MANDATUM

ANNUAL REPORT
2022

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YEAR 2022

CEO'S REVIEW

TRUST AND GROWTH THROUGH COMPETENCE

Despite uncertainties, 2022 included several successes for Mandatum. Our customers' trust in our competence remained strong even in a difficult market and global situation. As proof of this were a clearly positive net cash flow, high customer satisfaction and the largest risk insurance policies in our history. Demand for reward and compensation consultant services also reached a new level.

Strong solvency creates leeway

When looking at our financial key figures, our performance was successful in many respects, despite the difficult market conditions. The highlights were a clearly positive net cash flow and strong solvency.

A strong solvency position puts Mandatum in an excellent position to operate also in an uncertain market environment. The company's solvency ratio continued to strengthen in 2022, driven by, among other factors, a sharp rise in interest rates.

Our customers' net subscriptions in 2022 amounted to approximately EUR 538 million positive despite the challenging market situation. In terms of investment operations, alternatives and corporate bonds attracted customers in a changed market and interest rate environment. Our new investment product launches were positively received among our institutional clients. This can be seen especially in our new funds, MAM Growth Equity II and Private Equity Opportunities II, which continue Mandatum Asset Management's growth investment strategy, and the SFDR Article 9 Senior Secured Loan fund, all of which were very successful in their fundraising despite the difficult market.

In 2022, Mandatum Group's customer assets fell to EUR 10.3 billion (11.1) due to the decrease in market values. The assets under Mandatum Group's management are EUR 16.1* billion in total.

The sale of risk insurance, especially to companies, was successful in 2022. As an example, Mandatum concluded its largest ever risk insurance deal for the entire Finnish personnel of a major company. Strong growth continued also in personnel funds, and a record 52 new funds were established in Mandatum in the past year. This was 83% of all new personnel funds established in Finland in 2022. Over the past five years, the number of personnel funds has grown at an annual rate of more than 20%, and awareness and understanding of them has improved.

In July, we successfully completed the sale of Mandatum's Baltic business, and the Lithuanian company INVL Life took over Mandatum Life's Baltic life insurance operations. The operations covered more than 29,000 clients and over EUR 150 million in assets in Lithuania, Latvia and Estonia. As a result of the sale of the Baltic business, unit-linked technical provisions and assets under management decreased by approximately EUR 150 million.

Putting customers' and our own interests on an equal footing

Customers are at the core of Mandatum's operations, which means we emphasise putting our customers' and our own interests on an equal footing. Our customer satisfaction has remained at an excellent level year after year, and 2022 was no exception, regardless of the fact that the war has undermined the feeling of security and transformed the economic environment, causing a great deal of concern among our customers. Our customer meetings and events in particular have received good feedback. In 2022, we organised a record 112 events targeted at customers and stakeholders, both in person and in the form of webinars.

Finnish institutional investors gave us excellent feedback through two external surveys in 2022. In the Institutional Investment Services 2022 survey conducted by SRF Research, Mandatum was rated second-best for its customer service, and we took first place when the respondents were asked with which operator they considered growing their customer relationship or beginning a new customer relationship over the next 12 months. In Prospera's External Asset Management 2022 survey, Mandatum earned second place based on the customer Net Promoter Score.

A significant factor behind our high customer satisfaction is our thriving corporate culture. One of Mandatum's important goals, employee satisfaction, remained strong. The results of the Siqni personnel survey, conducted at Mandatum for the first time last year, showed that the factors that employees consider the most significant are achieved in the work community. In the Siqni index, Mandatum scored an 83, which entitled it to a Future Workplaces certificate for its proven highly rated employee experience. Organisations earn the certificate if their corporate culture is managed with an exceptionally high level of employee insight.

"A strong solvency position puts Mandatum in an excellent position to operate also in an uncertain market environment."

Money as a driver of change

Mandatum Group's sustainability work is based on three principles: responsible investment, promoting responsible personnel practices in working life and implementing responsible ways of operating in our own work community.

Investment is one of the most impactful factors in Mandatum's sustainability action, and it plays an increasingly important role year after year. We have done long-term work to promote responsible investment. We signed the UN's Principles for Responsible Investment already in 2011 and we were the first Finnish member to join the Portfolio Decarbonisation

*The figure does not include assets directly managed by If.

Coalition in 2015. As part of the PDC network, we have been able to reduce the carbon intensity of our investments. Today, Mandatum has a broad co-operation network with responsible investment operators.

Taking climate change into account and efficiently managing climate risk is one of the focal points of Mandatum's investment activities. In 2022, we launched new Article 8 and 9 products. The average carbon intensity of Mandatum's investments in 2021 was significantly under the market average. The difference compared to market indices was -41 per cent in equity investments and -51 per cent in fixed income investments.

Our services help our client companies improve their competitiveness responsibly and ensure that entrepreneurs and employees receive enough income when they retire or face financial challenges. We help our customers reward and engage their personnel in an encouraging and fair manner. A growing demand for reward and compensation services, especially the development of ESG metrics related to responsible rewards, has been driven by increasing regulation and investors' requirements.

Personal risk insurance increases customers' and their families' financial security in the event of serious illness, disability or death. In recent years, preparing has become increasingly important for many; a reflection of this is the increase in sums insured. Today, more Finns than ever are insured through Mandatum.

