance operations, the parent company has a small amount of direct investments (“Holding” in reporting).

OPERATING SEGMENTS OF P&C INSURANCE

If	Topdanmark	Hastings
A wide range of insurance products for private and corporate customers	Main products vehicle and home insurance	P&C insurer focusing on motor insurance
Significant market share in all Nordic countries	The third largest P&C insurer in Denmark	Operates in a fragmented UK market

Sampo’s gross premiums written from Sampo's P&C business amounted to about EUR 8.4 billion in the last 12 months. The company is the market leader in the Nordic countries with a market share of ~20%.

Sampo's focus is on excellent insurance business and the company has always put the increase in technical profitability above growth. Sampo has systematically been able to improve its technical performance for almost two decades.

Sampo's balance sheet is very strong and Solvency 2 rate at the end of Q1’23 was 208%. The company still has a large amount of surplus capital in its balance sheet and this is mainly tied to Private Equity investments.

SAMPO

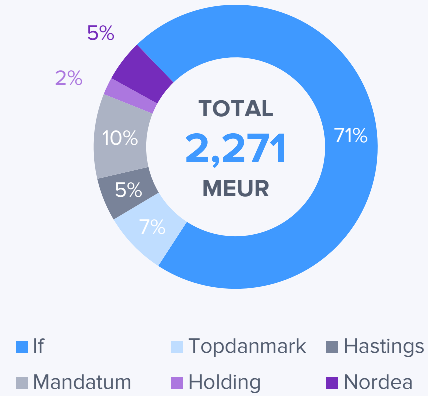
Sampo's business consists of three P&C insurance companies and the parent company managing Group investments.

The Group companies employed an average of 13,550 persons during the calendar year 2022.

Sampo's journey from a financial group to a full-fledged P&C insurer ends when Mandatum is demerged into its own company in October.

The Group currently has operations in Finland, Sweden, Norway, Denmark, the Baltic countries and the United Kingdom.

PTP distribution 2022



Company description and business model 2/2

Fragmented ownership base

Sampo has two share series: A and B shares. A shares entitles their holder to one vote and B shares to five votes. There are very few B shares, 200,000, and they are held by Kaleva Mutual Insurance Company. Sampo's A shares are listed on the Helsinki Stock Exchange. In addition, Sampo's shares have also been listed on the Stockholm Stock Exchange since fall 2022.

Sampo's ownership structure is very fragmented, and the 10 largest owners registered in Finland own about 15% of the shares. The largest owners are Solidium (6.5%) and domestic pension companies. Nominee-registered investors own over 60% of Sampo.

Historically, Sampo's situation has been quite exceptional, as Björn Wahlroos has had extensive power in Sampo, even though his shareholding was about 2% (Wahlroos has since significantly reduced his direct holding). We believe there was no doubt about who exercised power in Sampo until Wahlroos left the Board and major M&A transaction were largely his work. After Wahlroos left the Chairman's seat in May 2023, Antti Mäkinen, former CEO of Solidium, became the new Chairman of the Board. We consider Mäkinen a very logical successor, because he already knows Sampo through Solidium (sat on Sampo's Board of Directors 2018-2021). Since Sampo's ownership base is very fragmented and there is no clear main owner, it was expected that a Board professional like Mäkinen would take over as Chairman.

As we have often pointed out in the past, the current company no longer actively seeks M&A deals as it did in the past. In the past, Sampo was a holding company where all assets were available for sale if the price was right. Now Sampo has become a full-fledged insurance company, where the importance of M&A transactions will be clearly more limited than before. The last steps on the journey toward a full-fledged insurance company are the demerger of Mandatum into its own listed company and returning the remaining surplus balance sheet capital to shareholders.

Management Team has a strong background from If

Sampo's Management Team consists of seven members and Torbjörn Magnusson has been the Group CEO since 2020. Prior to the CEO position, Magnusson was CEO of If 2002-2019 and full-time Chairman of Nordea's Board 2019-2020. Since 2019, Knut Arne Alsaker has been the company's CFO, and he also has a long history in If (If's CFO 2011-2018). Other members of the Management Team also have a strong Sampo background, as they have been employed by the company on average for over 15 years according to our calculations.

The Management Team also has significant holdings in Sampo, which we have listed in the adjacent table. We naturally welcome this, as it strengthens the common interests of the management and shareholders.

Largest shareholders registered in Finland (situation 6/2023)	Share of shares
Solidium Oy	*6.51%*
Varma	*4.35%*
Ilmarinen	*1.37%*
Oy Lival AB	*0.67%*
Elo	*0.66%*
The State Pension Fund	*0.57%*
OP Life Assurance Company Ltd	*0.37%*
Sampo plc	*0.36%*
Svenska litteratursällskapet I Finland r.f.	*0.32%*
Nordea Nordic Fund	*0.26%*
10 largest total	**15.43%**

Management's share holdings (situation 6/2023)	Number of shares
Magnusson	*46,480*
Alsaker	*39,646*
Janbu Holthe	*1,875*
Lapveteläinen	*276,423*
Niemesvirta	*93,470*
Thorsrud	*61,344*
Wennerklint	*45,200*
Total	**564,438**

Source: Sampo

Sampo's history 1/2

From a financial conglomerate to an insurance company

Sampo's history stretches back over 100 years, but we feel that the history of the present Sampo can be traced back to the turn of the millennium when Sampo merged with Leonia Bank in 2000. Sampo-Leonia was acquired by Mandatum investment bank at the end of 2000, and at the same time the founder and CEO of Mandatum Björn Wahlroos became Group CEO. Sampo's strategy from the beginning was to be a Nordic financial company with a very opportunistic approach to M&A transactions. The company did not have an actual operating strategy, but focus was on creating shareholder value for the owners, especially through acquisitions.

In 2002, Sampo became a shareholder in If and in 2004 Sampo bought out the Norwegian Storebrand, Swedish Skandia and Finnish Varma from If and became the sole owner of the company. The If transaction is one of the most successful ones in the whole of Finland's economic history, as If's purchase price was about EUR 2.6 billion. Over the past 20 years, If has distributed about EUR 10 billion in dividends to Sampo according to our calculations, in addition to which the company's current value is manifold the purchase price.

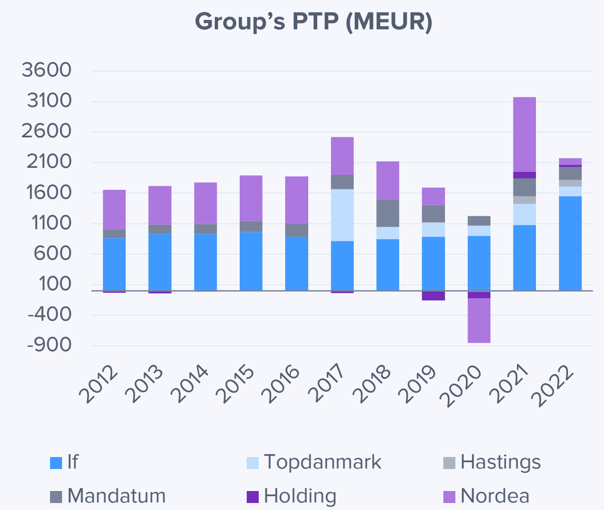
In 2006, Sampo sold its banking business to Danske at a price of over EUR 4 billion. The price was again excellent from all angles, as with the financial crisis the profitability of the business dropped significantly, as did the general valuation level of banks.

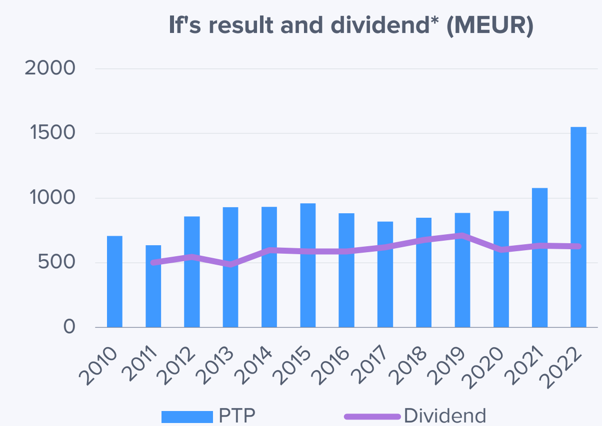
In 2008, Sampo returned to the banking sector when it bought a significant share of Nordea. Sampo continued to buy Nordea and in 2010 Sampo became Nordea's largest owner with a holding of over 20%. Unlike in the past, the Nordea investment was not a huge success for Sampo. The highly challenging market situation (e.g. regulation tsunami and zero interest rates) and Nordea's internal challenges led to subdued operational development and long-standing underperformance relative to Nordic peers. Following the strategic update in fall 2019 and the change in management, Nordea's performance has improved significantly.

In 2021, Sampo announced in its strategy update that it would exit from Nordea and focus purely on P&C insurance. The company sold its Nordea shares in 2020-2022 at an average price of about EUR 9 and returned most of its assets to investors in the form of share buybacks and extra dividends. In addition, Sampo paid off debts and raised its Hastings holding to 100%. The return of the Nordea investment was about 9% for the entire holding period, which can be seen as a moderate result at best.

As a whole, Sampo has returned EUR 4 billion in surplus capital to its shareholders after the strategy change in 2021, in the form of dividends and share buybacks.

In early 2023, Sampo announced that it would continue focusing on the insurance business by listing Mandatum on the stock exchange through a partial demerger. This is due to take place in October 2023 and we believe that the move is sensible for both companies. We discuss the transaction in more detail in the Mandatum section of the report.





Source: Sampo
** Until 2016, includes the share of revenue from Topdanmark belonging to Sampo*

Sampo's history 2/2

After the Mandatum demerger, Sampo's transformation into a full-fledged insurance company is very close to the end. The company still has surplus capital in its balance sheet of about EUR 1 billion, which is partly tied to PE investments. In addition, the minority in Topdanmark continues to be a clear flaw in the company's story and we believe that the company seeks to acquire Topdanmark in full in the coming years.

Topdanmark

Sampo invested in Topdanmark for the first time in 2011 and steadily increased its holding thereafter (both by acquiring shares and through Topdanmark's aggressive share buybacks). In 2017, Topdanmark became Sampo's subsidiary. Sampo's holding at the end of Q1'23 was 48.5%.

Topdanmark has been an excellent investment for Sampo and the average purchase price of the shares is around DKK 113, whereas the current value of the shares is some DKK 350. In addition, Sampo has received significant dividends from Topdanmark over the years. We discuss the Topdanmark holding in more detail in the Topdanmark section of the report.

Hastings

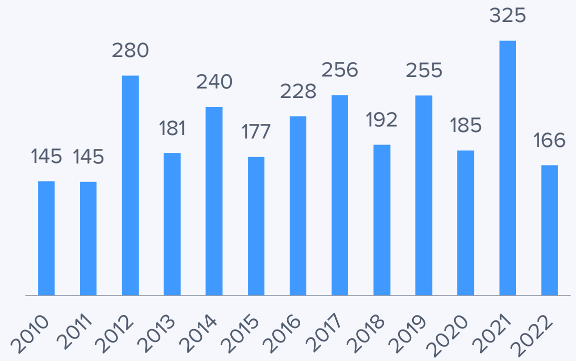
In 2020, Sampo announced, to the great surprise of the market, that it would make a bid for the British P&C insurance company Hastings together with Hastings' then main owner, the South African investment company RMI. Sampo's holding was initially 70% and eventually in 2021 Hastings became Sampo's wholly-owned subsidiary, when Sampo bought out RMI.

Sampo justified the expansion with Hastings' high quality, strong digital capabilities, interesting growth opportunities on the British market, and synergies. The redemption of RMI's minority was justified, e.g., with faster decision making and easier realization of synergies (no matter whether synergies are visible in If or Hastings).

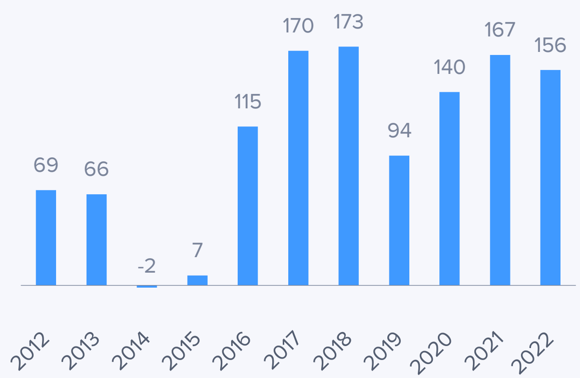
Hastings' total purchase price was about £1.9 billion, or about EUR 2.1 billion with the exchange rate at the time of the purchase. Relative to current performance, the valuation level would be around P/E 18x adjusted for PPA depreciation and considering the synergies (a significant part of the synergies will be visible in If) achieved in Sampo, about 14x. We do not consider the levels particularly favorable given the challenging market in Britain and the clearly weaker competitive advantages of Hastings compared to Sampo's other P&C insurance activities.

We believe it is too early to assess the success of the Hastings acquisition. The UK market has been very difficult in the short term and it is interesting to see how Hastings will perform under more normal market conditions. In addition, we are relatively sure that if Hastings can continue its impressive historical development in the coming years, Sampo will be interested in allocating more capital to Hastings to accelerate its inorganic growth. We believe that the long-term consolidation potential of this very fragmented market was one of the reasons behind the Hastings acquisition.

PTP of Topdanmark's P&C insurance business (MEUR)



Hastings' PTP* (MEUR)



Source: Sampo, Bloomberg
**Included in Group figures starting from 2020*

M&A transactions – Journey from a financial conglomerate to a P&C insurer

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

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

2002
Sampo's P&C insurance business is combined with If and If is fully acquired in 2004.

2007
Sampo Bank is sold to Danske Bank.

2010
The holding in the financial investment Nordea rises to over 20% and the bank becomes the Group's joint venture.

2011
The Group's holding in Topdanmark rises to 23% and the company becomes If's associate.

2013
If buys Danish Tryg's Finnish operations.

2016
Sampo makes a mandatory bid for Topdanmark, resulting in the holding increasing to 41%.

2020
Sampo acquires the majority of the motor insurer Hastings.

2021
The Group purchases the remaining shares in Hastings.

2022
Sampo exits its Nordea holding. Sampo started reducing its holding already in 2019.

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

THE GROUP'S OPERATIONAL BUSINESSES

Banking · P&C insurance · Life Insurance · Asset management

Source: Sampo

Strategy and financial targets 1/3

Strategy

The company's strategy is crystal clear

In 2021, Sampo published an updated strategy for 2021-2023, the cornerstones of which are:

- Focus on the P&C insurance business and continuing its excellent development
- Clarifying the Group structure by divesting all assets outside P&C insurance
- Returning significant capital to shareholders.

The strategy focuses firmly on P&C insurance and no longer includes opportunistic M&A transactions outside the core business. The company's interest in M&A transactions is limited and it is difficult for us to see Sampo completing bigger transactions, excluding a possible redemption of the Topdanmark minority.

The strategy has progressed quickly

Sampo has progressed very well in its strategy. Technical performance has been dazzling, especially for If. Capital reallocation has also progressed rapidly, and the company has exited its Nordea holding and almost fully returned this capital to its shareholders. In addition, the AGM has decided on the demerger of Mandatum and the plan is to complete the partial demerger in October (more about this on page 35). The Group structure has also been clarified by acquiring the minority holdings in Hastings.

At the end of the current strategy period, the company will only have the so-called PE investments of Nexi and Nordax (worth about EUR 600 million) left in its balance sheet as Saxo and Enento are sold to Mandatum. In addition, Sampo owns "only" 48.5% of Topdanmark, which is not optimal for the strategy. We discuss the Topdanmark holding in more detail on page 29.

The strategy update will hardly bring any major surprise

Sampo is very likely to update its strategy during H2’23 when the current strategy period comes to an end. We estimate that the new strategy will not cause any major changes and focus will still be on the continuous improvement of the P&C insurance business. The capital gradually released from PE investments will be returned to the shareholders.

We also consider it possible that the company will open up its plans for the UK P&C insurance market in more detail. Hastings is still a small player on a large, fragmented market and it is hard to believe that Sampo would not have been aiming from the outset to take Hastings to the next size class. This would also be logical from the point of view of capital allocation, as the company does not have any relevant targets to allocate capital to in the Nordic countries, apart from the Topdanmark minority. This is, however, a minor issue in the big strategic picture as Hastings’s share of the Groups result is under 10%.

Inderes comments on the progress of Sampo's strategy

Pros

- The strategy has been implemented rigorously
- If and Topdanmark are performing excellently
- The company's track record of creating shareholder value on the Nordic P&C insurance market is second to none
- The distribution of Mandatum to the owners clarifies the Group structure and improves Mandatum's potential for value creation

Cons

- Hastings' development has been subdued
- With hindsight, it is easy to say that Nordea was abandoned too quickly as the business turnaround was well on its way
- Exit from PE investments is slow
- Lack of significant growth drivers

Strategy and financial targets 2/3

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

Maintain and improve customer satisfaction

Continuous improvement of cost efficiency

Focus on underwriting excellence

More effective use of capital

Value driver 1: **Growth in premiums written**

- Maintaining a high level of customer satisfaction is a prerequisite for high customer retention. This, in turn, supports pricing power and enables the increase in insurance prices, which we estimate will continue to be the main source of the Group's growth in premiums written.
- In addition, customer retention reduces customer acquisition costs and increases customer-specific profitability, which is reflected in a better combined ratio.
- We therefore believe that focusing on customer satisfaction is a key target for value creation.

Value driver 2: **Improved operational profitability**

- Utilization of economies of scale contributes to profitability development. In addition, we expect the Group (especially If) to achieve efficiency gains from its long-standing investments in digitalization.
- The underlying idea of the organization is that profitability takes precedence over growth. We consider this justified, as the moderate growth outlook of the Nordic insurance market underlines the importance of the current customer base.
- In addition, due to high customer retention, we believe increasing market shares is expensive and requires either aggressive pricing or marketing investments to which competitors can easily respond.
- If has been able to systematically improve cost efficiency throughout its history, which in our eyes increases the likelihood of success. Remuneration is also linked to the combined ratio and its development, so the incentives for management and staff are on measures that improve shareholder value in the long term.

Value driver 3: **Release of capital**

- The company is committed to efficient use of the balance sheet in the current strategy period. High return on capital is at the heart of creating shareholder value.
- Nordea has been exited and capital has been returned to shareholders, exit from PE investments is ongoing and Mandatum's demerger is expected on October 1, 2023.
- We believe that dissolving the overly strong balance sheet is perfectly justified now that the company is an insurance Group whose strategy does not include opportunistic M&A transactions.

Strategy and financial targets 3/3

Financial targets

The targets are realistic

Sampo has defined Group-level financial targets, in addition to which If and Hastings have their own financial targets. In this section, we discuss Group-level targets.

We believe that the growth target for the underwriting result at Group level is justified, as it provides an indication of Sampo's normal earnings growth rate with the current structure. We consider the target realistic in the long term, because the market is growing moderately, continued gaining of market shares is challenging and the combined ratios are, particularly in the Nordic countries, at levels where it is difficult to see any significant room for improvement. Thus, we believe the company will repeat this target also in its next strategy period.

As regards the combined ratio, we do not believe that the Group level target is an optimal indicator and recommend investors to focus on business segments. At group level, the 86% target was previously rather conservative, but after the IFRS 17 amendment we consider the target to be good (2022: 85.8%). Considering the risks of a possible increase in the combined ratio due to a strong improvement in investment income, we consider it likely that the company will repeat its current target also for the next strategy period.

In terms of the targets describing the use of the balance sheet, the levels are well in line with the peers and we consider them reasonable from the point of view of efficient capital use. With regard to the Solvency 2 rate target, it should be noted that the current target was given with the old Group structure and, as Mandatum is demerged, we would not be surprised if the company revised its target slightly downwards as the volatility of the result decreases. However, the company wants to retain its current high credit rating, so we do not see any significant downside in the targets. The new solvency ratio could be, e.g., 160-180%.

We believe that the dividend distribution target is also justified in the next strategy period. The company has a very strong balance sheet and very limited investment opportunities. It is therefore natural that Sampo will continue to distribute most of the result as dividends. We believe that a steady increase in dividends is a good target, as it provides predictability to the dividend flow and is well suited to the company's defensive business prfoile. The dissolving of the balance sheet is still partly ongoing (PE investments) and therefore the reference to the repayment of surplus capital remains relevant. We discuss this in more detail on page 41.