Mandatum creates financial well-being for society also on a broader front. Last year, we employed 663 people and were Finland's 12th largest corporate taxpayer among individual companies.

Our sustainability work also includes taking care of the continuity, profitability and solvency of the company's operations. This creates the foundation for the sustainable and responsible management of customers' insurance-related liabilities and customers' investments and pensions for decades. That is why risk management is also a key component of Mandatum's financial responsibility.

A builder of value

In 2022, Mandatum made progress towards achieving its growth targets as a wealth management company. Our message to our clients and stakeholders has underlined that partner selection plays a significant role as an enabler of achieving targets. Who you team up with may have a decisive impact on your achievements and results. That is why my first and foremost task at Mandatum is to ensure, also going forward, that partnering with Mandatum creates the most value and potential for achieving targets.

I am confident that our role as a builder of value will be further reinforced, as Mandatum finds itself in an excellent market position to enter the year ahead. Our comprehensive product and service offering leans on our own highly skilled wealth management and reward and compensation experts and networks. Our strong solvency and steady cash flow are further factors contributing to the success of our business.

On 7 December 2022, Sampo plc's Board of Directors announced the beginning of a strategic evaluation of Mandatum. During the process, the Board will examine a range of options to determine whether a separation of Mandatum from the Sampo Group could create shareholder value. The Board has announced that they will provide more information regarding the outcome of the review by the end of the first quarter of 2023. Despite any possible changes to Mandatum's ownership structure, the customer will remain at the heart of Mandatum's operations.

I would like to thank our customers, owners and other stakeholders for a good 2022. I also wish to thank each and every Mandatum employee who has demonstrated that Mandatum is a company capable of offering its customers significant added value.

Petri Niemisvirta
CEO

KEY FIGURES 2022

PROFIT BEFORE TAX

EUR 202 million

(247)

CUSTOMER ASSETS UNDER MANAGEMENT

EUR 10.3 billion

(11.1)

SOLVENCY RATIO

266%

(192%)

AVERAGE NUMBER OF EMPLOYEES

663

(605)

PRIVATE CUSTOMERS

330,000

CORPORATE AND INSTITUTIONAL CUSTOMERS

20,000

EVENTS IN 2022

17 FEBRUARY 2022

Future Workplaces certificate

Mandatum earned the Future Workplaces certificate, based on Siqni's employee survey, for its proven highly rated employee experience. The goal of carrying out this Siqni survey, the first for Mandatum, was to take Mandatum's employee experience to the next, more employee centred phase.

17 FEBRUARY 2022

Mandatum Asset Management opened two new Private Equity strategies in 2022

Mandatum Asset Management opened both Private Equity and Private Equity Opportunities II strategies for subscriptions during the year. They continue the previous vintages that started their investment operations successfully in 2019 and 2020, enabling the creation of an efficient investment programme.

31 MARCH 2022

Supporting Ukraine as a team

Mandatum Group started a donation campaign to support humanitarian aid efforts in Ukraine. In addition to a base donation of EUR 100,000, Mandatum Group doubled all donations made by Mandatum employees. The total donation sum reached EUR 133,740.

The donations made by Mandatum employees contributed to humanitarian aid through various organisations. Mandatum Group's donation for Ukraine was divided between UNICEF and the Finnish Red Cross Disaster Relief Fund.

1 JULY 2022

Successful completion of the sale of the Baltic business

Mandatum successfully completed the sale of its Baltic life insurance operations to the Lithuanian investment management and insurance Group Invalda INVL. The transaction covered Mandatum Life's Baltic branches' employees, commercial contracts, assets and liabilities.

5 SEPTEMBER 2022

MAM launched a new SFDR Article 9 Senior Secured Loan fund

Mandatum Asset Management (MAM) launched, in partnership with Universal Investment, a new Senior Secured Loan fund targeted at European professional investors. The fund invests in the European and Nordic credit market and is managed by MAM's Leveraged Finance team. The SFDR Article 9 fund targets a positive net impact on society.

13 SEPTEMBER 2022

The carbon footprint of Mandatum's investments shrunk again in 2021 – carbon intensity has decreased by half since 2017

The comparable carbon intensity of Mandatum's unit-linked insurance client assets has decreased by roughly 50 per cent since 2017. The reduction in emissions can largely be explained by active portfolio management measures. The carbon footprint of Mandatum's investments was calculated in co-operation with ISS ESG.

16 NOVEMBER 2022

Mandatum's real estate portfolio ranked among the best in the GRESB assessment

This year marks the third time that Mandatum took part in the Global Real Estate Sustainability Benchmark (GRESB) sustainability assessment, which measures the sustainability of real estate funds on the level of the entire real estate portfolio. Mandatum Group's real estate portfolio, managed by Mandatum Asset Management (MAM), was ranked among the best in its peer groups in the GRESB real estate sustainability assessment.

7 DECEMBER 2022

Sampo announces strategic review of Mandatum

In line with its strategic focus on P&C insurance, the Board of Directors of Sampo plc has taken several steps in recent years to simplify Sampo Group. As part of the strategy, Sampo's Board of Directors decided to undertake a strategic review which will explore a broad range of options, including whether a separation of Mandatum from the Group, for example through a partial demerger and listing, could be in the best interest of Sampo's shareholders.

MANDATUM IN BRIEF

MANDATUM GROUP

Mandatum is a solvent and respected financial services provider whose mission is to create significant added value for its customers and stakeholders by combining special expertise in money and life.

Mandatum offers its customers a wide array of services covering asset and wealth management, saving and investment, compensation and rewards, pension plans and personal risk insurance.

Mandatum Group consists of two business areas: life insurance and asset management. Mandatum Life Insurance Company Limited (Mandatum Life) offers services in wealth management, rewards and compensation, pension plans and personal insurance to private and corporate customers. Mandatum Asset Management (MAM) is an investment firm that manages Mandatum Life's assets and offers discretionary wealth management, consultative wealth management and investment products for the most demanding investors. Mandatum Group's parent company Mandatum Holding Ltd is a wholly owned subsidiary of Sampo plc.

Customer segments and services:

Institutional clients and high-net-worth individuals
- Fund business
- Institutional wealth management
- UHNWI wealth management

Private customers
- Unit-linked insurance
- Private wealth management
- Saving and investment services
- Personal insurance

Corporate customers
- Reward and compensation services
- Personnel funds
- Pension solutions

VALUES

Benefit for the customer	By far the most active
Straight talk	As one team
We dare to be different	We want to win

Strategy and values

Mandatum is a renowned financial group, which is more than the sum of its parts. Mandatum Group's task is to create value for its stakeholders by combining special expertise in money and life.

MANDATUM GROUP’S LEGAL STRUCTURE 31 DECEMBER 2022

MANDATUM HOLDING LIMITED (LTD)
A wholly owned subsidiary of Sampo plc

MANDATUM LIFE INSURANCE COMPANY LIMITED (MANDATUM LIFE) (100%)

Mandatum Incentives Oy (75%)
Mandatum Life Services Ltd (100%)

MANDATUM ASSET MANAGEMENT LTD (100%)

MANDATUM AM AIFM Ltd (100%)
Mandatum Fund Management S.A. (LUX) (100%)

SUBSIDIARIES

MANDATUM LIFE

Mandatum Life (Mandatum Life Insurance Company Limited) and its Group companies offer services in wealth management, rewards and compensation, pension plans and personal insurance to private and corporate customers.

Mandatum Life's strategy is to create financial security for its customers through an innovative combination of asset management and life insurance.

The Chair of Mandatum Life's Board of Directors is **Patrick Lapveteläinen**, and the company's President and CEO is **Petri Niemisvirta**.

MANDATUM LIFE

PREMIUMS WRITTEN EUR
1,390.4
MILLION
(1,367.0)

PROFIT BEFORE TAX, EUR
127.5
MILLION
(252.9)

SOLVENCY RATIO
248.5%
(190)

NUMBER OF PERSONNEL
91
(98)

UNIT-LINKED LIABILITIES 31 DEC 2022, EUR
9,912
MILLION
(10,712)

WITH-PROFIT LIABILITIES 31 DEC 2022, EUR
2,969
MILLION
(3,246)

SUBSIDIARIES

MANDATUM ASSET MANAGEMENT

Mandatum Asset Management (MAM) continues Mandatum's and Sampo's investment heritage. Its mission is to serve institutional and other professional clients, provide services related to fund business and wealth management to both its clients and Mandatum Life's clients and manage Sampo Group's investment assets. Mandatum Asset Management manages EUR 16.1 billion in assets. This includes the assets of Mandatum Life's, Kaleva's and Sampo's strategic investments, as well as Mandatum's unit-linked products and funds.

Mandatum Asset Management provides its clients with market-leading investment operations and products across asset classes.

The company's Board of Directors is chaired by Sampo's CIO **Patrick Lapveteläinen**. **Lauri Vaittinen** is the company's President and CEO.

MAM | MANDATUM ASSET MANAGEMENT

PROFIT BEFORE TAX, EUR

0.7

MILLION

(2.9)

INVESTMENT PROFESSIONALS

136

(120)

ASSETS UNDER MANAGEMENT, EUR

16.1*

BILLION

(16.6)

*The figure does not include assets directly managed by If.

2
CORPORATE RESPONSIBILITY

RESPONSIBILITY IS AT THE CORE OF MANDATUM'S BUSINESS

Our responsibility encompasses three key themes: responsible investment, promoting financial security and a good working life, and responsibility in Mandatum's own operations.

Mandatum reports on its own corporate responsibility in Sampo Group's sustainability report. Mandatum also publishes its own corporate responsibility report, which complements Sampo Group's report. The reports are available through the link: **www.sampo.com/sustainability/sustainability-reports**

1 MONEY AS A DRIVER OF CHANGE

Mandatum demands sustainability from its investments and has integrated environmental, social and governance factors into its investment diligence and analysis. Alongside the financial risks related to responsibility, it also aims to assess both the adverse impacts of its investments on the environment and society and the opportunities provided by its investments from the perspective of sustainable development. Mandatum is committed to measuring and reducing the carbon footprint of its investments, and has signed the UN's Montréal Pledge, pledging to publish the carbon footprint of its investments annually.

2 IT ALL COMES DOWN TO PEOPLE

Through its business operations, Mandatum strives to improve the financial security of its customers and promote a good working life. The company helps its corporate customers strengthen their competitiveness and provide their employees with fair and responsible compensation. As an example, Mandatum offers companies tools to plan and implement incentive, commitment, and reward systems with incorporated responsibility indicators. With its pension and social security supplementing services, the company helps its customers in securing a more sufficient income during retirement and when facing financial adversity.