Financial targets

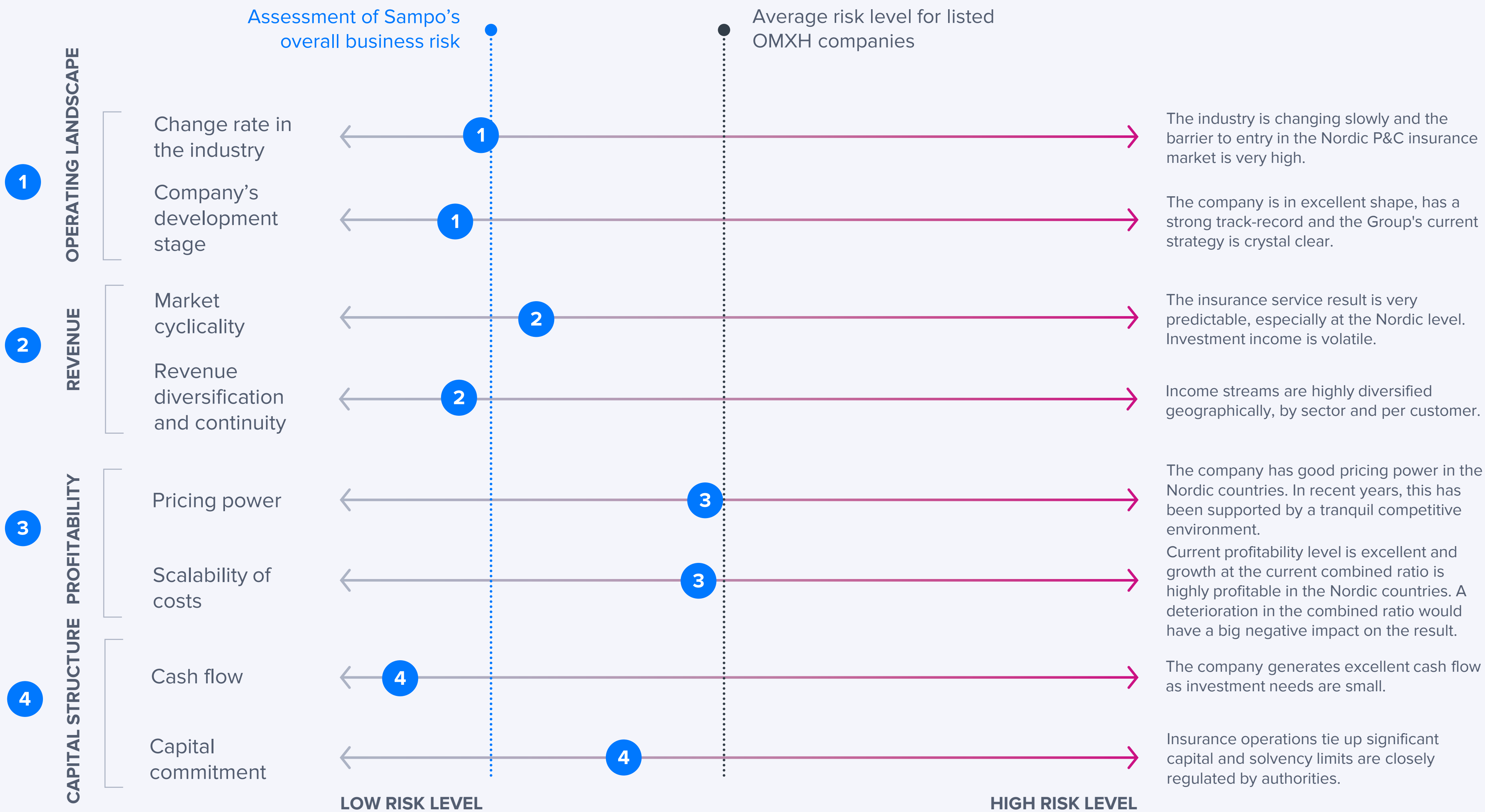
Sampo's financial targets 2021-2023:

- Annual average growth in the underwriting result **4-6% p.a.** from 2020 levels, excluding the effects of the COVID pandemic
- Group-level combined ratio **< 86%**
- Solvency 2 ratio **170-190%**
- Financial leverage **< 30%**
- At least **70 % of the operational result is distributed as dividends.** The aim is to achieve a steadily increasing dividend, in addition to which surplus capital is returned to the shareholders

Inderes' estimates 2023-2025e:

- Underwriting result growth: **+4% p.a.**
- Average combined ratio: **83-84%**
- Solvency ratio 2025e: **> 210%**
- Growth in regular dividend: **+5% p.a.**
- Extra profit distribution: **EUR ~1.3 billion**

Risk profile of the business model (excluding Mandatum)



Source: Inderes

Investment profile (excluding Mandatum)

1. **Excellent track record of profitable growth in P&C insurance**

2. **The Nordic P&C insurance market is exceptionally attractive**

3. **Stable and increasing dividends and extra capital repayments**

4. **Acquisition of the Topdanmark minority and possible other M&A transactions**

5. **The increase in interest rates raises investment income, but may put pressure on the competitive situation and underwriting profitability**

Potential

- Growth in insurance business in the Nordic countries
- Hastings' growth
- Acquisition of the Topdanmark minority and major synergies
- Other M&A transactions
- Higher interest rates improve investment income
- Exit from PE investments

Risks

- The tightening competitive situation of the Nordic P&C insurance market
- The increase in interest rates may weaken the underwriting result through increased price competition
- Sampo's valuation multiples have downward pressure if the insurance service result weakens

Source: Inderes

Nordic P&C insurance market 1/5

The market grows slowly

The Nordic P&C insurance market was about EUR 25 billion in 2020 (source: Insurance Europe). Historically, market growth has been stable but moderate, and average annual growth (CAGR) has been around 1-2% in 2005-2020. During 2020-2023, growth has been significantly faster than the historical rate, due to a clearly accelerated claims cost inflation.

Market growth is driven by both price increases and new insurance contracts. Today, the first mentioned is more important as the number of insurance contracts cannot be expected to increase significantly faster than the population growth rate in the regions. This, in turn, is due to the fact that nearly 95% of residents in the Nordic countries have a valid home insurance policy (source: Statistics Sweden). Motor insurance is also largely compulsory, which means that the volume increase in the segment's premiums written is linked to the development of the passenger car fleet. For insurance types, we only expect health insurance to grow faster than the rest of the economy in the coming years.

Inflation, in turn, increases claims costs (car spare parts and other things to be replaced become more expensive), which will ultimately flow into the cost of insurance premiums. In the Nordic countries, the competitive situation has been rather tranquil in recent years, which has allowed companies to roll their costs effectively into their product prices.

In the next few years, we expect the competitive position of P&C insurance to remain fairly stable, which means inflation will be effectively passed on to the revenue of the companies in the sector. Therefore, we do not think that forecasting inflation trends is particularly relevant for the investor. We expect growth to be in line with the development of the Nordic GDP also in the long term, as the revenue/GDP ratio of the industry has remained relatively stable year after year.

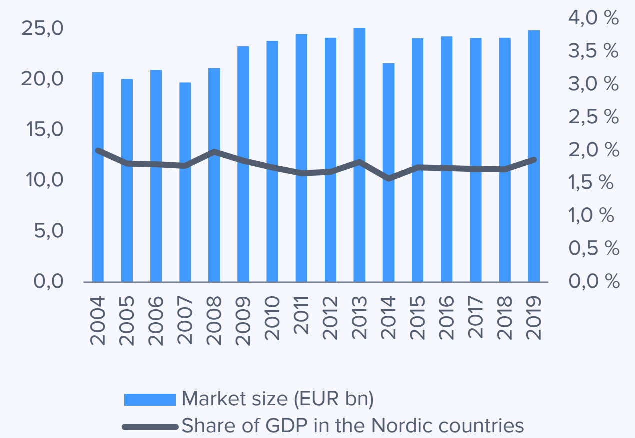
The insurance market is highly concentrated

The Nordic P&C insurance market is highly concentrated and the share of the three largest companies in the total market varies between 65% and 80% in the Nordic countries (source: Insurance Europe). The competitive situation has also been quite stable, as the combined market share of the largest companies has remained almost unchanged since 2015. Prior to this, there was moderate concentration in the market, which can be explained by, e.g., the growing importance of digital distribution channels. Large players can invest more heavily in these than smaller competitors, which has increased costs and reduced the competitiveness of smaller players. Only in Norway, has the share of the three largest players of the total market clearly decreased. P&C insurance is especially concentrated in Finland, where the three largest account for about 80% of premiums written.

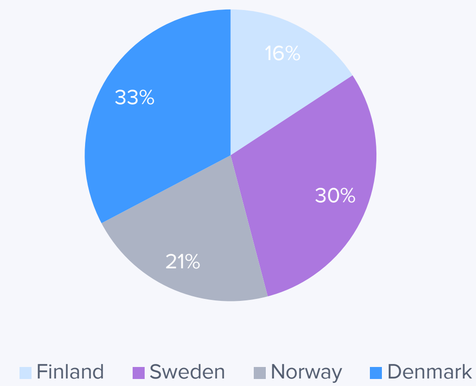
The current market situation is favorable for companies

In P&C insurance, customers pay their premiums in advance at the beginning of the insurance period (usually one year). The insurance company typically invests these assets at low risk mainly in short-term bonds, which forms investment income of the insurers. In addition to investment income, the profitability of insurance companies consists of the insurance service result which is defined as the difference between the insurance income and expenses (operating expenses and claims paid) to be amortized over the financial year.

Overall market development



Distribution of premiums written by country



Source: Insurance Europe

Nordic P&C insurance market 2/5

The most important indicator of the insurance service result is the combined ratio, which considers both claims and operating expenses. The deteriorating loss ratio (compensations paid/premiums written) thus means either higher compensation costs or lower insurance prices. In our opinion, the best picture of the evolution of the price competition is the development of the loss ratio, since the amount of compensations (relative to the insurance portfolio) will remain relatively stable year after year, especially in periods of low inflation.

Compared to the early 2000s, the ratio of claims costs to premium income has primarily fallen in the Nordic countries, which suggests a moderation in overall price competition and a healthy competitive situation. In addition, when assessing the combined ratio one must consider the profitability of investment activities, as during low interest rates, a strong insurance service result must offset low investment income to achieve sufficient return on capital. This can, therefore, be one of the reasons for the decreasing combined ratios of insurance companies over the last decade.

In addition, the profitability of recent years has been supported by a temporary reductions in car use and mobility outside the home due to COVID, which resulted in a reduction in accidents and hence claims. The strong development in 2022 was supported by a sharp increase in interest rates, as the higher discount rate decreases the amount of underwriting reserves in profit or loss. The market also shows indications that the number of insurance claims is slowly falling, but the amount of compensation per claim increases accordingly.

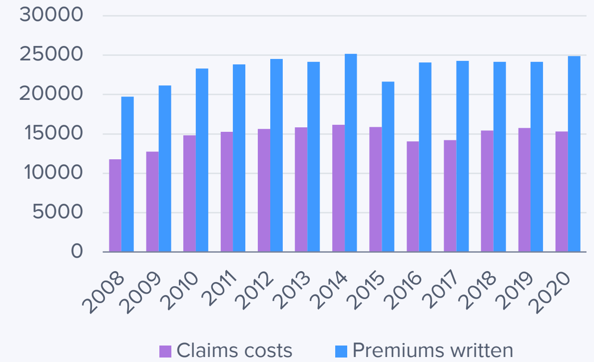
The tightness of the competition also depends on the economic situation

The economic cycle can also have an impact on the profitability of industry companies, especially as a result of rising costs due to inflation. When tight price competition prevails, companies cannot fully pass on their inflated claims and expenses to their customer prices, thereby affecting the profitability of the insurance business negatively. In addition, in a strong economic cycle the overall activity of consumers is often higher, which also increases the number of claims. In contrast to this, in a strong economic climate, the risk-free interest rate typically rises and improves the investment income of insurance companies. This dynamic is often referred to as an insurance cycle.

However, the insurance cycle described above requires price competition in the market to materialize, as a tranquil competitive situation enables a rise in insurance prices at least in line with the increase in claims costs. An excellent example of this is the past few years when the profitability of the companies has been record high despite inflation. We estimate that the tight competition will have a stronger impact on the companies in the industry than the development of the economy and GDP.

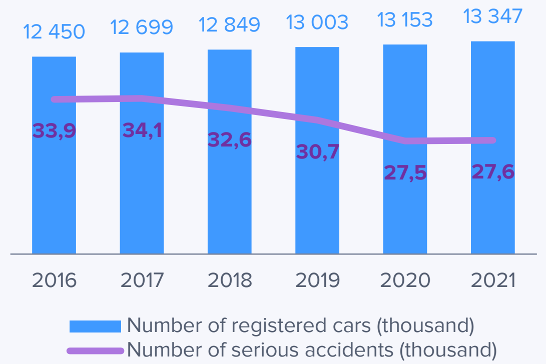
It should be noted, however, that tight competition can also partly depend on the economic cycle, as, during times of strong economic growth (and growing insurance portfolios) and high interest rates, acquiring new customers with more aggressive pricing and risk-taking can seem more attractive as higher investment income supports overall profitability. In a less favorable economic climate, competition with price is not even sensible for existing players, since we believe that price of insurance is the decisive factor when selecting an insurance company only for new customers.

Development of insurance premiums and claims costs in the Nordic countries (MEUR)



Source: Insurance Europe

Development of registered passenger cars and accidents in the Nordic countries



Accident statistics includes accidents resulting in injury or death
Source: Sampo's investor materials

Nordic P&C insurance market 3/5

Competitive situation is the main driver of profitability

In the sidebar we have outlined the importance on overall profitability of competitive forces affecting the industry. We estimate that the current competitive situation has the biggest impact. In recent years, the companies in the sector have clearly benefited from the mild competitive pressure and the average profitability has increased to an excellent level. In addition, the moderate bargaining power of customers supports overall profitability in the industry and the threat of new entrants is rather moderate due to high entry barriers.

In the short term, we see tightening price competition as a key risk, as the effects of other competitive forces are more moderate in scale. In addition, other competitive forces are very stable in nature, while competition can change rapidly, including with the development of the economic climate that is hard to predict.

In a slightly longer term, we expect customers' bargaining power to gradually improve, as the cost of changing suppliers consists mainly of information acquisition and work related to creating a new customer account that insurance companies and various service providers can influence through their solutions. In the UK, for example, competitive tendering and changing of insurance providers is clearly more common than in the Nordic countries, where we believe high customer satisfaction leads to longer contracts (we estimate that the average customer relationship is 7-10 years). In this case, the importance of easy-to-use and smooth services from the customer's viewpoint is emphasized, as handling insurance issues (e.g. claiming compensation and claims processing) is inherently arduous for customers. As a result, the decisions of existing customers are driven by other considerations than price alone. In addition, concentrating insurance policies to one company is common, which, we believe increases the costs related to changing insurance providers (especially health insurance is difficult to change from one company to another).

Good customer retention supports profitability

We believe that high ROEs of the large companies in the industry are a strong indication of there being competitive advantages. The competitive advantages in the industry, on the other hand, are believed to be based mainly on good customer retention, which provides players with pricing power in their current customer relationships. It is therefore clear that the market share of cheaper service providers would be clearly higher than currently if price elasticity among customers would be considerable.

However, the customer base is constantly reformed as old age groups disappear from the market and new ones emerge. Then, in order to stay in its current size class, the insurance company must also be able to attract new customers, especially from young age groups. Young people, on the other hand, often choose their insurance provider based on the insurance company their parents use, which provides customer retention across generations. However, we believe that marketing and awareness are also relevant when choosing an insurance provider. This, in turn, requires the insurance company to be sufficiently large to avoid excessive advertising costs compared to insurance premiums.

Competitive forces of P&C insurance

Current competitive tightness (low)

- The main competitive force for P&C insurers. Strongly defines the prevailing profitability level in the industry.
- The current competitive situation is rather serene and there is no aggressive price competition.
- The risk of the competitive situation tightening is considerable.

Customers' bargaining power (moderate)

- The differences in products are very small, so price counts. However, other factors such as smoothness of customer service and claims procedures affect the choice of the insurance provider.
- Especially in recent years competitive tendering and changing of insurance providers has become easier with the emergence of comparison services which increases customers' bargaining power. However, the cost of changing seems to be relatively high, as customer retention is quite good in the industry.
- The high number of customers, on the other hand, reduces the bargaining power, as the insurance company's dependence on a single customer is low.

Threat from new competitors/substituting products (low)

- Barriers to entry are high as P&C insurance requires large investments in information systems and solvency capital, as well as sufficient historical claims data for risk management.
- Relatively good customer retention and moderate growth prospects in the industry reduce the threat of new competitors.
- The operation also requires authorization from the authorities.

Nordic P&C insurance market 4/5

In addition, we believe competitive tendering of insurance companies is more common among younger age groups. Thus, customer retention can be expected to decline over time as large age groups disappear over the next few decades. In addition, we expect digitalization trends will facilitate competitive tendering and changing of insurance providers, thus reducing the cost of changing. As a result, the competitive pressure between insurance companies will increase rather than decrease in the future.

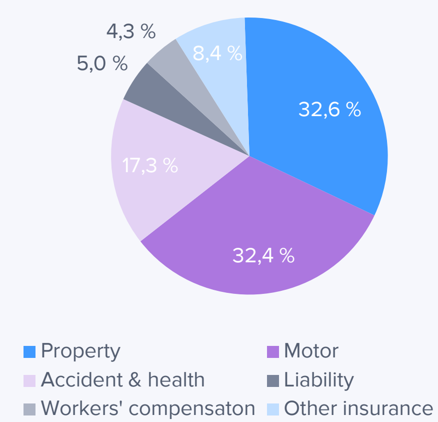
However, the modest growth outlook in the industry and the high importance of current customers lower the likelihood of the competitive situation tightening. At the same time, the current relatively good customer retention also reduces the effectiveness of aggressive pricing campaigns, as the fall in prices would, above all, weaken the profitability of the current insurance portfolio (new prices are also available to old customers). Thus, from the viewpoint of a single large insurance company, the use of pricing power is more efficient than attracting new customers, and for private customers, pricing should be clearly more aggressive than current market prices in order to win market shares. Smaller operators, on the other hand, suffer from cost disadvantages due to lower scale, which means that their chances of aggressive pricing are weak, while considering the customer retention of competitors. We believe the price of insurance policies is more important for corporate customers. The risk ratios are mainly higher in the corporate client segment, which indicates a tighter competitive situation and pricing environment.

We note that although we estimate that customer retention is good in the industry, the customer base is not immune to changes in insurance prices. Thus, companies can only exploit their pricing power when there is sufficient agreement between the operators on the price levels and their development, underlining the importance of the competitive situation.

Efficiency is more important than scale

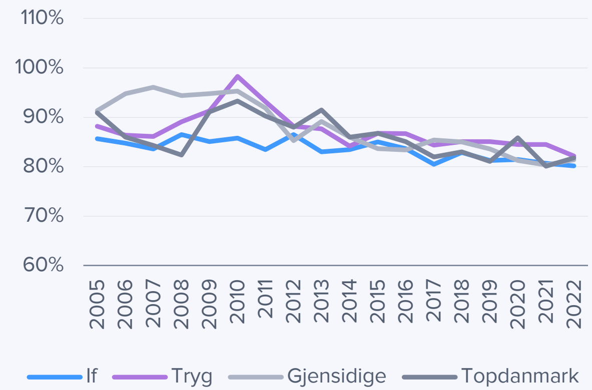
There are also clear economies of scale in the industry, but we do not believe that these are sustainable sources of competitive advantage. In the case of economies of scale, it is essential to examine the relative size of the insurance company compared to its competitors. Thus, it is difficult from a competitive viewpoint to benefit from the scale, as the Nordic insurance market has a number of large players where the differences in the cost structure is no longer significant. This is the result of a relatively low share of fixed costs. We estimate that the differences in expense ratios are more explained by company-specific efficiencies than by economies of scale. In Finland, for example, expense ratios have remained relatively constant since the 1990s, although the size classes of companies have increased (source: Finanssiala). The loss ratio, on the other hand, better reflects the pricing power of an individual company, as the loss events are largely independent of each other (excluding weather-related losses affecting the whole geographical area) and are therefore reasonably foreseeable. We, therefore, assume that the pricing power and chosen price position have a greater impact on the level of the claims ratio than the excellence of risk management.

Market by type of insurance (2022)



Source: Sampo's investor materials

Development of peers' combined ratio



Source: Financial statements of companies

Nordic P&C insurance market 5/5

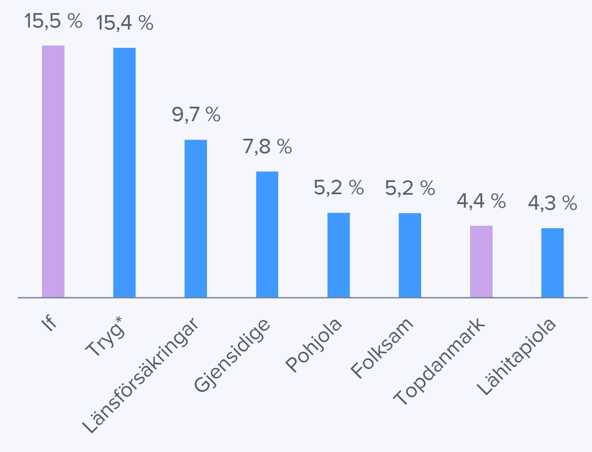
We believe the two main sources of economies of scale are fixed operating expenses and a lower price in reinsurance contracts. As far as operating costs are concerned, we estimate that economies of scale can be achieved, especially in IT costs and other general administrative costs (e.g. rents, finance). Risk management also typically becomes more effective as size increases, as companies have more data to assess risks and the resources required for risk management do not grow relative to business growth according to our estimates. As a result of these factors, the barrier of entry in the sector is also high, as in particular the investments required for digitalization have increased significantly over the last decade. However, these can be seen as mandatory investments for all operators in the big picture. Thus, we do not find it credible that, e.g., automation (claims processing, risk management, customer service) could be used to generate sustainable competitive advantages based on lower costs

We expect the competitive situation to remain stable

We expect competition to remain moderate also in the coming years, as we estimate that the uncertain market situation and claims cost inflation will keep operators cautious. Tightening price competition is also a perfectly possible scenario, even if this is not favorable for existing operators. However, the oligopolistic nature of the market reduces the likelihood of price competition tightening, as the number of relevant players is low and constant monitoring of competitors and their ability to respond to possible price changes is easy. In the long term, we do not believe that the continuation of the market situation as favorable is a reasonable assumption, since history only knows a few cases where the same situation has been rigorously maintained over long periods. Therefore, the investor should at least be prepared for tighter competition in a slightly longer term, as we expect that the bargaining power of customers will increase over time. However, we do not expect a dramatic change in the profitability level of the sector, as the concentrated market keeps the competitive pressure moderate.

Differences in the profitability of the different players will certainly appear as digitalization and efficiency projects progress at varying rates across companies. This may potentially create differences in profitability lasting several years, but in the long term we expect cost differences and expense ratios to be balanced as best practices move from one company to another. We note that the cost structure, which becomes more efficient through digitalization, can also moderately improve the profitability of insurance companies across the industry, provided that insurance prices do not decrease due to competition.