3 LEADING BY EXAMPLE

Taking responsibility for your own staff and sustainable policies ensures successful business. That is why the staff's well-being is one of Mandatum's strategic goals and the company's corporate culture is based on participation, trust and good leadership. Financial responsibility means taking care of the continuity, profitability, performance and solvency of Mandatum's operations in all market situations. Taking care of these aspects creates the foundation for handling responsibilities related to customer insurances and managing customer investments and pensions responsibly and sustainably for decades to come. That is why risk management is also essentially related to Mandatum's financial responsibility.

SUSTAINABILITY HIGHLIGHTS IN 2022

CASE: MANDATUM ASSET MANAGEMENT ESTABLISHED A SENIOR SECURED LOAN FUND CLASSIFIED AS AN SFDR ARTICLE 9 FUND

Mandatum Asset Management (MAM) launched a new Senior Secured Loan fund in partnership with Universal Investment. The fund, targeted at European professional investors, invests in the European and Nordic loan market. The fund meets the sustainability criteria set for investment products marketed in the EU. Article 9 financial products must have a quantifiable sustainability objective, which must be reported on annually to investors. The new fund targets a positive net impact on society, and the impact is measured in terms of society, the environment, health and knowledge and competence. In addition, each of the fund's investments must have a positive net impact on the social dimensions (society, health, knowledge and competence). Funds that meet the conditions of Article 9 are rare in Europe; as far as we know, the fund is one of the first leveraged loan funds that meet the Article 9 criteria.

Senior loans are a significant part of the European high-yield credit segment. Companies that apply for a loan in this market are typically large and profitable companies with highly diversified businesses and professional private equity funds as owners.

CASE: PROJECT ON WORK OF EQUAL VALUE

In 2021–2022, Mandatum carried out a project on work of equal value financed by the Ministry of Social Affairs and Health, examining pay systems, the assessment of work requirements and the realisation of the principle of equal pay for work of equal value from a legal perspective in collective agreements and pilot organisations.

The final report of the project recommended measures for individual workplaces to help them better take into account the social aspect of corporate responsibility by creating high-quality equality plans and pay systems. Some examples of the measures recommended for individual workplaces:

- Implement organisation-wide pay systems at the workplace level.
- Focus on high-quality equality plans and related pay surveys.
- Increase employees' awareness of pay systems and pay criteria.

CASE: GOVERNANCE, RISK & COMPLIANCE PROJECT

Good governance and transparent processes and decision-making are an integral part of corporate responsibility. Mandatum's business is largely based on trust built with customers, the market and society. The management of operational and business risks plays a key role in building trust. Risk management also ensures smooth and productive work.

In summer 2022, we launched a year-long Group-level Governance, Risk & Compliance project (GRC), which aims to reinforce the company's risk management and clarify decision-making processes to create a clear framework and common operating principles in response to the new corporate structure, growing number of personnel, increasing regulatory requirements and the evolving global situation. The primary objective is to build capabilities and safeguard the continuity of our operations.

3

REPORT OF THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF DIRECTORS

MANDATUM GROUP'S BOARD OF DIRECTORS' REPORT 1 JANUARY–31 DECEMBER 2022

Operating result and solvency

Profit before taxes for the financial year was EUR 202 million (247). Comprehensive income from investments at fair values after taxes was EUR -269 million (303). The profit for the financial year was reduced by the EUR 29 million (15) in group contributions that Mandatum Asset Management Ltd and Mandatum AM AIFM Ltd paid to Sampo plc.

The Group's solvency ratio in accordance with the Solvency II principles was 266 per cent (192). Own funds under the transitional measures were EUR 2,532 million (2,604) and the solvency capital requirement was EUR 954 million (1,358). The majority of own funds and solvency capital requirements stem from Mandatum Life, which retained a good solvency position, its credit rating being AA- (Standard & Poor's).

Impact of the sale of the Baltic business

On 1 July 2022, Mandatum Life completed the sale of its Baltic life insurance operations to the Lithuanian investment management and insurance Group Invalda INVL. The transaction was carried out as a business transfer, in which Mandatum Life's Baltic branches' insurance portfolio and employees, commercial contracts, assets and liabilities transferred to the buyer. The transferred insurance liabilities totalled EUR 156 million. The transfer does not have any significant impact on the company's result or other key figures.

EUR million	1–12/2022	1–12/2021	1–12/2020
Premiums Written	1,390.4	1,367.0	1,050.8
Net income from investments	-825.9	1,787.2	586.7
Claims paid	-882.7	-1,127.0	-1,089.1
Profit before tax	201.8	247.1	153.9
Total comprehensive income	-268.6	302.6	213.2
Balance sheet total	14,833.3	16,470.6	14,605.4
Return on equity %	-17.3	18.4	14.4
Solvency II own funds	2,531.8	2,604.4	2,308.0
Solvency ratio %	265.5	191.8	187.6

Premiums written

Mandatum Group's direct insurance premiums written amounted to EUR 1,399 million (1,376). Premiums written on unit-linked policies amounted to EUR 1,294 million (1,278). The Baltic branches' share of premiums written was EUR 10 million (25).