Market shares (2021) – Nordic countries total



Source: Inderes' estimate / Sampo's investor materials
**Acquisitions of Codan Norway and Trygg-Hansa included*

If 1/5

Biggest P&C insurer in the Nordic countries

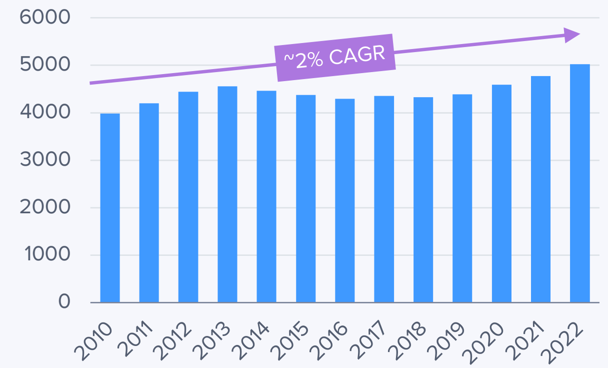
If is a Nordic P&C insurer established in 1999. The company has four business areas: Private customers, Commercial (business customers), Industrial (Large enterprises), and Baltic. If offers its customers a comprehensive range of insurance products including motor insurance, liability insurance, property insurance, health insurance and accident insurance. The most important of these are property and motor insurance that together generated more than 70% of the premiums written in 2022. The company operates in Finland, Sweden, Norway, Denmark and the Baltic countries and employs some 7,500 people. If's market position in the Nordic countries is strong and it is among the three largest P&C insurance companies in Finland (#3), Sweden (#2) and Norway (#2).

In P&C insurance, customers pay their premiums at the beginning of each insurance period. When an accident occurs, the insurer pays its customers insurance compensation from the premiums it has collected based on the contract. The profitability of the insurance business is derived from the difference between the premiums collected and the claims paid, as well as operational expenses. Risk management is, therefore, a key activity of an insurance company, whose success is essential to prosperity. It is typical of P&C insurance that loss events are largely independent, and the sum of claims is quite predictable. The exception is weather-related losses that apply to all customers in the geographical area concerned. Their importance is typically quite moderate and the compensation If pays for them is relatively stable year after year.

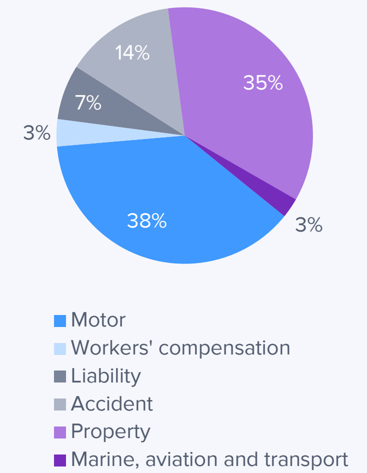
As premiums are paid in advance and any compensation is paid only later during the insurance period, the company must have funds in its balance sheet for these claims. The amount of asset buffers required is determined by the local authority in each market. Collected funds are invested on the capital market and the insurance company receives investment income from these. As a rule, the longer the insurance periods are, the more investment assets the insurance company has. In If's case, most of the periods are one year.

If distributes its products either directly through its own sales organization or through external sales agents. The company's own sales channels consist of both digital solutions and more traditional direct sales. In private customers' insurance, digital sales channels, including the company's own website, are clearly the most important, as in 2022 more than half of new customer sales in the customer segment were digital. For business customers, personal sales work is clearly more important. Distribution channels also vary between types of insurance. Most of motor insurance policies that is If's most important product is sold through partners (car manufacturers, car dealers), and the company's network is the most comprehensive in the Nordic countries. These distribution agreements are valuable to If, as car dealers bring significant business (if's market share in new car insurance ~25%) and only sells the products of one insurance company at a time. External distribution channels are responsible for approximately two-thirds of the company's product sales. Property insurance is mainly distributed in own channels.

Development of net insurance revenue (MEUR)



Distribution of premiums written by type of insurance (2022)



Source: Sampo

If 2/5

Insurance business has developed steadily

When considering If's historical development, one must distinguish between investment income and the profitability of insurance activities, measured by the insurance service result. The insurance service result consists of the difference between the premiums collected and the claims paid, as well as operating expenses.

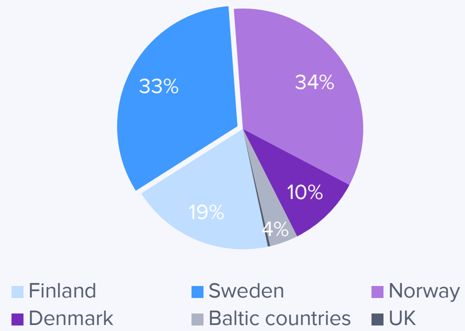
If's premiums written increased by an average of about 2% per year in 2010-2022, which is broadly in line with the growth of the Nordic insurance market. However, in 2020-2022, growth has been clearly above average, good 5% p.a. We believe that this has been driven mainly by inflation hikes in insurance prices, but also by an increase in the number of customers. However, If's market share has remained stable in recent years. We note that If operates in several currency areas and exchange rate differences have some impact on the development of earned premiums in euro.

The combined ratio (ratio of business expenses and damage compensations to insurance premiums) decreased steadily from good 90% at the beginning of the examination period to around 80%. We believe the development of the risk ratio (compensations paid/premium income) should be examined over a period of several years, since the short-term historical development of the ratio was influenced both by the change in the discount rate and by individual large claims that occur in a quarter, the effect of which is balanced in a longer perspective. However, the historical time series is not comparable with the latest reported figures, since the cost ratio reported before 2022 also includes changes in underwriting reserves due to the change in the discount rate. In the future, these items will be reported as part of the net financial income since IFRS 17 was adopted at the beginning of the year. Thus, for example, the comparison figure for 2022 increased considerably as the positive impact of the increase in the discount rate was adjusted (the increase in the discount rate decreases the present value of the underwriting reserves and this is recognized through profit or loss).

In addition, due to the exceptional circumstances that prevailed, the previous three financial years require special examination. In 2020-2021, If's profitability was supported by temporary reductions in car use and mobility outside the home due to COVID, which decreased losses and hence the amount of compensation. In 2022, we believe the number of claims already returned to its normal level as COVID restrictions ended in all markets at the beginning of the year. This resulted in a clear increase in the combined ratio adjusted for changes in the discount rate, while increasing compensation costs. However, the increase in costs has been fully compensated for in the current year with price increases.

Differences in profitability are also created between the target markets and, measured by the combined ratio, the private customer segment is If's most profitable business. There have also been country-specific differences in the past, and Denmark has shown the lowest profitability. Over the past 10 years, Denmark's combined ratio has averaged over 96%, while the corresponding ratio in Finland and Sweden has been under 80%. This is partly explained by If's market share, which is clearly lower in Denmark than in other markets.

Distribution of premiums written by country (2022)



Premiums written *= premiums for the insurance period (invoiced and uninvoiced).*
Insurance revenue = premiums written adjusted by change in the provision for unearned premiums. Revenue of the insurance company.

Development of combined ratio

Source: Sampo
**IFRS 17 conversion included*

If 3/5

In general, however, we can say that If has clearly benefited from the tranquil competitive environment of the last decade as has the rest of the market, as almost all players have focused on improving the technical profitability while investment income has been under pressure. In terms of operational costs, the efficiency of operations has also increased as If's size class has grown, which we believe is due to the relatively fixed cost structure and the economies of scale this offers. In 2010-2022, If's cost ratio (operational expenses/insurance revenue) fell from about 24% to just over 21%.

High customer satisfaction improves customer retention

In addition to financial figures, other key indicators have developed favorably for If. If measures customer satisfaction with NPS, which has steadily increased over the last five years. The development of customer retention has also been positive, and currently about 90% of the company's customers sign a new insurance contract after the old one ends. This is logical, because higher satisfaction leads to longer customer relationships. Customer retention is essential in the industry, as it is the most important competitive factor for a single company to maintain profitability and to mitigate price wars.

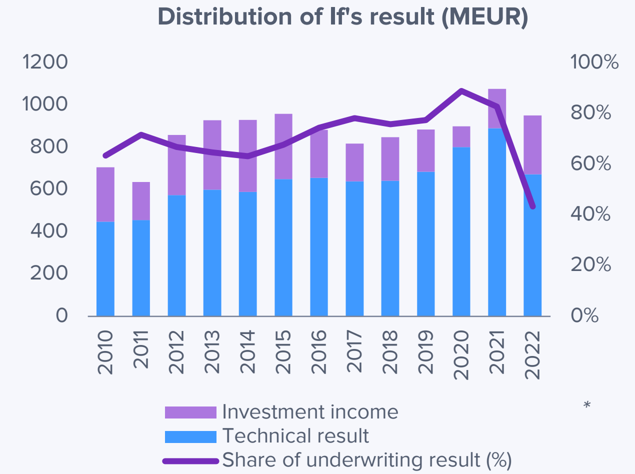
Investment activities play a significant role

Due to the high share of investment income, the company's investment activity is essential from the investor's point of view, as investment income represents on average about 30% of its net profit for the financial year. This in turn is due to the historically moderate profitability levels of the insurance industry. As a result of IFRS 9, the importance of investment income from the perspective of the reported result has grown, as the changes in the fair value of the portfolio will have a stronger impact on profitability.

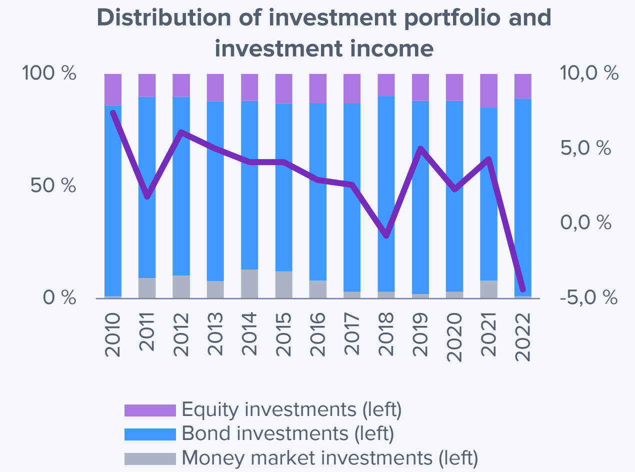
In accordance with the business model of the insurance company, If collects premiums from its customers that it reinvests during the life of the insurance. If has its own investment team, which is mainly responsible for the company's investment activities. The risk level of the company's investment operations is conservative as is typical for insurance companies and in our opinion comparable to other insurance companies and pension companies.

In 2004-2022, the average annual return on If's investment portfolio was about 3.5%. Of If's investment portfolio (Q4'22) 88% was in fixed income investments, 11% in shares and 1% in money market investments. We estimate that the long-term structural average return expected from the current portfolio is about 4-5%, which is quite well in line with historical levels. Due to rising interest rates and increased inflation outlook, we expect the return for the coming years to be closer to the top end of the range. In addition, the relative share of low-return money market investments is the lowest in the review period, which increases our estimate of the portfolio's return potential.

We note that If reports its historical investment returns at fair value, so IFRS 9 adopted by the company at the beginning of the year does not affect the interpretation of the figures. The difference is that in future changes in fair value of investments are fully reflected in If's income statement, whereas only a part of these were previously recognized through profit or loss.

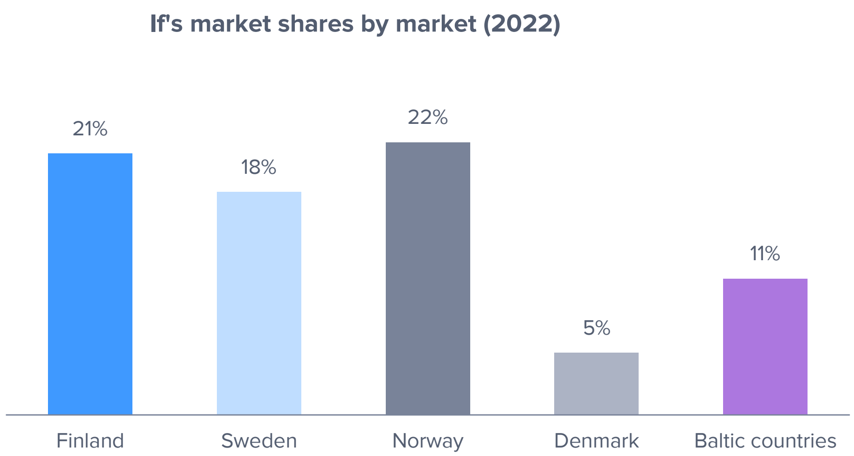


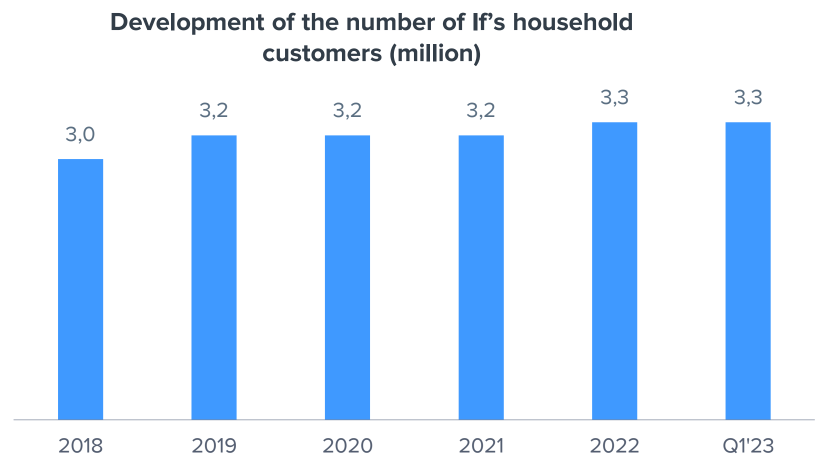
FRS 17 conversion included; from 2022 onwards, insurance service result replaces the underwriting result and net financial result replaces investment income

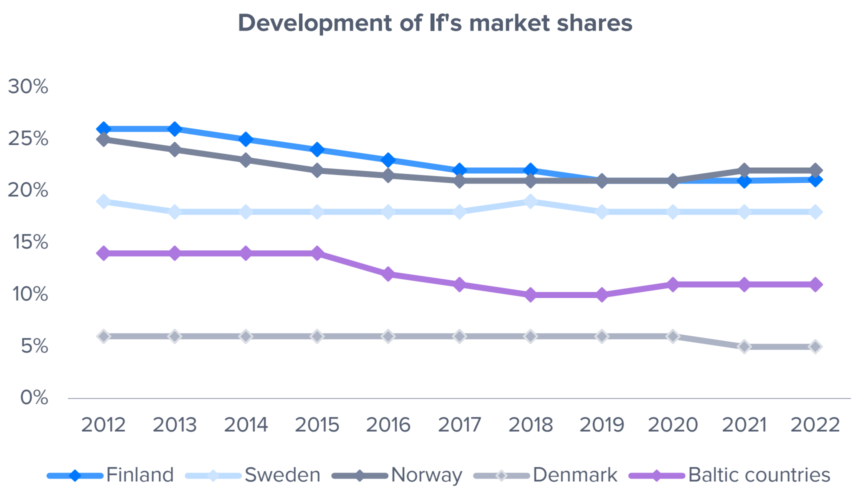


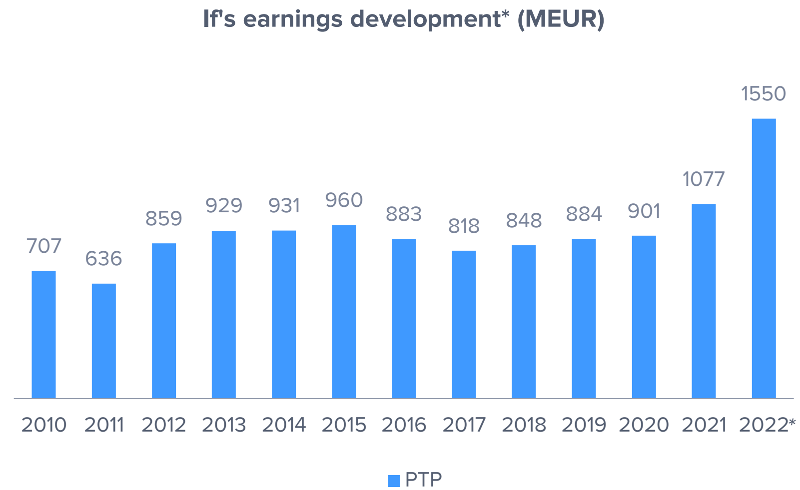
Source: Sampo

Development of If’s key indicators









Until 2016, includes the share of revenue from Topdanmark belonging to Sampo
*** IFRS 17 accordant figures*

Source: Sampo

If 4/5

Estimates

It is important to note in If's result in the coming years that short-term volatility in earnings increases due to changes in accounting (IFRS 9 and IFRS 17). In a slightly longer term, however, their impact will be neutralized and the result will still be very predictable. We would also like to point out that, although investment income is at a very good level this year in our estimates, the insurance service result still accounts for more than 70% of the total result.

2023 is proving an excellent year

If's 2023 started out very well. The company's Q1 result clearly exceeded market expectations thanks to the excellent insurance service result (337 vs. 281 MEUR). Premiums written increased by over 6% in currency neutral terms driven by price increases. The combined ratio was 82.4%, which can be considered excellent in the seasonally hardest quarter. The low combined ratio is partly explained by a lower number of major claims than expected. Investment income was also at a good level, and the yield-to-maturity of If's fixed-income investment portfolio was about 5% at the end of Q1. With the excellent Q1 report, If also revised its guidance and now expects a combined ratio of 82-84% (previous below 85%). The change was surprisingly large and we see it indicating that the company considers the market situation favorable for the rest of the year.

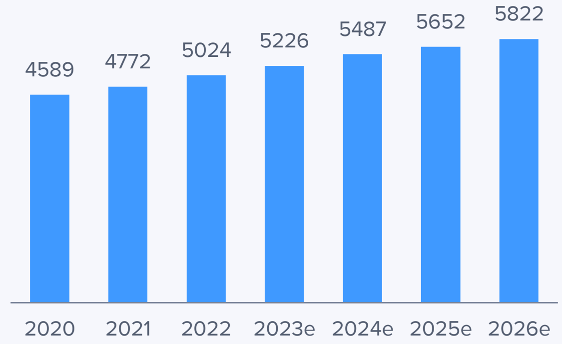
We think that If's outlook for the rest of the year is very good. The Nordic P&C insurance market is still very rational in terms of competition and price increases are pushed through on a broad front. We expect If's premiums written to continue to grow in a currency neutral manner due to high claims cost inflation. The combined ratio remains strong and we expect it to be 82.8%, slightly better than the mid-point of the company guidance.

The biggest uncertainty in our estimates is, of course, linked to the net financial result, whose volatility increases significantly with IFRS 9. If interest rates remain at the current level, the net financial result should be well above EUR 300 million due to investment income remaining at a strong level. As a whole, we expect If's result to be excellent at EUR 1,247 million.

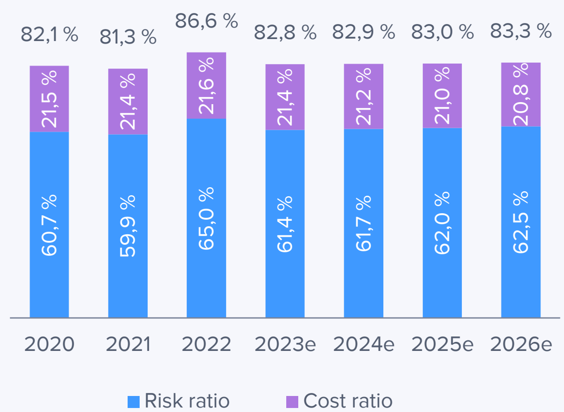
The company continues to improve steadily, but earnings growth is hard to achieve

The big picture of the estimates is very clear for the next few years. In 2024, growth will continue to be supported by inflation, but growth will slowly normalize to around 3% in our estimates, which we believe is in line with overall market growth. It is clear that If's potential to grow significantly faster than the market is very limited as the company favors the insurance service result over revenue growth. We point out that with the current level of combined costs, If's growth is very profitable.

Estimates for net insurance revenues (MEUR)



Estimates for combined ratios*



Source: Sampo
**From 2022 onwards in accordance with IFRS 17*

If 5/5

With regard to the insurance service result we expect a slight upward pressure in the risk ratio, as the high profitability of the industry, combined with gradually decreasing cost inflation and rising investment income, increases incentives for individual operators to compete with price. However, we expect this impact to remain limited at If's overall level, and the continuously improving cost ratio will compensate for this.

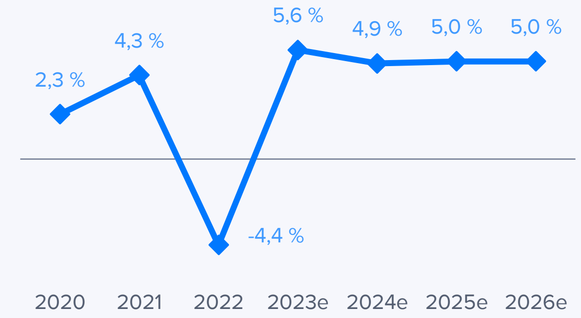
The development of the cost ratio is in our estimates driven by the progress of digitalization (e.g. handling of claims, customer service, more efficient sales through self-service solutions) and the growth in the business scale. We therefore believe that in terms of cost-efficiency If is well positioned with strong development resources, and at least on paper this does not become a barrier to profitability. Furthermore, the company does not have separate country organizations, which removes additional administrative layers. We expect only a limited reduction in the combined ratio due to the combined effect of these in the next few years and expect the ratio to be around 83 % on average in 2024-2026. We remind you that the level is excellent, both in relative and absolute terms, and below the company's current target (under 85%) and the historical average (88% in 2010-2022).