Investment operations

Mandatum Group's investment risk arises from the investment assets covering Mandatum Life's with-profit insurance portfolio. Mandatum Life's investment objective is to achieve the highest possible return at an acceptable level of risk. Successful investments provide policyholders with good total returns and accrue own funds, while also meeting shareholders' return expectations.

The investment portfolio is diversified both geographically and by instrument type to increase returns and reduce risks.

The allocation between asset classes has changed during the year such that the weight of fixed income investment has increased 5 per centage points and the weight of equity investments has decreased by 5 per centage points. The weight of alternative investments has increased by one per centage point.

The difficult year in the investment markets was reflected in the return on total investment assets, which remained at -9.0 per cent (10.2) (excluding the segregated group pension portfolio). The primary reason behind the negative return has been the geopolitical situation and the tightening of monetary policy as a result of accelerating inflation, leading to a significant rise in market rates and a decline in the equity markets. The segregated group pension portfolio's investment activities clearly have a lower risk level than the rest of the balance sheet. As a result, they recorded a return that was less negative compared to the other investment activities, at -6.9 per cent (2.9).

A more detailed description of the investment assets and the risks inherent in investment operations is included in the risk management note to the financial statements.

Technical provisions and claims incurred

Mandatum Group's technical provisions before reinsurers' share fell by EUR 1,077 million and amounted to EUR 12,888 million (13,958). Unit-linked reserves decreased by EUR 800 million during the year, amounting to EUR 9,912 million (10,712). The decrease in unit-linked reserves was mainly due to reductions in the value of investees and the transferred Baltic insurance portfolio, which accounted for EUR 186 million of the comparison year's unit-linked reserves. The with-profit technical provisions fell clearly as expected and amounted to EUR 2,969 million (3,247). The segregated group pension insurance portfolio accounted for EUR 715 million (751) of the with-profit technical provisions at the end of the 2022 financial year. The discount rate for the segregated group pension insurance portfolio's technical provisions was lowered to 0.0 per cent; the corresponding EUR 169 million (183) reserve for decreased discount rates is included in the segregated portfolio's total technical provisions. The remainder of the with-profit technical provisions includes a total increase of EUR 211 million (274) in the reserve for decreased discount rates.

The Baltic branches' share of the technical provisions of the comparison year was EUR 196 million, of which unit-linked technical provisions accounted for EUR 186 million.

More detailed information on the distribution of and change in technical provisions is included in the risk management disclosure to the financial statements.

Life insurers must follow the so-called principle of fairness with respect to policies which under the insurance contract give entitlement to bonuses granted on the basis of any surplus generated by the insurance policies. Further information on the principle of fairness can be found in the accounting policies and on the company's website.

Mandatum Group's total amount of claims paid was EUR 1,125 million (1,099), of which reinsurers covered EUR 1 million (1). Unit-linked policies accounted for EUR 760 million (726) of claims paid. Mandatum Group made pension payments totaling EUR 395 million (382) to some 56,000 pensioners during the year.

Operating expenses

Mandatum Group's operating expenses were EUR 175 million (158). The increase in expenses can largely be attributed to an increase in the number of personnel.

Subordinated loan

Mandatum Life's financial liabilities include two subordinated loans, which have a total nominal value of EUR 350 million. The loan issued in 2002, the 2002 subordinated loan, has a nominal value of EUR 100 million, and the other loan issued in the year 2019, the 2019 subordinated loan, has a nominal value of EUR 250 million. The 2002 subordinated loan is wholly subscribed by Sampo plc. The loan is perpetual, and the interest on the loan is the variable 12-month Euribor rate +4.5%. The 2019 subordinated loan has a 30-year maturity, and the first call date is in October 2024. The interest on the loan is fixed at 1.875 per cent until the first surrender day and thereafter the interest is the 3-month Euribor rate plus a 2.30 per cent margin, and after 10/2029, the 3-month Euribor rate plus a 3.30 per cent margin.

Personnel

The Group, excluding the Baltic branches sold during the financial year, employed 663 (605) persons, 527 of whom worked at Mandatum Life and 136 at Mandatum Asset Management. Of these employees, 657 were in

Finland, 2 in Sweden and 4 in Luxembourg. Of the Finnish personnel, 54 per cent were men and 46 per cent women. The employees' average age was 41 years.

Risk management principles

The goal of risk management in all Mandatum Group companies is to ensure a stable and well-understood risk management culture in each company and to ensure that risks are identified, assessed, managed, monitored and reported and that the company's actions are appropriate in relation to the risks' impact on the short- and long-term financial result. Moreover, the strategies aim to ensure the companies hold adequate buffers to meet the capital requirements set by authorities and maintain operational capabilities also under financial turmoil. Successful risk management guarantees the general efficiency, security and continuity of operations, and safeguards Mandatum Group's reputation and ensures that customers and other stakeholders have confidence in Mandatum Group. In summary, risk management's key objective in Mandatum Group is to create value and preserve already created value.

Mandatum Group companies follow the risk management principles defined by Sampo Group's risk management framework. In Mandatum Group, each licensed company has its own risk management policy, but Mandatum Group has a common risk management framework. Mandatum has oversight on its subsidiaries' risk management framework and principles for monitoring and reporting on the risks. Mandatum Group's risk management function works closely with its subsidiaries' risk management functions to ensure that data and information is exchanged appropriately and that the arrangements, processes, and mechanisms are adequate.

The Boards of Directors of the companies are responsible for the adequacy of risk management and internal control. The Boards annually approve the Risk Management Policies according to which risk management is arranged in Mandatum Group's companies. The CEO has the overall responsibility for the implementation of risk management in accordance with the Boards' guidance.

The responsibilities of the Group's Chief Risk Officer are to ensure that risk management is organised appropriately and that the scope is adequate with respect to the Group's operations. Each Mandatum Group company has its own risk management function. The task of the risk management functions is to ensure that risk management is arranged appropriately and is adequate with respect to the company's operations. The business areas are responsible for the identification, assessment, control and management of their operational risks.

Risks related to business activities

Mandatum Group companies operate in business areas in which the characteristics of value creation are risk pricing and the active management of risk portfolios, in addition to good customer service. Therefore, common risk definitions are needed as the basis for business activities and the risks are divided into main categories, which are strategic risks, earnings risks (e.g. underwriting and market risks) and consequential risks (e.g. operational risks).

Mandatum Group's main risks from the perspective of solvency capital requirements are risks arising from life insurance activities, that is, market risks, longevity risk and surrender risk, of which the latter two are part of underwriting risk. In addition to those mentioned above, operational and business risks are key risks in terms of business operations and continuity.

Market risks refer to impacts mainly on Mandatum Life's result or solvency caused by changes in the market values of financial assets and liabilities and technical provisions. Market risks are examined from both an Asset Liability Management (ALM) as well as an investment portfolio risk perspective. Mandatum Life's market risks arise mainly from investments in equities and interest rate risk arising from fixed income assets and with-profit liabilities.

The approach to market risk management is based on the technical provisions' expected cash flows, the interest level and the valid solvency position. A common feature for all elements of with-profit liabilities is the guaranteed rate and bonuses. The cash flows of Mandatum Life's liabilities are relatively well predictable because in most with-profit policies, surrenders and extra investments are not possible.

Insurance risks in the life insurance business encompass biometric risks, lapse risk and expense risk. Risk related to the discount rate applied to with-profit liabilities is part of market risks, but it closely relates to underwriting risks.

Biometric risks in life insurance refer mainly to the risk that the company has to pay more mortality, disability or morbidity benefits than expected or the company has to keep paying pension payments to the pension policy holders for a longer time (longevity risk) than expected when pricing the policies. Longevity risk is the most significant biometric risk in the company. The with-profit group pension portfolio represents most of the longevity risk. In the unit-linked group pension and individual pension portfolio, the longevity risk is less significant because most of these policies are fixed-term annuities including death cover, which mitigate the longevity risk. The long duration of policies and the restriction of the company's right to change policy terms and conditions and tariffs increases biometric risks. If the premiums turn out to be inaccurate and pricing cannot be changed afterwards, liabilities have to be supplemented with an amount corresponding to the expected losses.

Operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel and systems or from external events. Operational risk may materialise as additional expenses, compensations for caused damages, non-compliance with rules and regulations, loss of reputation, false information on risk position and consecutive losses, and interruption of business activities.

The goal of operational risk management is to identify risks ahead of time, manage risks effectively and strive to minimise beforehand the impacts of any realised risks in a cost-effective manner. Business units are responsible for the identification, assessment, monitoring and management of their own operational risks.

Liquidity risk is the risk of the company being unable to realise its investments or other assets in order to settle its financial obligations when they fall due. Liquidity risk bears relatively little significance in Mandatum Group. It bears the most significance in Mandatum Life, but in general, a life insurance company's liabilities in a with-profit insurance portfolio are relatively predictable, and a sufficient share of the corresponding investment assets are cash or short-term money market investments.

A note has been prepared on risks and risk management, explaining Mandatum Life's principal risks and general risk management principles in greater detail. Mandatum Group's Annual Report, which is published on Mandatum's and Sampo's websites, includes additional information regarding risk management and solvency of the Group.

Corporate structure and ownership

Mandatum Holding Ltd is a wholly owned subsidiary of Sampo plc. Mandatum Group consists of two entities: Mandatum Asset Management, a sub-group focusing on asset management and fund operations, and Mandatum Life Insurance Company (Mandatum Life), a sub-group focusing on life insurance, compensation and rewards, and wealth management. Mandatum Asset Management Ltd's subsidiaries are Mandatum AM AIFM Ltd and the Luxembourg-based Mandatum Fund Management S.A (transferred from Mandatum Life in 2022). In addition, the Mandatum Asset Management sub-group's fund and other investment operations include five limited liability companies as general partners. Mandatum Asset Management opened a branch in Sweden in 2022 (Mandatum Asset Management Ltd, filial i Sverige). Mandatum Life's subsidiaries are Mandatum Life Services Ltd, Mandatum Incentives Ltd and 19 housing and property companies.

Other events

On 7 December 2022, Sampo plc announced that it had decided to undertake a strategic review of Mandatum.

The review will explore a broad range of options, including whether a separation of Mandatum from the Group, for example through a partial demerger and listing, could be in the best interest of Sampo's shareholders.

In the event that the Board of Sampo Plc opts to propose the partial demerger option as a means to separate Mandatum from Sampo Group, the proposal will be put forward for resolution by Sampo plc's General Meeting to be held in May 2023.

Events after the reporting period

No significant post balance sheet events.