Investment income also remains at a good level in our estimates, as the interest rates do not fall substantially from the current levels. As a whole, we expect If's annual earnings growth to be 3% in the next few years. Drivers for faster earnings growth than we predict would be: 1) a sustained increase in interest rates, which would support investment income or 2) a longer period of high inflation, which would support an increase in premiums written (requires price discipline to be maintained in the market). However, we point out that If's earnings growth conditions are relatively limited at present, which the company itself also emphasizes in its financial targets. Instead of bigger earnings leaps investors should expect If to continue its continuous improvement that has lasted for almost two decades.

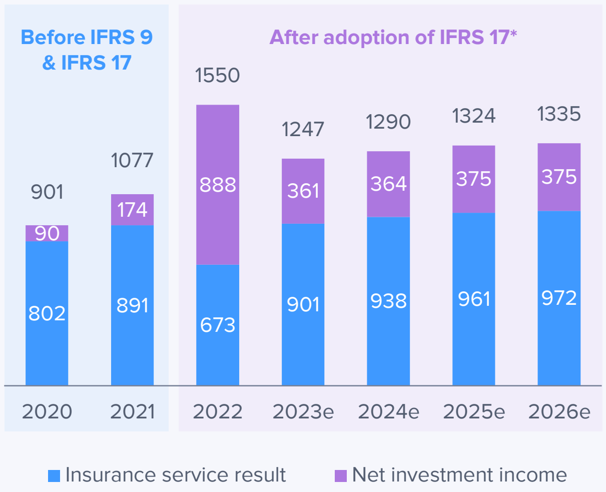
Estimates in line with the consensus

Our If estimates are well in line with the consensus. The consensus is slightly more optimistic about the insurance service result and expects the combined ratio to remain unchanged when we expect a slight weakening. In terms of investment income, we are slightly above consensus, which means that these effects largely offset each other. Overall, our estimates for the coming years are 1-2% below the consensus.

Estimates for investment income (at fair value)

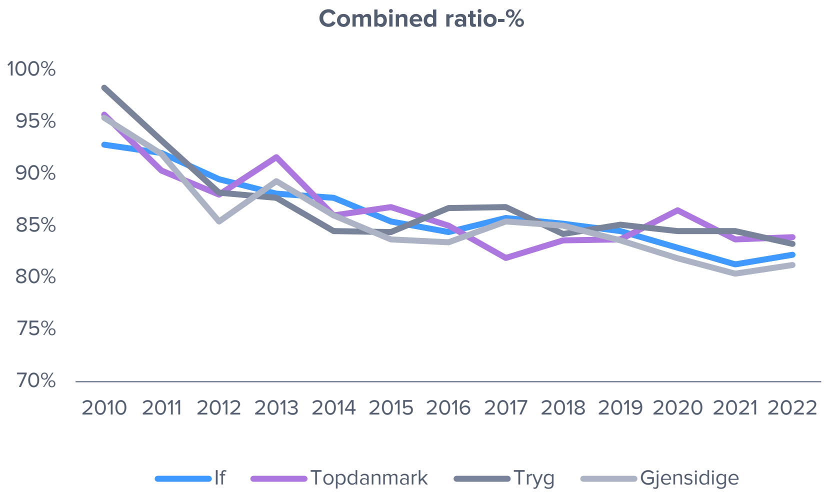


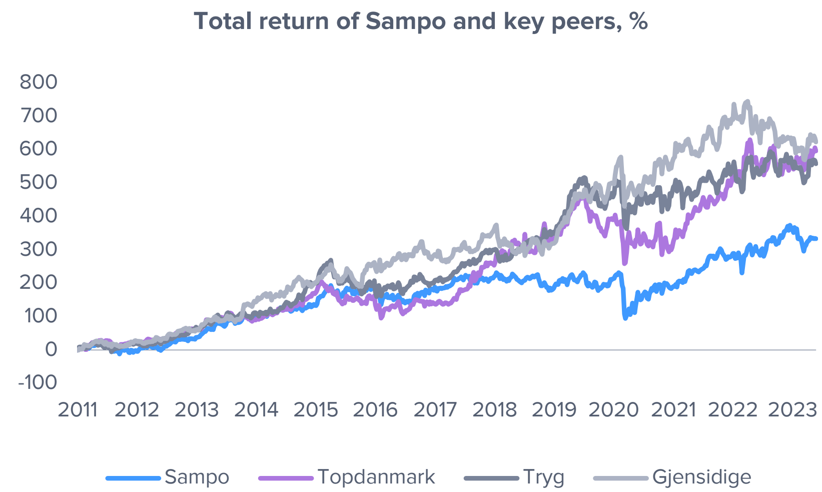
Estimates – PTP (MEUR)

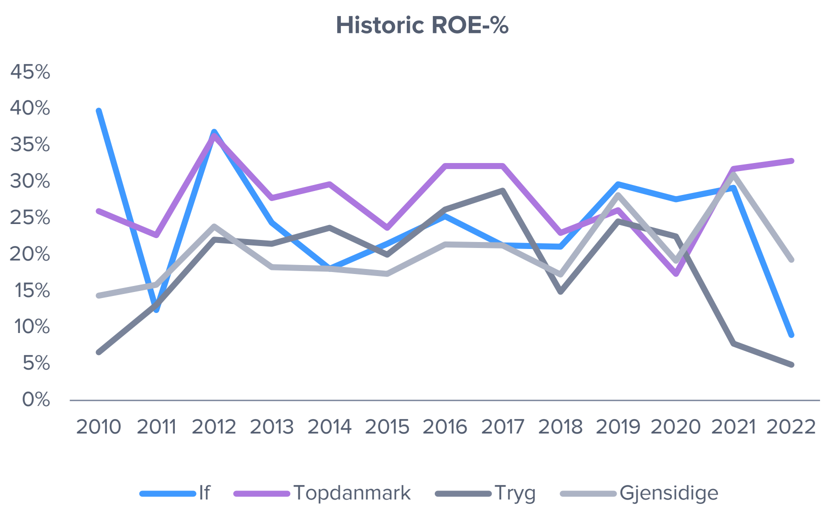


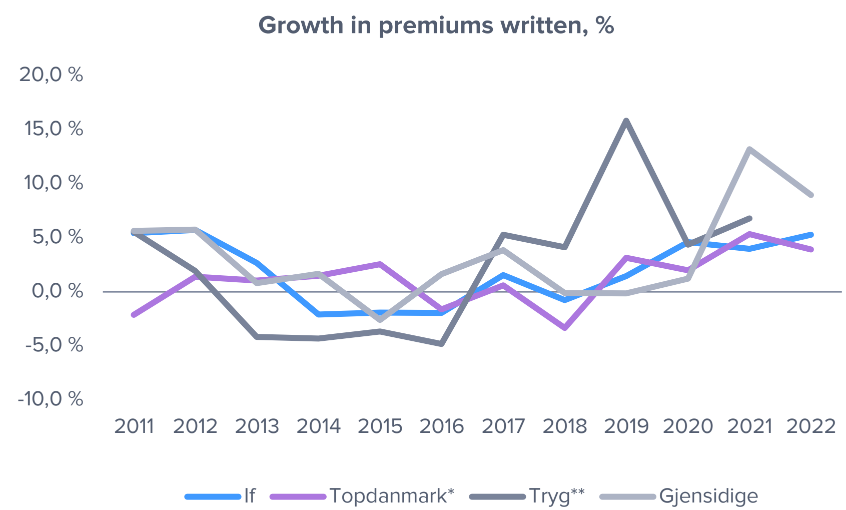
*Estimates also consider the effects of IFRS 9
Source: Sampo

Development of If's peers









Development of P&C insurance business only
***2022 growth adjusted off due to large acquisition*

Source: Companies' financial statements / Bloomberg

Topdanmark 1/3

Company description

Topdanmark is the third largest P&C insurer in Denmark with a market share of about 16%. The company focuses on insurance of private customers, agriculture and SMEs. Topdanmark has approximately 620,000 customers. Topdanmark previously also had a life insurance business but sold it to Nordea in 2022. The company is listed on the Copenhagen Stock Exchange.

The P&C insurance business is divided into two areas: Private and corporate customers. The main insurance products offered to private customers are motor, home, personal property, health and accident insurance. Topdanmark's more specialized product offering includes travel, pet and electronics insurance and insurance relating to the transfer of ownership. The private customers business area accounts for 54% of the company's P&C insurance premiums written.

The SME business area accounts for 46% of the company's P&C insurance premiums written. Topdanmark's customers include some 110,000 small and medium-sized entrepreneurs or farmers.

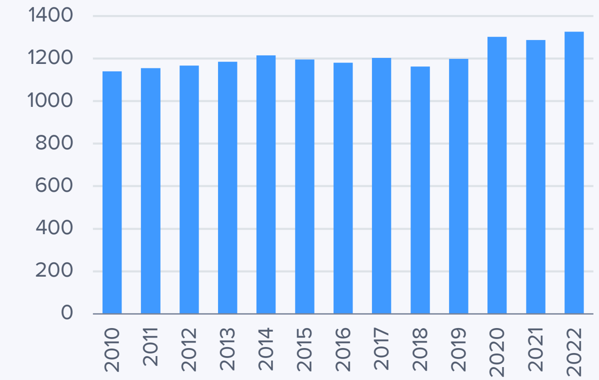
Stable historical development

Topdanmark's philosophy is very similar to If's, and it has also always preferred the underwriting result above growth. The company's growth has been very modest and the average increase in premiums written in 2010–2022 was just over one per cent. At the same time, the company's market share has fallen from 18% to around 16%. The weak growth is explained not only by the focus on the underwriting result but also by the company being positioned outside growth centers. In the past, the company's low digital capability has probably also slowed down growth, although the company has significantly improved in this area with large investments in recent years.

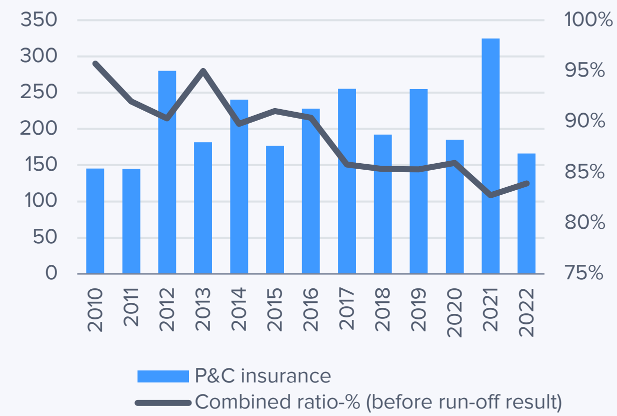
At the same time, however, the company's technical performance has been excellent and the combined ratio has declined from about 93% in 2010 to about 83% in 2022. Simultaneously, the level of investment income has decreased clearly due to much lower interest rates. As a result, the company's performance has been relatively stable. EPS has, however, increased clearly as a result of the company's previous share buybacks.

The company's capital allocation has also been very conservative and main focus has been on returning assets to investors rather than on acquisitions, for example. Until 2017, the company's profit distribution method was buybacks of shares, but since then the company has started to distribute dividend on the request of its main owner Sampo. The main M&A transactions in Topdanmark's recent history are the divestment of the life insurance business to Nordea (sales price 270 MEUR) and the acquisition of Oona Health A/S, a Danish insurance company, in 2023 (approximately 300 MEUR), which is expected to be completed in 2023. The company's current goal is to distribute at least 70% of its earnings as dividends, and the market expects the company to distribute all of its earnings in the next few years as dividends.

Development of premiums written in P&C insurance (MEUR)



PTP and profitability of P&C business (MEUR)



Source: Topdanmark

Topdanmark 2/3

Stalemate in ownership

Sampo invested in Topdanmark for the first time in 2011 and steadily increased its holding thereafter (both by acquiring shares and through Topdanmark's aggressive share buybacks). In 2016, Sampo's holding in Topdanmark rose to over 30% and the company made a mandatory bid without a premium. In 2017, Topdanmark became Sampo's subsidiary when Sampo interpreted that it had control of the company. The holding remained unchanged for years, as Topdanmark stopped making share buybacks in 2017 (the dividend policy changed to dividend distribution) and Sampo did not buy shares as the management considered the price to be too high. For years, Sampo has made it very clear that it would like to fully own Topdanmark. The challenging valuation level of Topdanmark has, however, stopped Sampo from making a bid.

A clear change in Sampo's attitude towards Topdanmark occurred in Q4'21, when Sampo acquired a fair number of shares on the market for the first time in years. Since then, the company has bought small amounts of shares from the market, and the holding is currently 48.5%. Although the amounts purchased have been very modest, we believe that the change is significant, because it indicates that Sampo is prepared to make a move at the current share price level.

From Sampo's point of view, the situation with Topdanmark is problematic. It goes without saying that Topdanmark would be an excellent addition to Sampo and a merger with If would provide significant synergies. At present, If is too small in Denmark (5% market share) and a merger with Topdanmark would make the company the second largest player in Denmark. The problem is the pricing of shares, which is systematically at a premium to the peers. In practice, the share price already prices some kind of premium for Sampo's bid, as its probability is generally considered high. This in turn practically prevents the possibility of a significant drop in Topdanmark's share price.

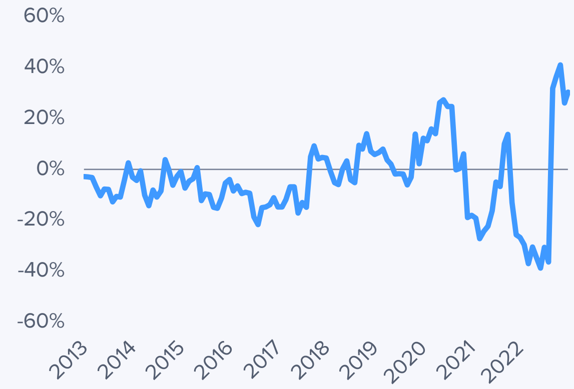
A possible bid

Topdanmark's market cap is currently around EUR 4.4 billion and the market cap of the shares not held by Sampo is about EUR 2.2 billion. We estimate that a possible bid would require a clear premium on the current share price and if we apply a 30% premium, the price of the remaining shares would be about EUR 2.9 billion. As the premium would only be paid to other shareholders, Topdanmark's market cap in this calculation would be around EUR 5.0 billion.

Topdanmark's profit after tax is about EUR 200 million with the 2023 consensus estimate, which means that the P/E ratio would be about 25x. We note that Topdanmark's 2023 result is very good and we think it gives a quite accurate picture of the company's normal earnings power.

We have roughly outlined that a possible merger with Topdanmark would, with cautious estimates, generate an annual synergy of at least EUR 50 million and, in the optimal scenario, synergies could reach up to EUR 100 million. The main sources of synergies would be pruning overlapping costs (2x organizations in Denmark at present), lower prices for reinsurance and IT systems. In addition, we estimate that the companies could reach significant operational synergies on top of this (similar to those obtained with Hastings).

Topdanmark's P/E ratio vs. average for Tryg, Sampo and Gjensidige



Topdanmark's P/E ratio vs. Sampo

Source: Bloomberg

Topdanmark 3/3

Taking synergies into account, Topdanmark's profit after tax would be about EUR 250–300 million and the P/E ratio would fall to about 20–17x, which is in line with the valuations of other Nordic P&C insurers. We consider the level to be challenging, given that it contains the expected synergies.

It is clear that paying a premium on the current high valuation level will dilute Sampo's returns on investment, and the return from the additional money invested in Topdanmark will inevitably be muted in the short-term. Nevertheless, we believe that the transaction would be justified by exceptional industrial logic and long-term synergy potential, provided that the size of the synergies we anticipate is correct.

According to our view, Sampo could finance the Topdanmark acquisition with its current balance sheet, but it would eat all surplus capital and would temporarily increase the debt level of the balance sheet above the company's target levels. We will discuss the financing of the Topdanmark acquisition in more detail on page 41 of the report .

We still consider a bid to very likely in the end, although it is difficult to pinpoint the exact timing. If Sampo does not make a direct bid, one possible path is that Sampo continues to acquire Topdanmark shares on the stock exchange more actively than before. This would allow the company to gradually acquire shares without a premium and lower the threshold for paying the premium, as there would be fewer other owners.

Solvency is very strong

Topdanmark balance sheet is very strong and at the end of Q1'23 the company's Solvency 2 rate was 351%. Solvency considers the dividend paid at the end of April, but it does not take into account the Oona Health acquisition. Considering the acquisition, the solvency will be somewhat under 200%, so the balance sheet is still very strong.

Forecasts show a stable performance

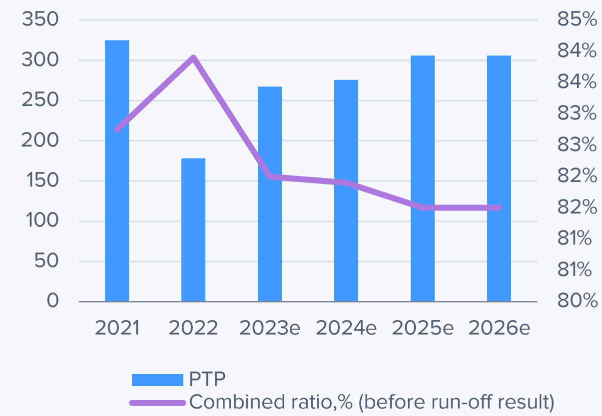
Topdanmark's year started out well and the Q1 result was in line with expectations. The company also increased its guidance on the combined ratio and expects a strong insurance service result also during the rest of the year. The market expects a cautious good 2% increase in premiums written in 2023 and an excellent combined ratio of about 82%. EPS is estimated to be approximately DKK 16 and this is fully distributed to shareholders.

In 2024, premiums written increase by about 10%, driven by the Oona Health acquisition. The insurance service result remains at an excellent level and is expected to be around 82%. With the increase in premiums written, EPS will grow by about 10% and be slightly over DKK 17. The dividend distribution ratio is familiar at about 100%.

In 2025, growth normalizes to about 4% and the insurance service result continues improving. EPS increases by about 7%. As a whole, we think that there are very few uncertainties about Topdanmark's earnings estimates, as the result is very predictable. It is difficult to see that the result could increase substantially more than the current forecasts, as the insurance service result is at its peak and aggressively seeking growth is not in line with the company's strategy.

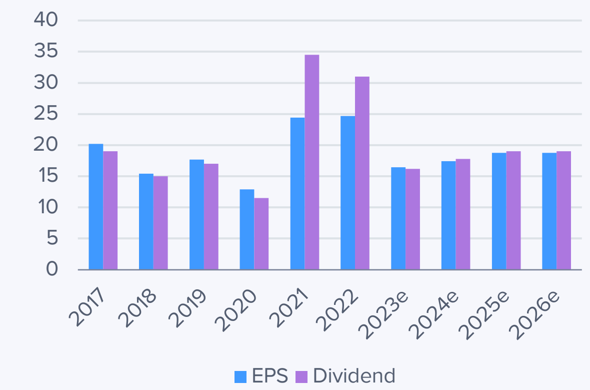
The key risk in the estimates is, naturally, linked to the competitive position on the market and the sustainability of the current combined ratio, now that investment income has again recovered to become a significant performance component in the sector.

Group PTP and profitability (MEUR)*



**NB! The sales gain from the life-assurance business is shown in EPS 2022, but not in PTP*

EPS and dividend (DKK)*



Source: Topdanmark / Vara Research / Bloomberg

Hastings 1/3

Company description

Hastings is one of the leading P&C insurers in the UK operating on a digital platform. The company sells mainly motor, motorcycle and home insurance. Motor insurance is the company's largest product line by far and here the market share is over 8%. Hastings has more than 3 million customers who it serves through its two main subsidiaries, Hastings Insurance Services Limited in the UK and Advantage Insurance Company in Gibraltar.

The acquisition of Hastings came as a surprise to the market

In 2020, Sampo announced, to the great surprise of the market, that it would make a bid for the British P&C insurance company Hastings together with Hastings' then main owner, the South African investment company RMI. Sampo's holding was initially 70% and eventually in 2021 Hastings became Sampo's wholly-owned subsidiary, when Sampo bought out RMI.

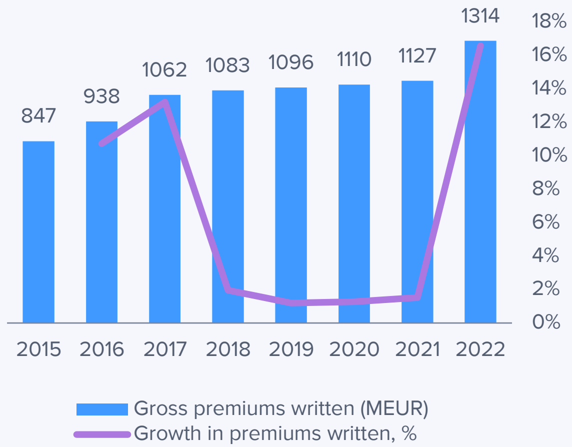
Sampo justified the expansion to Great Britain with Hastings' high quality, strong digital capabilities, interesting growth opportunities on the British market and synergies. . The redemption of RMI's minority was justified, e.g., with faster decision making and easier realization of synergies (no matter whether synergies are visible in If or Hastings). Hastings' total purchase price was about £1.9 billion, or about EUR 2.1 billion with the exchange rate at the time of the purchase.

Impressive historical development

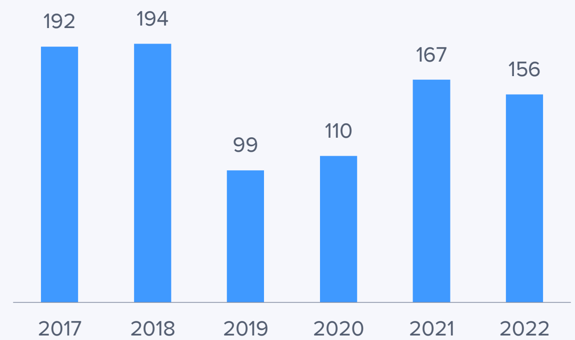
Historically, Hastings has grown rapidly and number of customers have increased by about 12% per year since 2012. At the same time, premiums written have increased by about 15% per year. This growth has been driven by the company's strong digital capability and highly competitive pricing enabled by an efficient operating model. Unlike conventional insurance companies, most of Hastings' new sales comes through comparison sites, allowing low customer acquisition costs and rapid operational expansion. Growth has also been quite profitable, although the result clearly shows changes in the competitive situation on the British market between years.