Outlook

Mandatum will apply the IFRS 17 and IFRS 9 accounting standards as of 1 January 2023, and the income statement for 2023 will be presented for the first time in accordance with these standards. This will have an impact on how the result is spread over different financial years, but the accounting standard will have no actual effect on the Group's operational profitability or solvency. The performance of investments at Mandatum Life's own risk in relation to the requirements of the with-profit technical provisions will remain a key component of the Group's result and its volatility. Within the framework of the new standard, however, the valuation of assets and with-profit technical provisions will depend more directly on the performance of the capital markets, as the discounting of technical provisions will take place directly based on market rates. The performance of the capital markets is subject to significant uncertainty due to, among other factors, high inflation in the euro zone, risk of recession and the war of aggression conducted by Russia. The Group's good solvency position and strongly decreasing old with-profit technical provisions, coupled with active risk management, put the Group in a good position to tolerate market volatility.

The uncertainty experienced in the investment markets during the past year once again highlighted the importance of active customer work. Customers value active customer relationship management especially in challenging times. This active customer relationship management translated into a very high level of satisfaction across the different customer segments and an improved retention of customer assets. With high customer satisfaction, active customer relationship management and an expanded offering, Mandatum is in a good position for the year ahead.

Breakdown of shares

The share capital consists of one series of shares. All company shares entitle the holder to equal dividend and voting rights. The company's registered shares amounted to 200, and their equivalent carrying amount/share is EUR 25,000. The company's Board of Directors is not authorised to new subscriptions, to grant option rights or to buy convertible bonds.

Corporate governance

The company's corporate governance is primarily determined on the basis of the Limited Liability Companies Act. More detailed provisions regarding the company's governance can be found in its Articles of Association and in the internal operating principles and guidelines approved by the Board of Directors. The supreme authority over the company's business is exercised by the General Meeting of Shareholders. The company's establishment contract was signed on 15 February 2021. The Annual General Meeting was held on 22 March 2022.

The company's Board of Directors had three members in 2022, and its composition was as follows:

- Chairman Patrick Lapveteläinen, Group CIO, Sampo plc
- Anne Teitto, Senior Legal Counsel, Sampo plc
- Ricard Wennerklint, Chief of Strategy, Sampo plc

The Board convened five times during the financial year.

Petri Niemisvirta is the company's Managing Director.

The company's auditor was Deloitte Oy, Authorised Public Accountants (with Reeta Virolainen, APA, as the auditor with principal responsibility).

The Board of Directors' proposal for the distribution of profit

Mandatum Holding's profit in accordance with the Finnish Accounting Standards was EUR 159,551,493.31. The company's distributable funds were EUR 717,627,428.17. The Board of Directors proposes to the Annual General Meeting that EUR 150,000,000 of the profit for the financial year be distributed as dividends and that the rest be transferred to the profit and loss account.

4

RISK MANAGEMENT

RISK MANAGEMENT

1. Risk management principles

Mandatum Group (Mandatum) companies operate in business areas in which the characteristics of value creation are risk pricing and the active management of risk portfolios, in addition to good customer service. Therefore, common risk definitions are needed as the basis for business activities.

1.1 Group risks

In Mandatum, the risks associated with business activities fall into three main categories: strategic risks, earnings risks (e.g. underwriting and market risks) and consequential risks (e.g. operational risks). The first two risk classes are only briefly described in this Risk Management Disclosure as the focus is on the third risk class.

1.1.1 Strategic risks

Strategic risk or, in practice, business risk, is the risk of losses due to changes in the competitive environment and/or lack of internal operational flexibility. Unexpected abrupt changes or already identified but internally neglected trends can cause larger than expected fluctuations in profitability when volumes, margins, costs and capital charges change. In the long run, they may also endanger the existence of Mandatum's business models.

External drivers behind such changes are varied, including for instance general economic development, changes in commonly shared values, developments in the institutional and physical environment and technological innovations. Because external drivers are inter-connected, the customer preferences and demand can change unpredictably and there may be a need to change regulations as well. In case the company's internal understanding of needed changes or willingness and ability to act accordingly is inadequate and competitors are more able to meet clients' and regulation's altered expectations, the company is highly exposed to business risk.

Due to the predominantly external nature of the drivers and development in the competitive environment, managing business risks is the responsibility of the executive level senior management. Proactive strategic decision making is the central tool in managing business risks related to competitive advantage. The maintenance of internal operational flexibility – that is, the ability to adjust the business model and cost structure when needed – is also an efficient tool in managing business risks.

Business risks can have a significant impact on the company's profitability, especially in the longer term, and can also cause shorter-term earnings volatility. Business risks are not subject to a solvency requirement on the part of the authorities.