Although Hastings, under Sampo's management, has raised its underwriting result to a higher priority, we believe Hastings is still a clear growth company. The key drivers of income growth are, of course, an increase in premiums written, scaling of operations and significant improvements in technical performance. Due to market challenges, Hastings has focused on defending its profitability rather than strong growth in the last 12 months. We believe that as the market situation normalizes, Hastings will continue to pursue significant growth, but not at any price. We point out that the Hastings' result has only been fully consolidated in Sampo since 2021

Development of gross premiums written



Hastings' PTP (MEUR*)



**Converted into euros at the exchange rates at the end of the year*
Source: Sampo

Hastings 2/3

Integration into Sampo

Although Hastings is part of the Sampo Group, it is still managed very independently and, e.g., runs with its own IT systems. This is justified due to very different markets and legislation. Thus, a full integration of Hastings into If's systems has not been sensible.

Despite this, Sampo has gained significant synergy benefits from Hastings. The company's original target for the synergies was EUR 45 million, of which about EUR 30 million was to be operational synergies and about EUR 15 million through capital management. Operational synergies are based on cooperation and exchange of know-how and about half of these synergies will be realized through If. However, materialization of operational synergies will take time, as the effects of the measures are not immediate. According to the company, about EUR 14 million of the targeted EUR 45 million synergies had been achieved by the end of 2022.

The British insurance market

The British P&C insurance market is by far the largest of Sampo's operating markets, totaling over EUR 75 billion, which is almost three times the size of the combined Nordic market. The share of the industry in GDP is also higher than in the Nordic countries. However, the British P&C insurance market is clearly more fragmented than the Nordic market, with the largest player only having a market share of around 7%. The corresponding figure in the Nordic countries ranges from 22% to 32%. There are 170 authorized P&C insurance operators on the market. (source: Sampo).

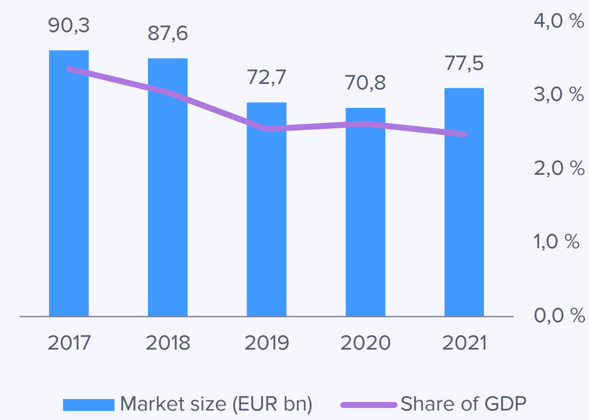
The markets also differ in terms of distribution channels, as price comparison websites are by far the largest sales channel for motor and home insurance customers in the UK, including Hastings, which operates almost exclusively through them. As a result, there is significant price competition in the market, as the main criterion for selecting insurance is the price. Therefore, we also believe that average customer retention is rather weak. This, in turn, is reflected in the profitability levels of P&C insurers, as the combined ratio on the market has been on average over 100% prior to 2021. We believe that in terms of the industry structure and competitive dynamic, the market is more challenging than Sampo's other markets.

Estimates

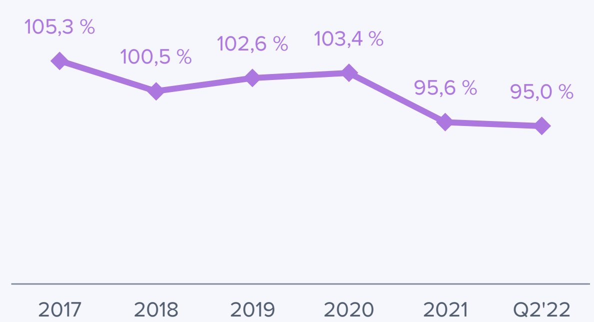
Hastings's result in 2022 suffered from the exceptional claims cost inflation seen on the UK market, which operators were unable to fully export to prices due to fierce price competition. In addition, some operators' prices were affected by the regulatory changes by the Financial Supervisory Authority, which temporarily disarrayed the market. However, the market situation showed signs of improvement toward the end of the year and the price increases in Q1 were already more in line with claims cost inflation.

Hastings' premiums written increased by 39% at fixed exchange rates in Q1, mainly driven by price increases. The number of active insurance policies grew by 4% from the year before to 3,3 million. Profitability was still under pressure due to claims cost inflation and increased loss frequency. The operating ratio was modest at 93.3% and profit before taxes adjusted for non-operational depreciation was EUR 24 million.

Development of insurance market in UK



Development of the combined ratio on the P&C insurance market in the UK



Source: Bank of England

Hastings 3/3

For the rest of the year, we expect premiums written to continue to grow rapidly, driven by price increases. We expect gross premiums written for the full year to increase by 20% and the insurance service result to improve as the year progresses, as the impact of price increases starts to support profitability when claims cost inflation slows down. As a whole, we expect the insurance service result to be approximately the same as in the previous year at EUR 153 million (2022: 159 MEUR) and the operating ratio to be 87.8% (guidance below 88 %). The profit before taxes adjusted for non-operational depreciation is expected to be EUR 159 million. Our estimates are slightly above consensus.

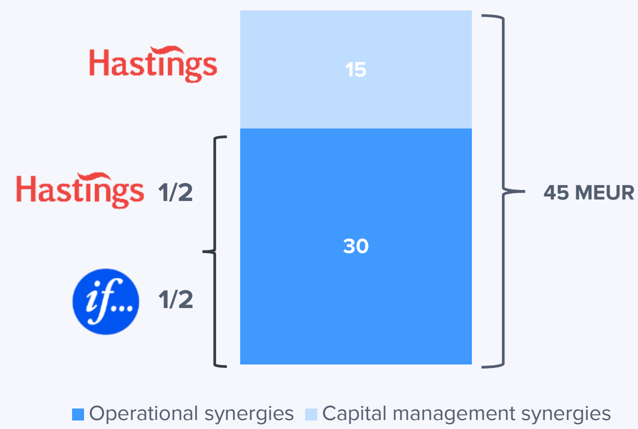
Market expectations are clearly below the company's own targets

For 2024-2026, we expect an annual growth rate of 8% for Hastings (consensus at approximately at the same level). Although the level is quite fast considering Sampo's Nordic operations, we believe it is clearly below the company's own targets. We believe that a cautious approach to growth is justified, as Hastings' growth is clearly more dependent on the general market situation than in Nordic operations. We expect the operating ratio to improve gradually as revenue grows and to be 86-87% in the next few years, which is well in line with the company's current target level of under 88%. In 2026, we expect the insurance service result to improve to about EUR 216 million and profit before taxes adjusted for non-operational depreciation to be EUR 220 million. The consensus estimates for 2024-2026 are slightly below our own forecasts. We believe the estimates are well below what Sampo is aiming for, although it has not issued official targets for Hastings' growth.

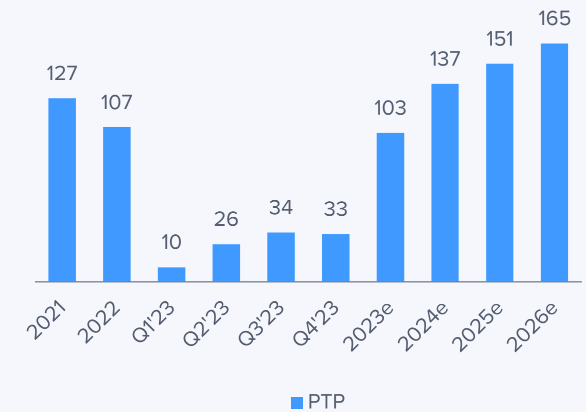
M&A option

As we have said before, we find it very possible that Hastings will pursue not only strong organic growth but also complementary acquisitions to accelerate growth. Thus, we believe that if Hastings can continue its impressive historical development in the coming years, Sampo will be interested in allocating more capital to Hastings to accelerate its inorganic growth.

Synergy targets



Hastings' earnings estimates (MEUR)



Source: Inderes / Sampo

Mandatum 1/4

Investment service company

Mandatum Group has two business areas: Life insurance and Asset Management. Mandatum Life offers asset and wealth management, savings and investment, compensation and rewards, pension plans and personal risk insurance services to its private and corporate customers. Mandatum Asset Management is an investment service company that combines investment fund business, full proxy and consultative financial management services, and the asset management service for Sampo Group. In 2022, the company employed approximately 660 people.

At the end of Q1'23, Mandatum's AUM amounted to EUR 19.8 billion and it had more than 330,000 private customers and around 20,000 corporate customers.

Mandatum Life

Mandatum Life offers its 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 other companies in Mandatum Group. Mandatum Life is Finland's second largest life insurance company.

Life insurance products offered by Mandatum can be classified as unit-linked insurance, with-profit insurance, and personal risk insurance. Mandatum Life's new sales focuses only on unit-linked and personal risk insurance, and sales of with-profit products was discontinued about 15 years ago. In with-profit insurance, Mandatum bears the investment risks associated with insurance. Although with-profit insurance is no longer actively sold, Mandatum still has a significant portfolio of with-profit liabilities.

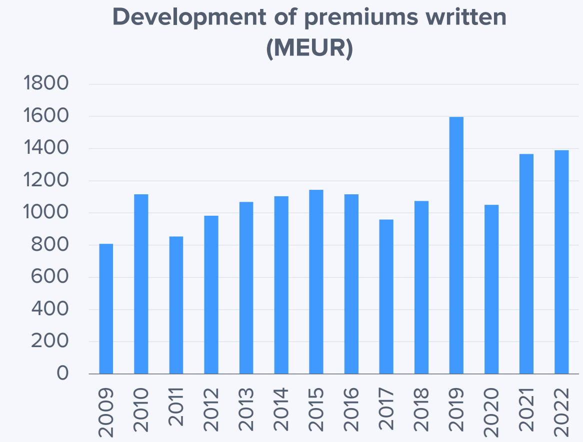
Mandatum has undergone a significant transformation during the past decade. The amount of with-profit liabilities has fallen from around EUR 5 billion in 2014 to around EUR 2.6 billion today. At the same time, the amount of unit-linked policies (customer bears the investment risks) has risen from good 5 billion to over 10 billion.

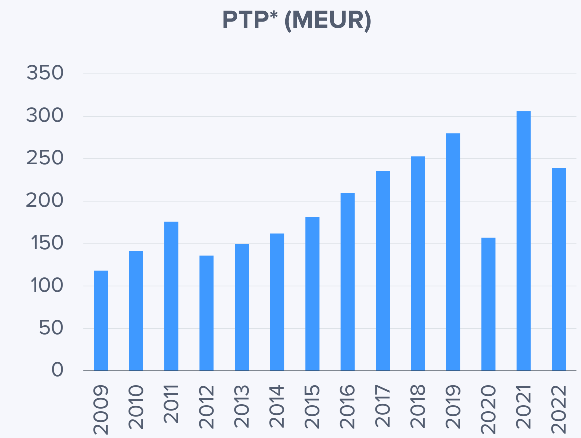
Mandatum Asset Management

Mandatum Asset Management is an asset management company formed in 2021 by combining Sampo Group's and Mandatum Life's investment operations. Thus, it is not a separate unit from Mandatum's other business, but closely linked to life insurance.

The company's direct customers apart from Sampo Group are Nordic and European institutional customers and UHNWI (Ultra High Net worth individual) customers. Mandatum Asset Management, like other key asset managers, has invested heavily in alternative investment products in its strategy. Like other large asset managers, the company's product offering covers all key asset classes.

The company is one of the largest bank-independent asset managers in Finland and in 2022 its commission income was about EUR 80 million, which is in the same size class as for Evli and eQ. Sampo and Mandatum Life are significant customers for Mandatum Asset Management and in 2022 approximately 75% of its commissions came from within the Group.





Source: Sampo
**Adjusted for Group contributions in 2020–2022 and a lump sum of 197 MEUR received from Danske in 2018*

Mandatum 2/4

Mandatum will become a separate listed company in October

In spring 2023, Sampo announced its intention to list Mandatum on the stock exchange through a partial demerger. The demerger has been approved by the AGM and will be implemented on October 1, 2023.

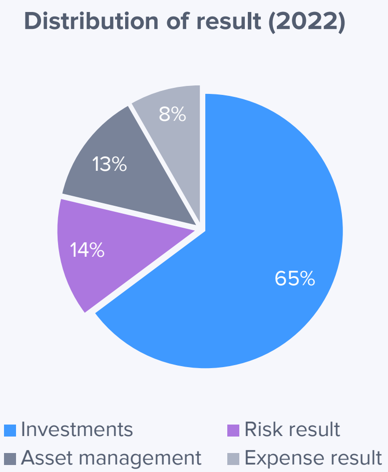
In the planned partial demerger Sampo's shareholders will receive Mandatum shares in proportion to their current holding. We believe that this is the most sensible way to implement the arrangement, because neither Sampo nor Mandatum need new capital. In addition, the partial demerger has neutral effects in Finnish taxation. At the same time, Sampo notes that it has the possibility to suspend the partial demerger process at any time. In practice, this means that if a buyer appeared with a sufficiently heavy bag of money, Sampo could still sell Mandatum. However, we consider the probability of this very low.

As part of the arrangement, Sampo said in connection with its Q1 result that it would sell its Saxo and Enento investments to Mandatum, as well as other clearly smaller assets. Mandatum pays EUR 430 million for these and finances it with a one-off payment of EUR 150 million and a loan of EUR 280 million from Sampo. As part of the arrangement, Mandatum also repays a hybrid loan of EUR 100 million to Sampo and at the same time Sampo allocates EUR 80–85 million of Group liabilities to Mandatum.

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 future 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 other M&A transaction on the Finnish asset management market.

From Sampo's viewpoint , the demerger of Mandatum is another important step toward a full-fledged P&C insurance company. The exit from Mandatum will reduce Sampo's capital needs while lowering the volatility of the result with the general market. As a result, Sampo that focuses on P&C insurance, will be able to operate with slightly smaller capital, which may allow the release of additional capital. However, on Sampo's scale, the figures are not significant according to our preliminary calculations. Investors should note that Mandatum is responsible for approximately 10% of Sampo's sum of the parts and with 2022 figures (excluding IFRS17 adjustments) for less than 15% of the result. Naturally, Sampo's earnings estimates will decrease by this amount after the demerger.

We also think the decision is very good for Mandatum. Mandatum has interesting growth opportunities in the Finnish asset management field, but, e.g., larger inorganic moves have been impossible under Sampo's management as the Group's strategy focuses on P&C insurance. As an independent company, Mandatum can seek faster growth both in Finland and abroad.



Source: Sampo

Mandatum 3/4

Investor profile after the listing

We believe Mandatum has good growth potential on the Finnish investment services market due to its strong market position and structural growth trends in the sector. We believe that the company seeks strong growth in both segments, both organically and through acquisitions.

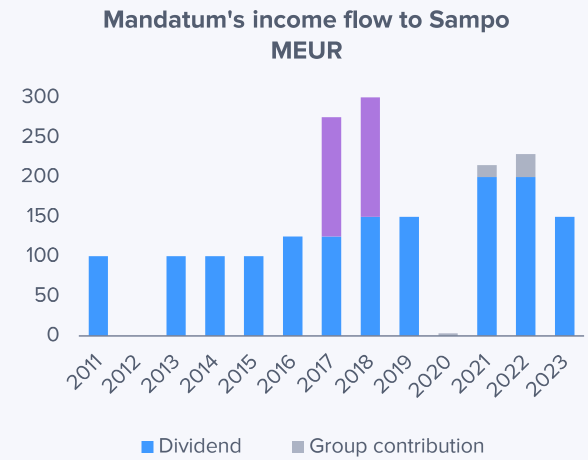
Mandatum also wants to be a good dividend payer, which is typical for companies in the sector, as the business generates good cash flow, solvency is strong and investment needs are very limited (except possible acquisitions). In the prospectus, Mandatum stated that it intends to distribute a cumulative dividend of EUR 500 million in 2024-2026. This is well in line with what Mandatum has paid to Sampo in recent years. As a result of the strong balance sheet and the reduction in the with-profit liabilities, the company also has room for potential acquisitions, where the company's share can be used as payment, despite the generous dividend distribution.

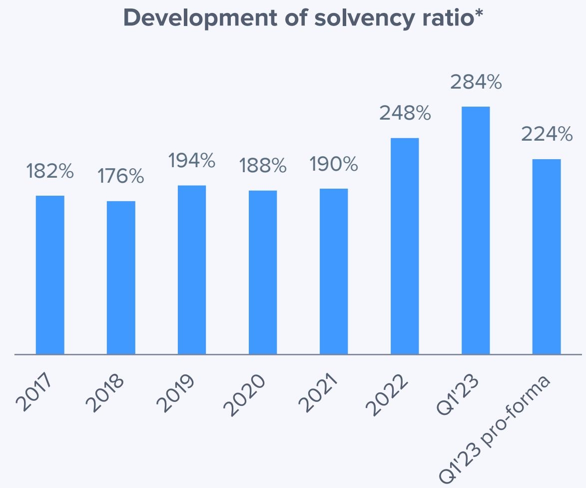
Solvency is very strong

Mandatum's solvency is very strong and at the end of Q1'23 the company's Solvency 2 rate was 284%. Solvency has strengthened significantly since the beginning of 2022 due to the rapid increase in interest rates. The increase in interest rates has significantly reduced the company's underwriting liabilities and has resulted in solvency increasing from 192% at the beginning of 2022 to 284% today. Considering the planned purchase of shares in Saxo and Enento and the related loan arrangements, solvency would have been 224%.

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 think it is quite likely that Mandatum wants to be an active player in Finland's consolidating asset management market. 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, which have temporarily used up most of the leeway in the balance sheet. 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. Consequently, Mandatum's investment in the company is hardly locked up for a very long time and we think an exit is likely in the next 18 months.

In its prospectus, Mandatum has stated that its medium- and long-term solvency ratio target is 170%. The level reflects a situation where the with-profit liabilities have fallen clearly from the current levels and the company has exited from its investments in Enento and Saxo.





Source: Sampo
**Q1'23 pro-forma includes the acquisition of Enento and Saxo, a hybrid loan of EUR 100 million to be repaid to Sampo and a debt allocation of EUR 80-85 million from Sampo*

Mandatum 4/4

Background of estimates

Mandatum's result consists of three components: Mandatum Life's unit-linked contracts, Mandatum Life's other contracts (including with-profit portfolio) and Mandatum Asset Management's earnings.

For with-profit portfolio Mandatum pays a fixed annual interest rate of 3.5–4.5%, where the company bears the investment risk. However, a majority of the underwriting liability is comprised of Mandatum Life's unit-linked contracts, where the customer bears the investment risk. Although the size of the with-profit portfolio is moderate compared to the size of the company (EUR 1.6 bn and about 14% of the total liability), Mandatum's earnings are somewhat swayed with the investment market. In addition, Mandatum's result is strongly affected by changes in the discounting of underwriting reserves, as the discounting of underwriting reserves takes place directly in accordance with market rates after IFRS 17 is adopted.

Mandatum's mark-to-market yield was 5.7% at the end of Q1'23. We find the level to be very good and it is well beyond the return requirement on the with-profit agreements. The strong return on the interest portfolio will therefore support Mandatum's earnings development in the coming years.

Estimates

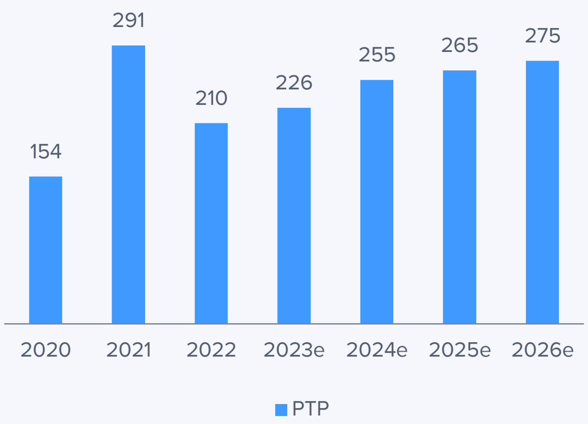
Mandatum's year started out well. Net subscriptions to unit-linked and other external customer assets were at a strong level of nearly EUR 300 million. The company's pre-tax profit was EUR 32 million and was negatively affected by changes in discount rates. Without changes in the discount rates, the result would have been almost EUR 80 million according to our calculations. For the full year, we estimate that Mandatum's result will be about EUR 226 million. The result is supported by strong investment returns and well performing new sales.

Over the next few years, we believe Mandatum's earnings have good preconditions to grow thanks to strong new sales, despite the gradual decline in the with-profit portfolio. However, the focus of the result will gradually move away from the with-profit portfolio toward a more predictable and capital-light business (Mandatum Life's unit-linked contracts and Mandatum Asset Management). The shift in the focus of the result supports Mandatum's valuation level due to better predictability of earnings and capital lightness.

As a whole, we estimate that the pre-tax profit for 2024-2026 will be EUR 250-280 million. The level is well in line with Vara's consensus forecast updated in February, where Mandatum's pre-tax profit for 2024 was forecast to be EUR 268 million (Mandatum removed from Sampo's consensus after February).

In the light of our earnings estimates, Mandatum is well placed to pay the promised cumulative dividend of EUR 500 million in 2024-2026, while maintaining a very strong solvency ratio.

Mandatum's earnings estimates (MEUR)



Cumulative dividend target for 2024-2026

Source: Inderes / Mandatum

Holding

Sampo's Holding segment includes the Group's administration and non-strategic investments. Group tasks include, e.g., the Group's strategy, capital allocation, risk management, group accounting, investor relations, sustainability, legal and tax affairs. In terms of the segment's historical figures we have also combined the income from the Nordea holding (income share, dividends and sales gains/losses) here. The segment employs around 50 people.

Cost analysis

The costs of Sampo's parent company can be divided into two: Operational costs and financial expenses. We estimate that the level of operational costs is approximately EUR 45 million per year, while the level of net financial expenses is about EUR 30 million with the current debt structure. The level of net financial expenses is low due to the very low average interest rate on the company's liabilities and, correspondingly, the clearly improved yield outlook of the liquidity portfolio. As the company's balance sheet is still very strong and overcapitalized, Sampo will continue to repay debts and reduce net debt as debts gradually mature.

Investments will be exited

Holding's investments consist of the Group's four PE investments made in the framework of its previous strategy. In 2017-2018, Sampo invested approximately EUR 1 billion in four Nordic financial companies. We estimate that the present value of the investments is around EUR 1 billion (graph on the right).

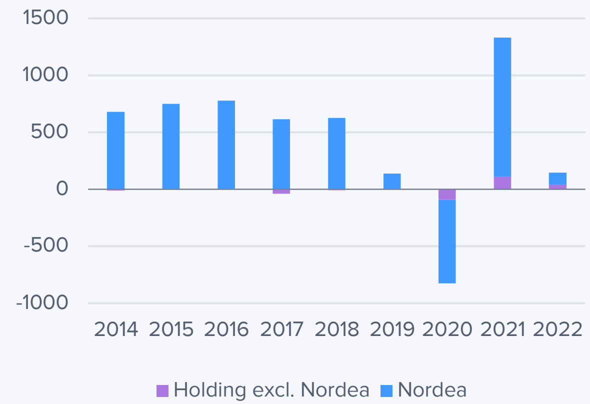
In its strategy the company has outlined that non-strategic investments will be exited in the next few years. The first step in this direction was taken early in the year when Sampo announced that it would sell its shares in Saxo and Enento to Mandatum. Mandatum pays EUR 430 million for these and finances it with a one-off payment of EUR 150 million and a loan of EUR 280 million from Sampo. We consider the arrangement reasonable for Sampo, as it will get rid of some PE investments faster than planned. In addition, Sampo's owners maintain the upside potential of their investments.

We want to point out to investors that these exits are not in Sampo's hands the most part, because it is a minority shareholder in most of the projects. In addition, Sampo is not in a hurry with the exits, so it has time to wait for the optimal exit time. With regard to Nexi, we consider an exit possible during 2024, while in Nordax 2025 is probably the earliest realistic exit point. Furthermore, we note that even if the investments would generate a clearly higher return than we predict, the scale and significance of this would be relatively small from Sampo's point of view.

Future estimates

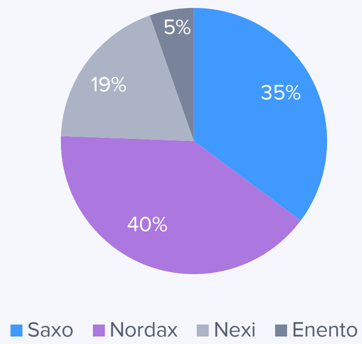
In the next few years , we expect the segment 's operating result to be EUR -75 million annually. The amount is relatively small considering the size class of the Group (about 5% of PTP).

Holding's PTP* (MEUR)



Prior to 2020 Sampo reported Nordea's share of income in a separate segment. In addition to Nordea's income shares, the figure includes sales gains/losses and Nordea's dividends 2020-2022

PE portfolio's value distribution (Inderes' estimate)



Source: Sampo / Inderes

Financial position 1/3

The business ties up a lot of capital

Sampo's balance sheet is very large, as is typical of an insurance company. The balance sheet experienced a significant transformation in early 2023 when the company announced the partial demerger of Mandatum. Starting from Q1'23 Sampo has reported Mandatum in one line of its balance sheet (discontinued operations, net of tax). We point out that we have adjusted the figures for 2022 to reflect the current situation where Mandatum is presented only on one line. This gives investors a much better picture of the Group's balance sheet structure once Mandatum exits the Group.

The largest individual asset items in the balance sheet relate to Sampo's investments held as counterparties to insurance liabilities. At the end of Q1'23, Sampo had financial assets of just over EUR 16 billion in its balance sheet. The company had EUR 1.8 billion in assets related to reinsurance contracts.

Other items that are significant in size are intangible assets (mainly goodwill from If, Hastings and Topdanmark acquisitions), which at the end of Q1'23 stood at EUR 3.3 billion. The company had EUR 2.3 billion in cash in its balance sheet at the end of Q1'23.

Mandatum's balance sheet items have been recognized in assets held for distribution to owners and their value at the end of Q1'23 was EUR 15.3 billion. This item will naturally be removed from the company's balance sheet in Q4'23 when the partial demerger takes place.

In liabilities, the largest item is the company's insurance contract liabilities, which at the end of Q1'23 was EUR 11.4 billion.

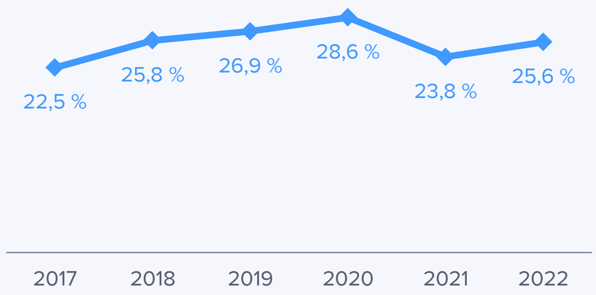
The company had EUR 3.2 billion in financial debt in its balance sheet at the end of Q1'23. The company's debt has mainly been acquired at a very favorable time and the average interest rate on the debt portfolio is very low at about 2.4%. The average debt maturity is also long (a maturity table of debt is presented on the next page). We consider long maturity to be good in principle and, at the current interest rate, any earlier redemption of debts would hardly prove to be a major problem.

Mandatum's liabilities have been recognized on one line in the balance sheet (liabilities directly associated with disposal group held for distribution to owners) and their value at the end of Q1'23 was about EUR 13.5 billion.

Solvency

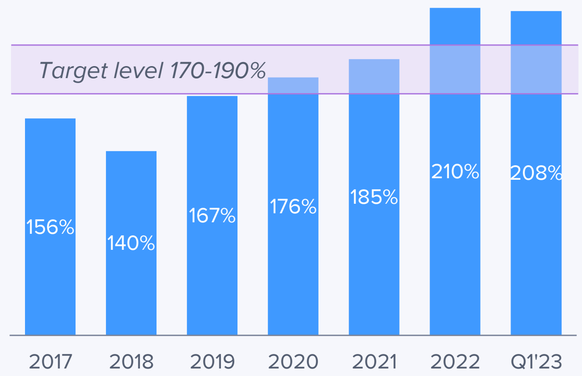
The strength of an insurance company's balance sheet is measured by the Solvency 2 rate, which describes the ratio of the insurance company's own assets to the minimum capital requirement set by the supervisor. Sampo Solvency 2 rate was 208% at the end of Q1'23. This figure considers the dividend paid in May, the accumulated dividend for Q1'23 and the ongoing purchase program of EUR 400 million. Considering the demerger of Mandatum and the related share transfers in Saxo and Enento, Sampo's solvency would have been 196% in Q1 (excluding the dividend accrued in Q1). Solvency decreases due to the very strong capitalization of Mandatum and the reduction in diversification benefits used in the solvency calculation. Solvency is strong, but relatively close to the company's current target level (170-190%).

Development of Group's financial leverage



Financial leverage = financial debt / (financial debt + equity)

Development of the solvency ratio



Source: Sampo

Financial position 2/3

We note that the remaining PE investments (Nordax and Nexi) continue to tie up significant capital and, if these were sold at their balance sheet values, the company's solvency ratio would improve by about 15 percentage points according to our calculations.

After the Mandatum demerger, the company's sensitivity to movements on the capital market decreases clearly and management indicated in the Q1 conference call that it would be possible to lower the current solvency limits in the next strategy update in order to improve the Group's capital efficiency. If Sampo were to lower its solvency targets to, e.g., 160–180% (now 170–190%) and exit the remaining PE investments at their balance sheet value, Sampo's solvency would be about 220% according to our calculations. Relative to the current solvency target, the surplus capital would amount to EUR 800-1,300 million and the relative to the 160-180% target surplus capital would be EUR 1,000-1,600 million. In practice, this means that the company has surplus capital in its balance sheet of approximately EUR 2–3 per share and this is largely committed to PE investments.

Financial leverage

Sampo's financial leverage (financial debt / [financial debt + equity]) was 27.2% at the end of Q1'23, considering the purchase of own shares and the dividend in spring, and thus aligned with the company's target level of under 30%. Investors should note that Sampo's gearing calculation does not consider the Group's cash assets, so at times the figure gives an unnecessarily negative picture of Sampo's indebtedness.

At the end of Q1'23, the company had debt of some EUR 3.2 billion, which was divided into parent company's liabilities of EUR 2.8 billion and the liabilities of subsidiaries EUR 500 million. In 2021–2022, Sampo had a peculiar problem, with too much cash from the Nordea divestments and the volume of debt securities traded on the market was smaller than the company wished to redeem. The problem was that, during the zero interest period, high-quality interest-bearing securities were a scarce commodity and there was not enough willing sellers. However, the situation has now been balanced by redemptions, debts maturing and capital repayments and, our view is that the company should no longer have greater needs to redeem its debts from the market before they fall due. We expect the company's gross debt to decline naturally over the next few years as the loans mature. However, considering the company's strong credit rating and predictable business operations, it is advisable to use a certain amount of debt lever in operations to optimize its capital structure.

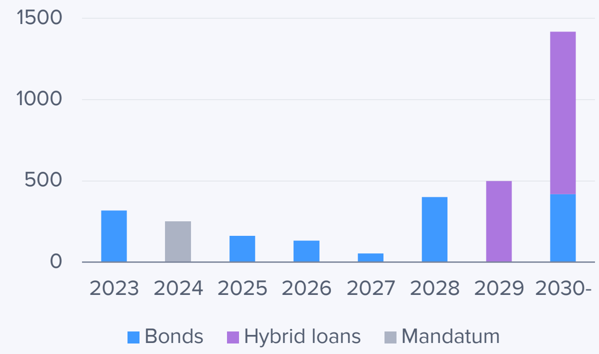
Due to the nature of its business Sampo has several credit ratings both for insurance activities and the Group's financial risk. The credit ratings are very important to the company as they allow cost-effective refinancing and access to debt financing on favorable terms. We believe that the company cannot substantially reduce its solvency or indebtedness targets in order to maintain strong credit ratings which the company wishes to maintain at the current levels (credit ratings shown in the ajdacent below). Therefore, the maintenance of credit ratings also places a framework on the company's capital structure.

Credit ratings

Company/segment	Moody's	S&P	Fitch
Sampo plc	A3	A	-
If P&C insurance*	A1	AA-	-
If	-	A	-
Mandatum	-	A	-
Hastings	-	-	A

**Separate Financial Strength Rating for P&C insurance. For others, reflects the counterparty risk of loan financing.*

Maturity distribution of debts* Q1'23 (MEUR)



**Hybrid loans have no due date, but can be redeemed in 2029 and 2030.*
Source: Sampo

Financial position 3/3

Profit distribution remains generous

Sampo has actively emptied its balance sheet with extra dividends and share buybacks during the current strategy period. During the strategy period, the company has returned surplus capital to its shareholders for nearly EUR 4 billion. Slightly more than half of the amount has been used for share buybacks and the company has distributed a total of EUR 1.7 billion in extra dividends.

The company itself has said that it has surplus capital in its balance sheet of about EUR 2 per share, and this capital is mainly tied to PE investments. As our assessment of the solvency of the company show, the estimate of EUR 2 (about EUR 1 billion) is relatively conservative figure and our estimate is closer to EUR 3 than EUR 2 per share.

Sampo's profit distribution policy is to increase the regular dividend evenly and distribute at least 70% of earnings as dividends. In addition, the company can continue to distribute any surplus capital as extra dividends or through share buybacks.

In its communication, the company has emphasized the importance of steady dividend growth and we expect that the payout ratio will be close to 70–80% and the dividend growth rate will be in line with the earnings growth rate. Investors should note that of Sampo's EUR 1.80 per share regular dividend in 2022 about EUR 0.30 came from Mandatum and thus, after the demerger, Sampo's dividend will grow from EUR 1.5 baseline.

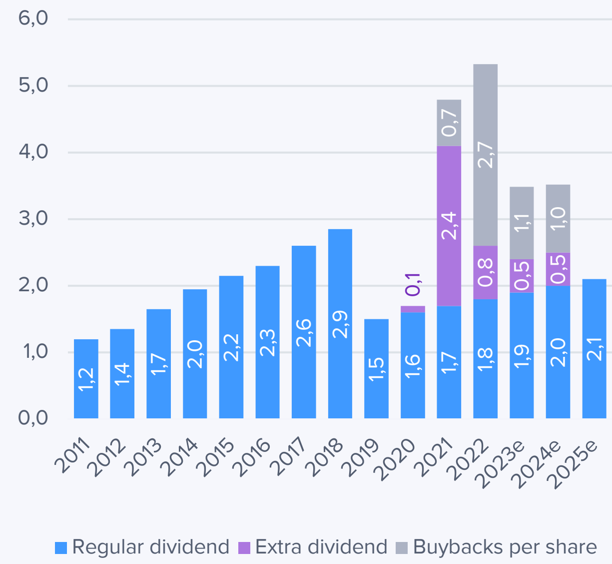
Since the payout ratio is consistently below 100% and the company's balance sheet is already very strong, it is possible to repay regular surplus capital also in the future. We therefore think it is likely that we will see additional capital repayments also in the longer term.

Potential Topdanmark acquisition makes the balance sheet tight

Naturally, the key question in the company's future capital use is Topdanmark. According to our calculations, the acquisition of Topdanmark could be completed with the company's current balance sheet structure but it would require issuance of considerable hybrid bonds. The hybrids means that solvency would not be a problem for the company, but the leverage ratio would probably exceed the company's target level. However, we do not believe that this would automatically be a major problem, provided that the company has a clear path to decreasing the debt in the coming years. Furthermore, we point out that the deal would in practice require all the surplus capital currently available. If the company decides to distribute all its current surplus capital, the financing of the Topdanmark acquisition would be challenging without the company using its own shares as a means of payment.

If the company makes no major moves in Topdanmark, we expect it to gradually dissolve its overcapitalized balance sheet as capital is released from PE investments. If the company ends up distributing all the surplus capital over the coming years, it will inevitably decrease the likelihood of a bid for Topdanmark as the financing of the arrangement becomes clearly more difficult.

Sampo's dividend and buybacks per share (EUR)



Source: Sampo / Inderes

Estimates 1/4

Basis for our estimates

We have discussed segment-specific estimates in their respective sections and in this section, we focus on a Group level summary of the estimates. We point out to investors that Mandatum is still included in our estimates but is only visible on one line above net profit. Naturally, if the demerger is implemented, Sampo's result will decrease by Mandatum's result.

We expect the market situation to remain at least reasonable for Sampo in the coming years. Although the recovery in investment income from the increased interest rates may put pressure on the insurance service results in the sector, the effect will be limited due to the healthy fundamentals in the industry (consolidated market, high barriers of entry, price discipline, etc.). However, it is clear in our opinion that in the current interest rate environment, it is difficult to improve combined ratios from the current levels, which means that earnings growth for If and Topdanmark will be based more on the increase in premiums written and improved investment income. This is also in line with market expectations, as the consensus expects the combined ratios of the key listed peers to remain stable over the next few years.

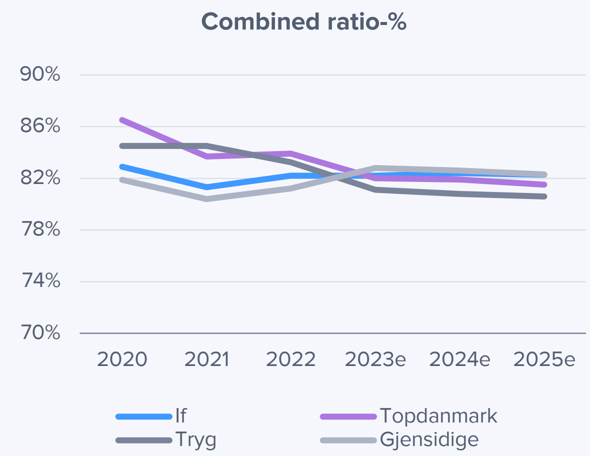
We think it is clear that Sampo's earnings growth will be moderate in the coming years, which the company itself has also set out in the guidance issued at the 2021 CMD. Apart from Hastings, the company's operative parts are performing strongly, and it is difficult for us to see that If or Topdanmark would be capable of significant earnings improvements from the current levels Hastings' result could grow clearly faster than our forecasts, but on Sampo's scale this effect would remain moderate, considering Hastings' smallish size.

Sampo's reporting faced a major change at the beginning of 2023 when the company adopted IFRS 9 and IFRS 17 accounting standards. Of course, the changes have no operational impact on Sampo's business, but they caused significant changes in the company's reporting. In the future, the company recognizes the effects of changes in the discount rate on net financial income and the new insurance service result reflects pure insurance income (very close to the previous underwriting result). In the future, the company will also recognize changes in the fair values of investment income immediately in its results and this increases the volatility of the result in the short term. In the longer term, however, this does not have a significant impact on the numbers.

Investors should also note that 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.

Estimate revisions

We made a lot of minor changes to our estimates, but the changes at Group level were very small. Our earnings estimates for If rose slightly due to higher investment income estimates. In terms of the dividend, we now revised the extra dividend for 2023 to EUR 0.50 (previously EUR 1.0) and added a corresponding extra dividend of EUR 0.50 for 2024.



Source: *Vara Research / Gjensidige, Tryg and Topdanmark*

Estimates 2/4

2023: excellent development continues

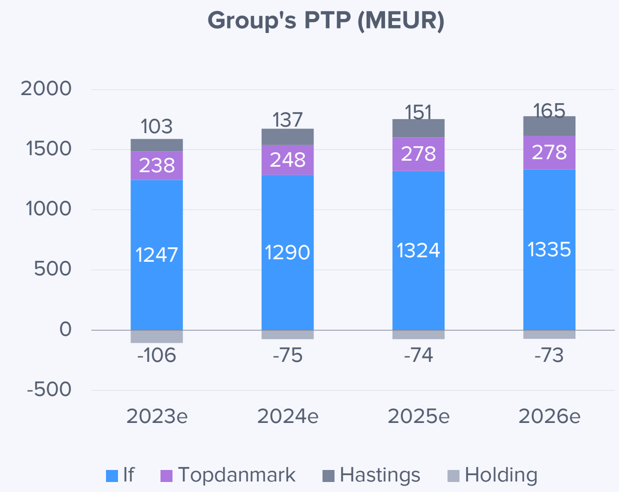
Sampo's year started strongly and Q1 performance was better than market expectations (359 MEUR vs. 342 MEUR). If's premiums written increased by over 6% in currency neutral terms driven by price increases. The combined ratio was 82.4%, which can be considered excellent in the seasonally toughest quarter. The low combined ratio is partly explained by a lower number of major claims than expected. Investment income was also at a good level, and the yield-to-maturity of If's fixed-income investment portfolio was about 5% at the end of Q1. With the excellent Q1 report, If also revised its guidance and now expects a combined ratio of 82-84% (previous below 85%).

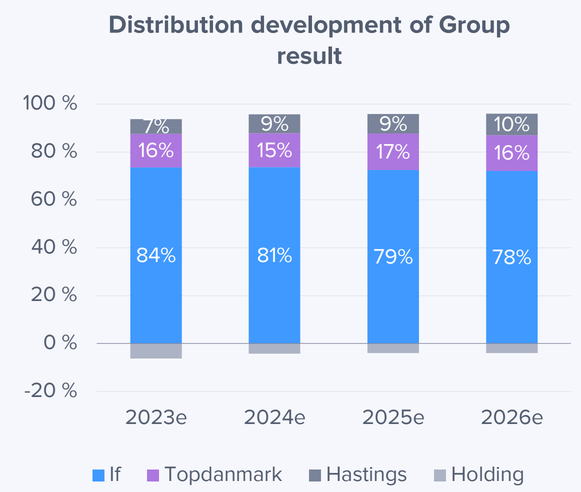
The development of Hastings was twofold. The company has not been able to fully pass on claims cost inflation to its product prices and as a result, Hastings' loss ratio rose to 66.1% (Q1'22: 55%), underlining what we believe is a key difference in the competitive tension between the UK and Nordic markets. However, the very strong growth in premiums written (+39%) partly offset the increase in expenses and the insurance service result remained at the level of the comparison period. Topdanmark's result was already known. In turn, Mandatum is currently reported as a discontinued operation. In Group operations, the company made small write-downs in Enento and Nexi (-40 MEUR), and the adjusted for these the earnings overshoot would have been even higher.

For the whole year, we expect a very strong result from Sampo. If's premiums written continue their healthy growth in currency neutral terms driven by claims cost inflation. The combined ratio remains very strong and we expect it to be 82.8%, or slightly below the mid-point of Sampo's guidance. The biggest uncertainty in the estimates is, of course, linked to the net financial result, whose volatility increases significantly with the adoption of IFRS 17 IFRS 9. If interest rates remain at the current level, net financial performance should be at a good level as investment income increases. As a whole, we expect If's result to be EUR 1,247 million. Topdanmark generates a good result and is also supported by the recovery of investment income.

For Hastings, the estimates involve most uncertainty since the company is clearly the most vulnerable to changes in the competitive situation. According to our estimates, the British market will remain difficult throughout 2023. We expect Hastings' premiums written to grow rapidly (+20%) due to the high claims cost inflation and related price increases. Hastings' insurance service result should start to recover as the year progresses, but we expect it to stay at roughly the same level as in the comparison period for the whole year. The loss of the parent company (Holding) is slightly over EUR 100 million and is clearly above normal due to the write-downs made in Q1.

As a whole, we expect Sampo's EPS to be EUR 2.41. We note that Mandatum is only reflected in EPS and accounts for some EUR 0.35 of EPS. In terms of the dividend, we expect Sampo to increase its regular dividend by EUR 0.10 to EUR 1.90 and to distribute an extra dividend of EUR 0.50. In addition, we expect the company to announce a new share buyback program of EUR 500 million during H2'23.





Source: Inderes

Estimates 3/4

2024-2026: nothing new under the sun

Sampo's performance in the next few years follows very similar steps as in 2023. If continues its excellent operational performance and the result grows moderately. Moderate earnings growth is fully explained by the increase in premiums written, as for the combined ratio, we expect a cautious weakening as a result of increased competitive pressure. Investment income will remain at a good level if current interest rate levels prevail.

Topdanmark continues to grow steadily, but like for If, it is difficult for it to make a bigger earnings leap when the insurance service result is already at a high level.

Hastings generates healthy earnings growth, but as a whole we are very cautious in our forecasts due to the unpredictable market in the UK. In an optimistic scenario we feel that Hastings could have the potential to significantly exceed our earnings growth estimates, especially through higher premiums written, but we consider a conservative approach to be justified so far. We expect Group expenses to remain stable.

EPS receives some support from buybacks of own shares that continue until the end of 2024 in our estimates. Overall, we expect EPS to increase by an average of 7% in 2024-2026. The regular dividend will remain on a stable growth path and we expect it to increase by EUR 0.10 per year.

Surplus capital will continue to be repaid

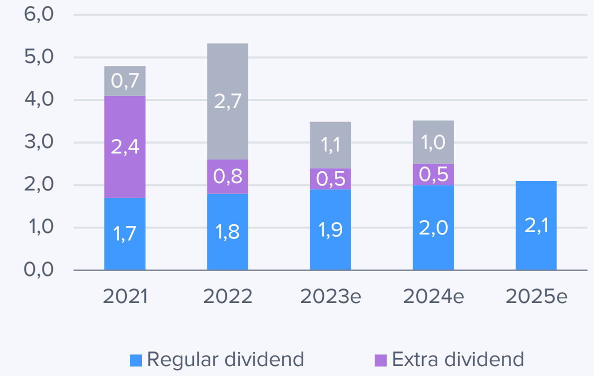
In terms of repayment of surplus capital, we expect an extra dividend of EUR 0.5 per share in 2024. After that, our forecasts no longer include extra profit distributions, as with the estimated profit distribution the company's surplus capital will be removed from the balance sheet. However, additional capital will continue to build up in the balance sheet, as the payout ratio is close to 70-80% in our estimates over the next few years. According to our estimates, the company wants to protect and secure a steady increase in dividends in the long term, and therefore the payout ratio will remain moderate. This leads to surplus capital, which the company is likely to dissolve at irregular intervals, either through share buybacks or extra dividends.

Our estimates are in line with consensus

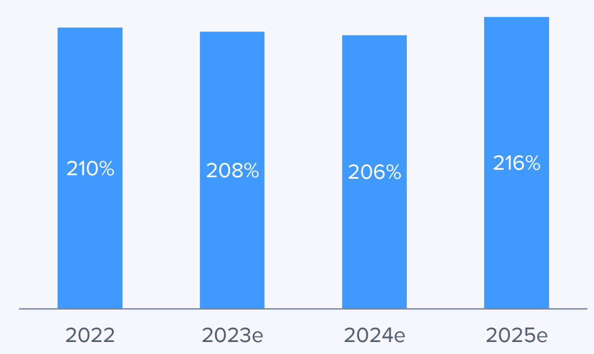
Our estimates are in line with consensus in terms of the result. Our estimate for If's combined ratio is somewhat more cautious than the consensus and correspondingly our estimate for investment income is a bit more positive. However, differences at Group level are very small.

The biggest difference relative to consensus comes from profit distribution. In the consensus, few expect the company to distribute extra dividends for 2023 and an extra dividend for 2024 is only expected by a couple of analysts. On the other hand, the consensus expects share buybacks to continue until 2025 on roughly the same scale as we do.

Dividend and buybacks per share (EUR)



Development of solvency ratio



Source: Inderes

Estimates 4/4

We still find it justified to expect the company to continue to dissolve its balance sheet in the next strategy period, because it does not have any other use for the capital unless it makes a move in Topdanmark. As we have previously explained, the company has surplus capital in its balance sheet for about EUR 2–3 per share. Capital is gradually accumulating, as the payout ratio is systematically below 100% as the company seeks to maintain a steadily growing regular dividend. We therefore believe that it is clear that the surplus capital will continue to be dissolved by means of extra profit distribution. It is clear that the final form of distribution may vary between dividends and share buybacks, but the big picture remains unchanged.

2023e	Inderes	Consensus	Difference-%
Sampo PTP	*1,476*	*1,515*	*-3%*
If PTP	*1,247*	*1,270*	*-2%*
Topdanmark PTP	*238*	*238*	*0%*
Hastings PTP	*103*	*99*	*4%*
Holding PTP	*-106*	*-91*	*17%*
EPS	**2.41**	**2.39**	**1%**
Dividend per share	**2.40**	**2.13**	**13%**

2024e	Inderes	Consensus	Difference-%
Sampo PTP	*1,600*	*1,621*	*-1%*
If PTP	*1,290*	*1,300*	*-1%*
Topdanmark PTP	*248*	*251*	*-1%*
Hastings PTP	*137*	*130*	*5%*
Holding PTP	*-75*	*-60*	*25%*
EPS	**2.50**	**1.97**	**27%**
Dividend per share	**2.70**	**2.57**	**5%**

2025e	Inderes	Consensus	Difference-%
Sampo PTP	*1,679*	*1,710*	*-2%*
If PTP	*1,324*	*1,352*	*-2%*
Topdanmark PTP	*278*	*275*	*1%*
Hastings PTP	*151*	*145*	*4%*
Holding PTP	*-74*	*-62*	*19%*
EPS	**2.89**	**2.75**	**5%**
Dividend per share	**2.10**	**2.07**	**1%**

Source: Inderes / Vara Research

Summary of estimates

	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Gross written premiums	**2849**	**1972**	**1759**	**1687**	**8279**	**2986**	**2163**	**1919**	**1854**	**8598**	**8972**	**9227**	**9550**
If	1923	1343	1081	1084	5432	1966	1410	1135	1138	5649	5762	5822	5996
Topdanmark	598	245	245	221	1320	604	339	347	348	1367	1503	1562	1562
Hastings	328	384	433	382	1527	416	414	437	367	1581	1708	1844	1992
Insurance service result	**242**	**369**	**312**	**109**	**1031**	**298**	**324**	**331**	**324**	**1272**	**1362**	**1413**	**1447**
If	197	248	216	12	673	217	226	233	225	901	938	961	972
Topdanmark	26	80	62	62	230	57	68	60	62	247	274	288	297
Hastings	18	41	34	35	128	25	30	38	37	124	150	164	178
Pre-tax profit (PTP)	**692**	**824**	**342**	**67**	**1835**	**359**	**376**	**391**	**370**	**1507**	**1628**	**1707**	**1733**
If	495	732	264	60	1550	337	298	310	302	1247	1290	1324	1335
Topdanmark	15	67	24	1	178	63	70	67	58	268	276	306	306
Hastings	21	25	54	6	107	10	26	34	33	103	137	151	165
Holdings	164	40	-10	-48	146	-50	-18	-20	-23	-111	-75	-74	-73
Combined ratio	**86.2 %**	**79.7 %**	**83.2 %**	**94.1 %**	**85.8 %**	**84.0 %**	**81.9 %**	**82.5 %**	**85.8 %**	**83.6 %**	**83.4 %**	**83.3 %**	**83.5 %**
If	83.9 %	80.3 %	83.1 %	98.5 %	86.6 %	82.4 %	82.1 %	81.3 %	86.6 %	82.8 %	82.9 %	83.0 %	83.3 %
Topdanmark	91.4 %	79.4 %	80.1 %	81.0 %	82.8 %	83.6 %	80.0 %	81.0 %	81.0 %	82.0 %	81.9 %	81.5 %	81.5 %
Hastings	91.3 %	83.7 %	86.9 %	87.4 %	87.2 %	93.3 %	83.0 %	87.0 %	88.0 %	87.8 %	86.5 %	86.0 %	85.8 %

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
If	1222	1247	2 %	1249	1290	3 %	1293	1324	2 %
Topdanmark	246	238	-3 %	276	248	-10 %	298	278	-7 %
Hastings	117	103	-12 %	132	137	4 %	137	151	10 %
Holdings	-103	-106	3 %	-72	-75	4 %	-69	-74	7 %
PTP	**1476**	**1476**	**0 %**	**1585**	**1600**	**1 %**	**1659**	**1679**	**1 %**
EPS (adjusted)	**2,44**	**2,43**	**0 %**	**2,73**	**2,70**	**-1 %**	**2,89**	**2,89**	**0 %**
Dividend / share	2,90	2,40	-17 %	2,00	2,50	25 %	2,10	2,10	0 %

Source: Inderes

Valuation 1/5

Valuation summary

We have estimated Sampo's fair value through the sum of its parts, relative and absolute valuation and a dividend model. In this analysis, we will focus on the sum of the parts, as it is the best way to consider the value of different parts of Sampo and the different profiles of the businesses. In addition, the value will be released in the next few years as PE investments are sold and Mandatum is divested.

The value based on our sum of the parts is around EUR 44 per share which is in line with our target price. The peer analysis, absolute multiples and our dividend model support our current target price, and we believe that Sampo's share price is currently at the right level.

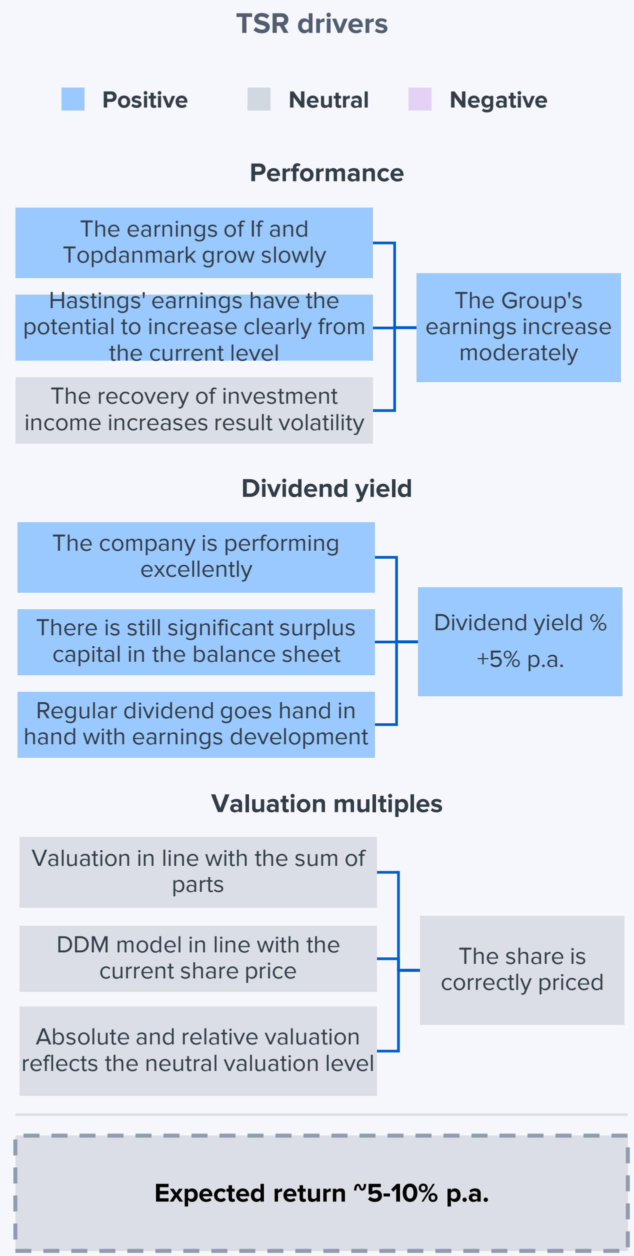
If drives the Group's value development

The P&C insurer If still dominates Sampo's value as it accounts for about 75% of the Group's value in our calculations. Consequently, the company's development largely determines the Group's value. If's valuation level and earnings estimates are currently quite high, so a significantly higher share value would require above all increased market expectations for If's combined ratio, since the profitability level is the single most important component of the company's value development. We do not believe that the other drivers of shareholder value (increase in premiums written and investments) have the same degree of uncertainty, and we consider, e.g., significant surprises in the long-term growth outlook of premiums written, quite unlikely as the growth has followed that of the GDP development of the target markets for a long time. Due to low and foreseeable investment needs (practically only new solvency capital required as the size class grows), we also believe that the development of If's balance sheet does not involve any surprises that are essential for the value of the Group. We therefore expect the company will legitimately distribute most of its profits to the parent company as dividends in the absence of attractive investment targets.

Investors should, therefore, focus on the development of the competitive situation of the Nordic P&C insurance market, which, according to our estimates, has a significant impact on both If's and Topdanmark's earnings outlook. The development of the competitive situation is in our opinion most affected by: 1) the growth outlook on the insurance market, 2) changes in insurance company customer retention, and 3) new potential competitors from outside the insurance market. For If, we recommend that in addition to reported performance figures you monitor especially the development of customer satisfaction and customer retention, as substantial changes in these can predict a tightening of price competition. This, in turn, could change market expectations concerning the sustainability of If's current excellent portability level.

Sum of the parts is the backbone of the valuation

In our view, the sum of the parts provides a good starting point for Sampo's valuation, since it considers the different parts of the Group and their different value creation potential. In addition, the value in the parts is released as a result of the Mandatum listing and exits from PE investments, which supports the usefulness of the method.



Valuation 2/5

Our updated sum of the parts is around EUR 44 per share (previous EUR 47). The difference to the previous sum is mainly explained by the dividend (EUR 2.4 per share) that was paid in May. Other key changes are the increased value of If (about EUR 2 per share) and the consideration of Group expenses (about EUR -1 per share).

In the sidebar on the right, we outline the valuation risk associated with Sampo's parts. The figure illustrates how, in addition to potential, the current price risk of a share is largely comprised of If, which holds a dominant share of Sampo's value. The current valuation multiples for the segment are high in absolute and relative terms, which indicates a sustained strong performance relative to market expectations. Our own estimates are also in line with this. On the other hand, it is difficult to find a credible road map, for faster earnings growth than currently expected, which is also reflected in the company's own financial targets. Therefore, the risk associated with the valuation of the segment (and due to its high weight also with Sampo's value) is relatively high.

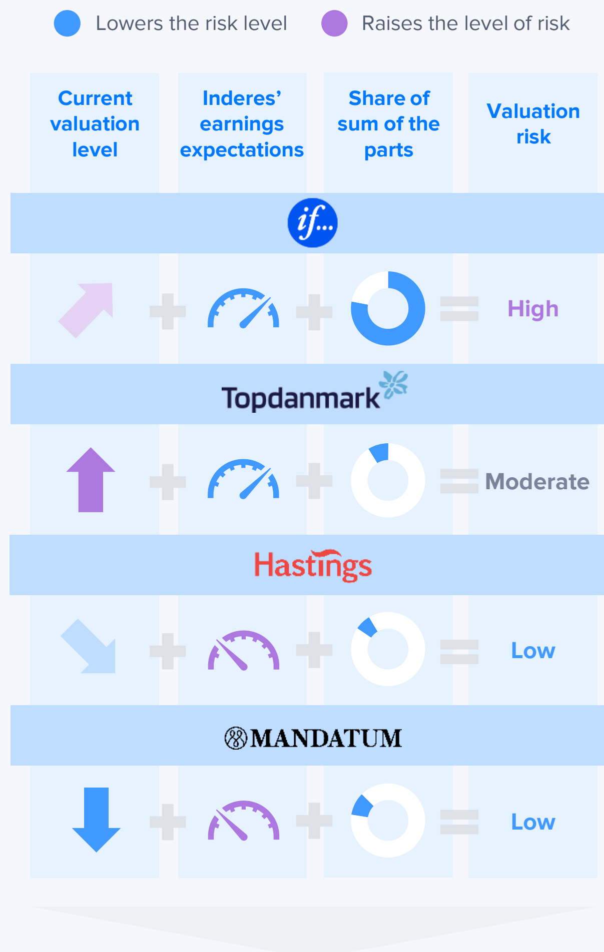
As a whole it is difficult to see much upside that the sum of the parts from the current level without significant new M&A transactions that are not on the company's agenda (excluding any subsequent bid for Topdanmark). As terms of earnings estimates, Topdanmark is already performing well, which is also reflected in high valuation multiples. Consequently, it is difficult to see a potential upside in the market pricing of either company without a dramatic change in the interest rate environment (return of the so-called "There is No Alternative" market). There could, in turn, be considerable upside potential in the valuations of Hastings and Mandatum but the impact at Group level would be limited. We note that while we consider the separation of Mandatum into a separate listed company a smart strategic move, we do not expect it to raise Sampo's current valuation level, which is already in line with key peers. If the price after Mandatum's listing were substantially higher than the one in our SOTP, this would naturally have a positive impact on our view of the company's value.

Valuation multiples are neutral

We believe that Sampo's earnings-based valuation is neutral. The 2023-2024 valuation (P/E 16-18x) does not seem particularly favorable, especially in view of the increased interest rate that depresses acceptable valuations across the line. According to our estimates, the corresponding dividend yield is close to 5-6% (under 5% without extra dividends).

In relative terms, Sampo is also priced roughly in line with its main peers (Tryg & Gjensidige) and the years of undervaluation has been closed. Relative to an extensive peer group, the valuation is clearly at a premium, but we consider this fully justified in light of the higher quality of the company and the better fundamentals of the Nordic P&C insurance market. As a whole, the valuation multiples support our view on the correct pricing of the share.

Valuation risks of the parts



The valuation risk for a single segment is derived from the equation of current valuation multiples, earnings expectations and the relative weight. A particularly challenging situation for the investor is when the valuation level is high, the earnings outlook is weak, and weight of the segment in question is significant for the Group.

Valuation 3/5

Sum of the parts If

If has excellent Nordic peer companies (Tryg and Gjensidige) available, which we believe provide a good basis for the company's acceptable valuation level. We have excluded Topdanmark from the examination of Nordic insurance companies because its valuation is not entirely based on market fundamentals due to the continued speculation of a bid from Sampo.

The P/E ratios for Tryg and Gjensidigen have on average been about 20x over the past five years and the corresponding dividend yield is about 4,5%. Currently, the levels are 17x and 5%, so slightly below the levels of recent years. We believe that a fall from historical levels is justified, because the changed interest environment has resulted in a decline in the general valuation level of the stock exchange across the board. The valuation levels of the peers are still high in absolute terms and above stock exchange averages, but we believe that they are justified considering the very high quality of the business and the excellent market fundamentals of the Nordic insurance market.

Using the peer ratios and our earnings estimates, If's multiple-based value is around EUR 17.5 billion.

If's DDM model

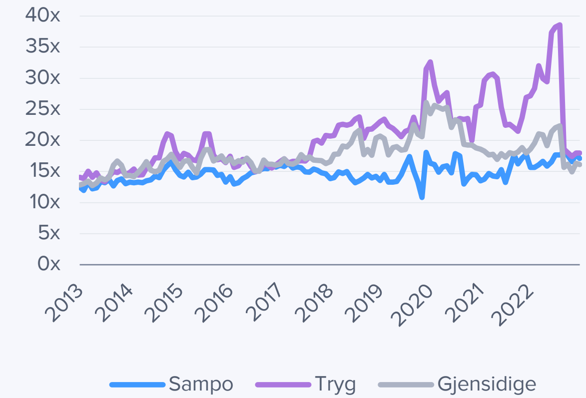
In addition, we have examined If's value through the DDM model. We expect If's payout ratio to be high at 85% and the dividend to grow steadily throughout the estimate period with the earnings estimates. With the expected performance and profit distribution policy, If's solvency ratio will remain high during our estimate period and solvency will not cause problems for profit distribution in line with our forecasts. Our expectation for the terminal period is 2% annual dividend growth, reflecting the structural growth of the sector and is virtually in line with long-term inflation expectations. We have applied a 7.3% of the cost of equity for If (same as for Sampo plc). As a result of these assumptions, our DDM model indicates the value of If's share capital about EUR 17.6 billion.

Sum of the parts Hastings

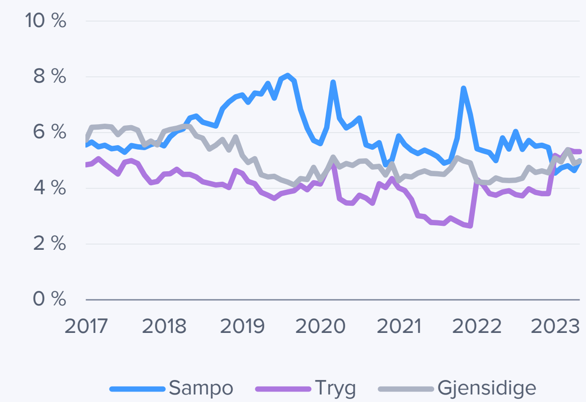
Hastings also has a relatively high quality peer group of P&C insurance companies in the UK. Some companies also have life insurance activities, but we believe that an extensive peer group gives a correct picture of the valuation level accepted by the market, which is much more moderate than for Nordic P&C insurers (median P/E 9x vs. Nordic P&C insurers 17x). We believe this is due to a much more competitive market and weaker competitive advantages for companies.

When assessing Hastings' valuation we believe that it is justified to accept higher earnings multiples than for the peers, because the company is of a higher quality than the average peer. The P/E ratios based on our 2023–2024 estimates are 13x and 11x, which reflect the company's decent earnings growth outlook but are well below those of the Group's higher quality parts, If and Topdanmark. Thus, Hastings' value is about EUR 1.6 billion. We note that we have used the result adjusted for non-operational depreciation related to the acquisition (explained in more detail on page 33).

P/E ratios of Nordic insurance companies



Dividend yield of Nordic insurance companies-%



Source: Bloomberg

Valuation 4/5

Sum of the parts Mandatum

When assessing the value of Mandatum, we have used a peer group of European life insurance companies. We point out that the group contains very different companies, so the quality of the peer group is passable at best. We believe, however, that an extensive peer group gives the right indication of Mandatum's acceptable valuation. We believe that Mandatum's extremely strong balance sheet should be considered in the valuation. In practice, the investments to be purchased from Sampo (Enento, Saxo, and others) are completely extra capital for Mandatum and we take them into account as a separate component in our calculations. 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 very low levels throughout and the average P/E ratios are about 7x, P/B about 1x and dividend yield about 7% These are below historical levels, and for example the P/E ratio has averaged about 9x over the last five years.

By applying the current levels, Mandatum's value is EUR 1.8 billion and considering the extra capital of EUR 430 million, about EUR 2.3 billion. The market cap of 2.3 billion corresponds to a P/E ratio of around 10-12x with the estimates for the next few years. We believe that the premium relative to the peer group's historical levels is justified by Mandatum's high quality and the considerable asset management business (clearly higher multiples can be justified for the asset management).

Sum of the parts: Others

We have considered the Topdanmark holding in the sum of the parts at current market price, which is around EUR 2.1 billion.

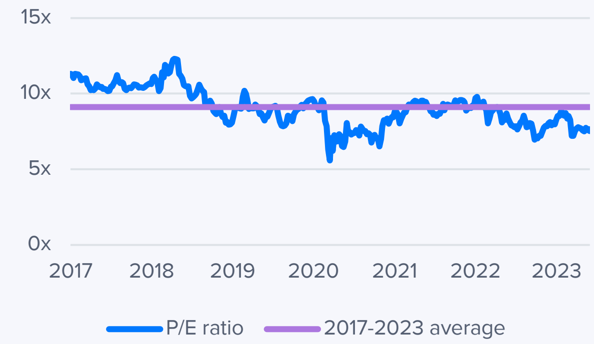
The valuation of the Holding segment consists of its investment portfolio and Group costs. We revised the value of the PE investments slightly downwards to about EUR 1,050 million, which is the same level as Sampo's balance sheet values. We have added Group costs to our calculation because the investment activity of the Holding segment can no longer justify the exclusion of Group costs. Group costs excluding interest expenses are estimated to be around EUR 45 million per year, and discounted with the required return we apply to Sampo (WACC 6.7%) this gives us a current value of EUR -650 million.

According to our calculations, Sampo's net debt is around EUR 1,500 million, taking into account the dividend distribution in May.

DDM model

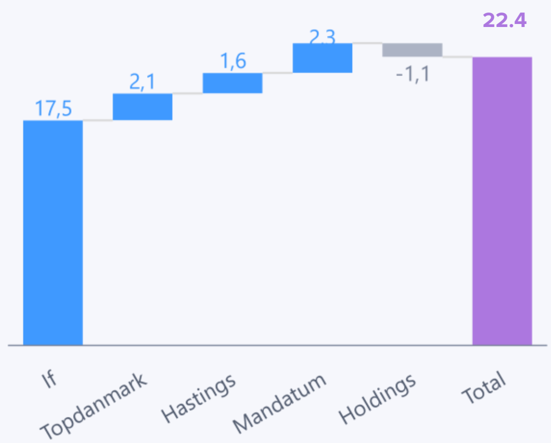
Our DDM model indicates a value of EUR 43.6 per share for Sampo. The value includes the share buybacks we anticipate. The 7.3% COE requirement we apply is one of the lowest among the companies we follow. However, we believe that the very low discount rate is justified by Sampo's very low risk profile. We note, however, that the current discount rate is still very low in absolute terms, so a possible further rise in interest rates and a subsequent increase in the discount rate would significantly reduce the value indicated by the DDM.

P/E ratio development of Mandatum's peer group



Peer group includes: Prudential, Legal & General Group, Aviva, Phoenix Group, Just Group, NN Group, Ageas, Swiss Life and Aegon. Source: Bloomberg

Sum of the parts calculation (EUR bn)



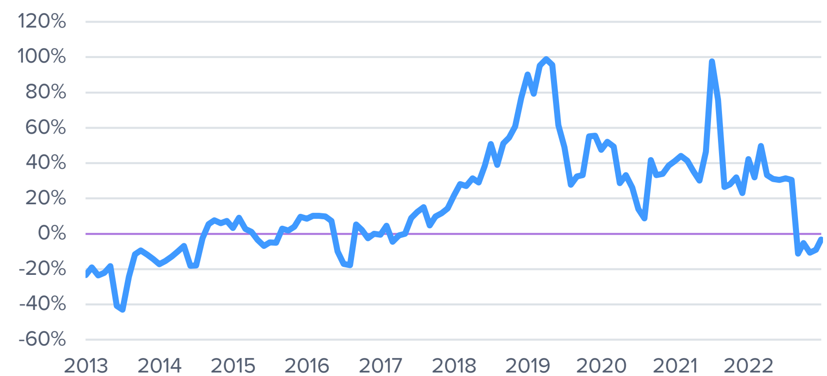
Valuation 5/5

Changes in the sum of the parts calculation	New	Old
If	17,500	16,500
Topdanmark	2,087	2,058
Hastings	1,600	1,800
Mandatum	2,328	2,356
Holding (incl. liabilities and investments)	-1,088	1,118
Total (EUR)	**22,428**	**23,832**
Per share (EUR)	44.1	46.8

Sampo's dividend yield-%

Sampo's P/E ratio vs. Tryg & Gjensidige average

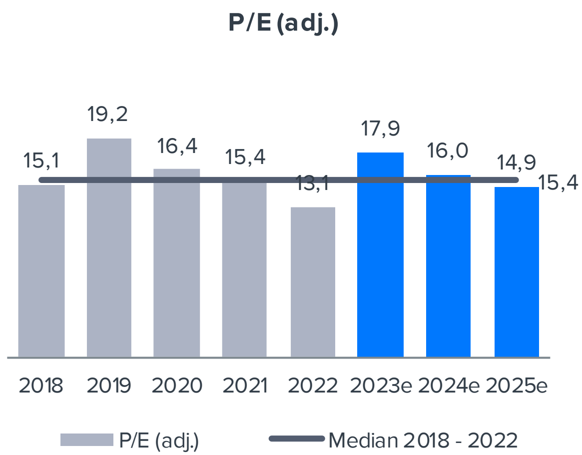
Sampo's dividend yield-% vs. Tryg & Gjensidige average

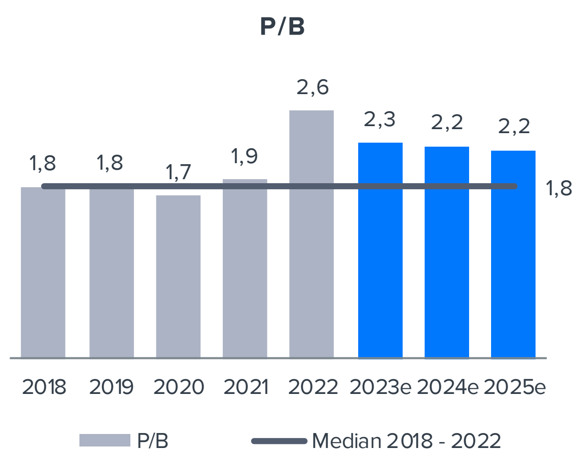


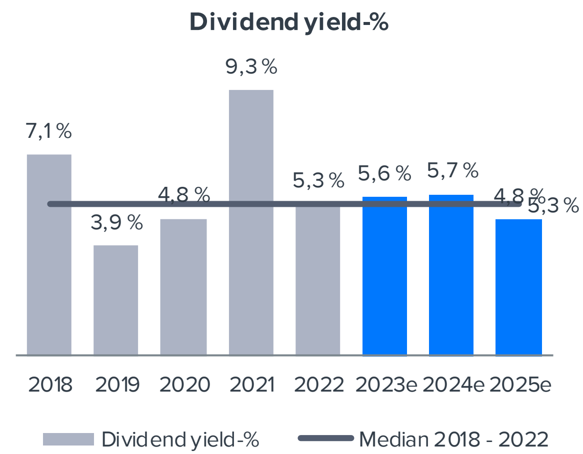
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	40,4	38,9	35,3	44,1	48,8	**43,1**	**43,1**	**43,1**	**43,1**
Number of shares, millions	556,6	556,6	556,6	554,3	530,3	**508,1**	**496,0**	**490,4**	**490,4**
Market cap	22436	21609	19593	24109	25108	**21620**	**21620**	**21620**	**21620**
P/E (adj.)	15,1	19,2	16,4	15,4	13,1	**17,9**	**16,0**	**14,9**	**14,7**
P/E	13,3	19,2	>100	9,5	12,3	**17,9**	**16,0**	**14,9**	**14,7**
P/B	1,8	1,8	1,7	1,9	2,6	**2,3**	**2,2**	**2,2**	**2,1**
Payout ratio (%)	93,8 %	73,7 %	2484,5 %	87,3 %	63,5 %	**98,4 %**	**91,5 %**	**72,8 %**	**74,9 %**
Dividend yield-%	7,1 %	3,9 %	4,8 %	9,3 %	5,3 %	**5,6 %**	**5,7 %**	**4,8 %**	**5,0 %**

Source: Inderes







Sampo's peer group

Peer group valuation	Market cap	P/E		Dividend yield-%		P/B
Company	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Tryg	13024	18,9	17,1	5,4	5,6	2,3
Gjensidige	7643	15,5	14,8	5,2	5,4	3,5
Topdanmark	4265	22,2	20,4	4,4	4,9	5,0
ALM	2345	27,9	17,5	5,7	7,2	1,2
Storebrand	3310	11,4	9,6	4,9	5,3	1,1
Admiral	8217	18,4	16,4	5,1	5,6	6,8
Direct Line	2522	9,8	6,9	6,8	10,0	1,0
Zurich Insurance Group	65642	12,0	11,2	6,0	6,4	2,4
Allianz	84192	8,8	8,0	5,8	6,3	1,5
Assicurazioni Generali	29010	8,9	8,4	6,6	6,9	1,4
Sampo (Inderes)	**21620**	**17,9**	**16,0**	**5,6**	**5,7**	**2,3**
Average		**15,4**	**13,0**	**5,6**	**6,3**	**2,6**
Median		**13,8**	**13,0**	**5,5**	**6,0**	**1,9**
Diff-% to median		***30 %***	***23 %***	***1 %***	***-5 %***	***21 %***

Source: Refinitiv / Inderes

Mandatum's peer group

Peer group valuation	Market cap	P/E		Dividend yield-%		P/B
Company	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Prudential Plc	35148	12.8	11.0	1.5	1.5	1.9
Legal & General Group Plc	15670	6.6	5.9	8.9	9.4	1.1
Aviva Plc	12662	7.0	6.1	8.3	8.7	0.9
Phoenix Group Holdings Plc	6396	7.7	8.3	9.5	9.7	1.4
Just Group Plc	1060	3.8	3.3	2.1	2.3	0.5
NN Group N.V.	10142	6.0	6.4	8.7	9.0	0.6
Ageas N.V.	7678	7.1	6.8	7.9	8.3	0.9
Swiss Life	16680	10.6	9.8	6.2	6.7	1.6
Aegon	9074	7.2	6.4	7.0	8.0	0.7
Average		**7.6**	**7.1**	**6.7**	**7.1**	**1.1**
Median		**7.1**	**6.6**	**7.4**	**8.2**	**1.0**

Hastings's peer group

Peer group valuation	Market cap	P/E		Dividend yield-%		P/B
Company	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Admiral Group	8069	18.3	16.6	5.2	5.6	6.7
Direct Line Insurance Group	2529	11.3	7.3	5.3	10.5	1.0
Allianz	82921	8.7	7.9	5.9	6.3	1.5
AXA	61848	8.0	7.5	6.8	7.3	1.3
Zurich Insurance Group	65299	12.0	11.2	6.0	6.4	2.5
Assicurazioni Generali	27997	9.0	8.2	6.8	7.2	1.5
Talanx	12435	8.9	8.2	4.5	4.9	1.4
Unipol	3412	4.9	4.7	7.9	8.1	0.5
Median		**9.0**	**8.1**	**6.0**	**6.8**	**1.4**
Average		**10.2**	**9.0**	**6.0**	**7.0**	**2.0**

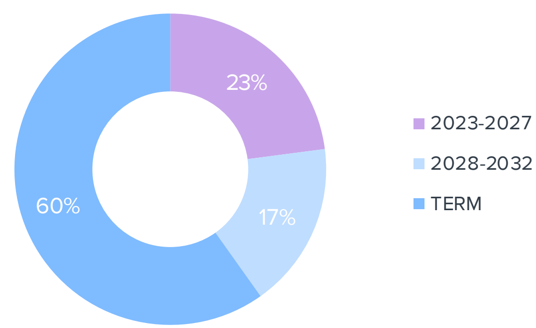
DDM calculation Sampo

DDM valuation (MEUR)	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Sampo's result	**1224**	**1339**	**1415**	**1440**	**1420**	**1412**	**1441**	**1432**	**1461**	**1492**	**1492**
Dividend distributed by Sampo	**1204**	**1226**	**1029**	**1079**	**1207**	**1200**	**1225**	**1217**	**1242**	**1268**	**24639**
-Dividend distribution-%	98%	92%	73%	75%	85%	85%	85%	85%	85%	85%	
Growth in Sampo's dividend, %	-9.9 %	1.8 %	-16.0 %	4.8 %	11.9 %	-0.6 %	2.1 %	-0.7 %	2.1 %	2.1 %	2.0 %
Discounte rate	1159	1099	861	841	878	813	774	717	683	650	12623
Cumulative discount rate	21097	19939	18840	17979	17138	16260	15447	14673	13956	13273	12623

Equity value, DDM	21097
Per share EUR	**42.0**

Cost of equity	
Risk-free interest rate	2.5%
Market risk premium	4.8%
Company Beta	1.00
Liquidity premium	0.0%
Cost of equity	**7.3%**
WACC-%	6.7%

Cash flow distribution by period



NB! The DDM calculation does not include buybacks. the amount of which we estimate to be some EUR 1.6 per share.

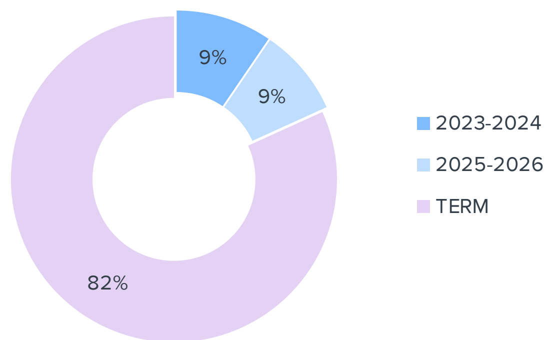
DDM calculation If

DDM valuation (MEUR)	2023e	2024e	2025e	2026e	TERM
If's result	**985**	**1019**	**1046**	**1055**	
If's dividend	**887**	**918**	**941**	**949**	**18444**
-Dividend distribution-%	90%	90%	90%	90%	
Growth in If's dividend, %	41.4 %	3.5 %	2.6 %	0.9 %	2.0 %
Discounte rate	853	823	787	740	14381
Cumulative discount rate	17584	16731	15908	15121	14381

Equity value, DDM	17584
Per share EUR	**35.0**

Cost of equity	
Risk-free interest rate	2.5%
Market risk premium	4.8%
Company Beta	1.00
Liquidity premium	0.0%
Cost of equity	**7.3%**
WACC-%	6.7%

Cash flow distribution by period



Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Gross written premiums	**9746**	**1863**	**2771**	**1848**	**1785**	**8267**	**1969**	**2077**	**2135**	**2038**	**8219**	**8708**	**9068**	**9385**
If	4855	1222	2044	1081	1085	5432	1235	1322	1349	1320	5226	5487	5652	5822
Topdanmark	2694	312	343	334	318	1307	318	341	349	350	1359	1513	1572	1572
Hastings	830	329	384	433	382	1528	416	414	437	367	1634	1708	1844	1992
Mandatum	1367	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (excl. NRI)	**2190**	**664**	**769**	**341**	**12.0**	**1786**	**359**	**369**	**384**	**363**	**1476**	**1600**	**1679**	**1705**
EBIT	**3172**	**692**	**844**	**341**	**47.0**	**1924**	**359**	**369**	**384**	**363**	**1476**	**1600**	**1679**	**1705**
If	1077	495	732	264	59	1550	337	298	310	302	1247	1290	1324	1335
Topdanmark	346	15	45	32	65	157	63	63	60	51	238	248	278	278
Hastings	127	21	25	54	7	107	10	26	34	33	103	137	151	165
Holdings	1331	164	39	-9	-48	146	-45	-18	-20	-23	-106	-75	-74	-73
Mandatum	291	0	0	0	0	0	0	0	0	0	0	0	0	0
PTP	**3172**	**692**	**844**	**341**	**47.0**	**1924**	**359**	**369**	**384**	**363**	**1476**	**1600**	**1679**	**1705**
Taxes	-423	-107	-62	-86	-129	-384	-91	-79	-83	-78	-331	-362	-369	-375
Minority interest	-181	-11	-20	-14	-69	-114	-26	-27	-26	-22	-100	-103	-107	-110
Net earnings	**2568**	**773**	**563**	**241**	**530**	**2107**	**271**	**310**	**327**	**316**	**1224**	**1339**	**1415**	**1440**
EPS (adj.)	**2.86**	**1.37**	**0.92**	**0.46**	**0.93**	**3.71**	**0.53**	**0.61**	**0.65**	**0.63**	**2.43**	**2.70**	**2.89**	**2.94**
EPS (rep.)	**4.63**	**1.43**	**1.06**	**0.46**	**1.00**	**3.97**	**0.53**	**0.61**	**0.65**	**0.63**	**2.41**	**2.70**	**2.89**	**2.94**

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**50970**	**19463**	**19489**	**19527**	**19565**
Goodwill	0,0	0,0	0,0	0,0	0,0
Intangible assets	3794	3322	3357	3392	3427
Tangible assets	375	329	332	335	338
Associated companies	777	11,7	0,0	0,0	0,0
Other investments	26274	15789	15789	15789	15789
Other non-current assets	19711	0,0	0,0	0,0	0,0
Deferred tax assets	39,0	11,0	11,0	11,0	11,0
Current assets	**10091**	**19749**	**19891**	**20145**	**20333**
Inventories	0,0	0,0	0,0	0,0	0,0
Other current assets	2977	15617	15617	15617	15617
Receivables	2295	1820	1808	1916	1995
Cash and equivalents	4819	2312	2466	2612	2721
Balance sheet total	**61061**	**39212**	**39380**	**39672**	**39898**

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**13464**	**10178**	**10065**	**10199**	**10389**
Share capital	98,0	98,0	98,0	98,0	98,0
Retained earnings	9952	8482	8369	8503	8693
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	2738	1038	1038	1038	1038
Minorities	676	560	560	560	560
Non-current liabilities	**45129**	**14484**	**14765**	**14923**	**14959**
Deferred tax liabilities	855	506	506	506	506
Provisions	9,0	6,0	6,0	6,0	6,0
Long term debt	4346	3087	3368	3526	3562
Convertibles	0,0	0,0	0,0	0,0	0,0
Other long term liabilities	39919	10885	10885	10885	10885
Current liabilities	**2468**	**14550**	**14550**	**14550**	**14550**
Short term debt	0,0	0,0	0,0	0,0	0,0
Payables	0,0	0,0	0,0	0,0	0,0
Other current liabilities	2468	14550	14550	14550	14550
Balance sheet total	**61061**	**39212**	**39380**	**39672**	**39898**

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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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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
17/03/2020	Buy	30,00 €	23,83 €
30/04/2020	Buy	34,00 €	30,85 €
07/05/2020	Accumulate	33,00 €	30,40 €
16/06/2020	Buy	34,00 €	30,40 €
06/08/2020	Buy	35,00 €	30,30 €
09/10/2020	Buy	38,00 €	35,20 €
05/11/2020	Buy	38,00 €	34,14 €
20/01/2021	Buy	38,00 €	35,28 €
12/02/2021	Buy	41,00 €	36,04 €
25/02/2021	Buy	41,00 €	36,95 €
07/04/2021	Buy	43,00 €	39,23 €
06/05/2021	Buy	44,00 €	39,85 €
05/08/2021	Buy	45,00 €	42,39 €
24/09/2021	Buy	46,00 €	43,35 €
04/11/2021	Accumulate	48,00 €	46,73 €
09/12/2021	Accumulate	48,00 €	44,09 €
10/02/2022	Accumulate	49,00 €	45,35 €
05/05/2022	Accumulate	48,00 €	45,85 €
23/05/2022	Accumulate	44,00 €	41,76 €
04/08/2022	Accumulate	46,00 €	43,71 €
27/10/2022	Reduce	46,00 €	46,67 €
03/11/2022	Reduce	46,00 €	44,32 €
13/02/2023	Reduce	46,00 €	45,50 €
11/05/2023	Reduce	47,00 €	46,15 €
14/06/2023	Reduce	44,00 €	43,08 €

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