1.1.2 Corporate responsibility as a business risk driver

The issues related to corporate responsibility are changing the preferences and values of Mandatum Group companies' stakeholders and, as a result, the operating and competitive environment is evolving. Mandatum Group companies operate mainly in countries that are characterised by an inherent respect for human rights, high transparency, and low levels of corruption and bribery. There is high compliance with labour rights, health and environmental legislation and freedom of speech and association. These themes are also inherent in the operations of all Mandatum Group companies. Investors and authorities are increasing their focus on corporate responsibility, but also consumers and employees are emphasising these topics when choosing a brand or an employer. The key corporate responsibility-related risk drivers for Mandatum can be divided into four main areas:

Responsible business management and practices are fundamental to Mandatum Group companies' operations. Good governance in Mandatum means effective policies, management practices, and training, which provide assurance that the Group companies and their personnel, suppliers and other business partners comply with laws, regulations and generally accepted principles on human rights, labour rights, environment, anti-money laundering, counter-terrorism financing and anti-corruption and bribery. Further, it comprises comprehensive information security and cybersecurity governance systems, and data protection activities. Additionally, responsible business practices require being attentive to the risks relating to inappropriate customer advice and product sales, lack of clarity on conditions, prices and fees, and errors in claims handling and complaint processes. The focus of sales and marketing practices focus is on meeting the demands and needs of the customer and providing the customer with the information necessary for them to make well-informed decisions on their insurance coverage.

Responsible corporate culture includes factors relating to the work environment, diversity, equality, employee well-being, employee engagement, professional development, and talent attraction and retention. Skilled and motivated employees are an essential success factor in Mandatum's aim to provide customers with the best service in all situations. Losing talent or being perceived as an unattractive employer would pose large risks for the businesses. Therefore, Mandatum Group companies strive to ensure a sound work environment, not only because it is stipulated by law,

Figure 1–1 Classification of risks in Mandatum

but also because it lays the foundation for sustainable business performance. Diversity and equality are key focus areas for Mandatum Group companies, which are committed to providing a diverse, non-discriminatory, open and agreeable working environment where everyone is treated fairly and equally. Risks related to these themes are managed, for example, by having strong internal policies, conducting organisational development programs, and offering employees training, interesting career opportunities and attractive remuneration packages.

Responsible investment management and operations are important in managing investment risks and in mitigating potential adverse impacts on the Group's reputation. Therefore, Mandatum Group companies take environmental, social and governance ("ESG") issues into account when assessing the security, quality, liquidity, and profitability of investments. Investment opportunities are carefully analysed before any investments are made and ESG issues are considered along with other factors that might affect the risk-return ratio of individual investments. Depending on the asset class, Mandatum Group companies use different ESG strategies to ensure the effective consideration and management of investment risks arising from ESG issues. The strategies include, for example, ESG integration, sector-based screening, norms-based screening, and active ownership.

Environmental issues and climate change are factors that are expected to have a mid and long-term effect on Mandatum's businesses. Climate-related risks can be categorised into physical risks and transition risks. Physical risks can be further classified into long-term weather changes (chronic risks) and extreme weather events such as storms, floods, wildfires, or droughts (acute risks). Transition risks refer to risks arising from the shift to a low carbon economy, for example changes in technology, legislation, and consumer sentiment. The strength of the risks depends on the trajectory of global warming. A scenario in line with the Paris Agreement limiting the temperature rise to 1.5°C would have moderate consequences, whereas >3°C and 5°C scenarios would have severe consequences for industry, infrastructure and public health. Especially in geographically vulnerable regions, abandonment of low-lying coastal areas due to rising sea levels and food and water shortages, can lead to large-scale migration and outbreaks of diseases.

Investments are particularly exposed to climate-related risk in the form of losses incurred from extreme weather events and possible revaluation of assets as operating models in carbon intense sectors change. Mandatum Group companies analyse the carbon footprint of their investments, exposure to sectors that are critical in terms of climate change and the alignment of their operations with international climate goals annually.

1.1.3 Earnings and consequential risks

In its underwriting and investment operations, Mandatum is consciously taking certain risks in order to generate earnings. These earnings risks are carefully selected and actively managed. Underwriting risks are priced to reflect their inherent risk levels and the expected return of investments is compared to the related risks. Furthermore, earnings related risk exposures are adjusted continuously and their impact on the capital need is assessed regularly.

Successful management of underwriting and investment risks is the main source of earnings for Mandatum Group companies. Day-to-day management of these risks, that is maintaining them within given limits and authorisations is the responsibility of the business areas and Mandatum Asset Management Ltd (MAM).

Some risks, such as counterparty default risks and operational risks, are indirect repercussions of Mandatum's normal business activities (see Figure 1–1). They are one-sided risks, which in principle have no related earnings potential. Accordingly, the risk management objective is to mitigate these risks efficiently rather than actively manage them. Mitigation of consequential risks is the responsibility of the business areas and the investment unit. The capital need for these risks is measured by independent risk management functions. It must be noted that the categorisation of risks between earnings and consequential risks varies depending on the industry. For Mandatum's clients, for instance, the events that are subject to insurance policies are consequential risks and for Mandatum these same risks are earnings risks.

Reputational risks can also be considered consequential risks, and they often arise through other risks, such as the materialisation of operational risks. Reputational risk refers to the risk that adverse publicity regarding the company's business practices or associations, whether accurate or not, causes a loss of confidence in the integrity of the institution. Reputational risk is related to all risk categories (see Figure 1–1). As the roots of reputational risk are varied, the tools to prevent it must be diverse and embedded within the corporate culture. These are reflected in how

Mandatum deals with environmental issues and its core stakeholders (that is customers, personnel, investors, other co-operation partners, tax authorities and supervisory authorities) and how Mandatum has organised its Corporate Governance system.

Some risks such as interest rate, currency and liquidity risks are by their nature simultaneously linked to various activities. In order to manage these risks efficiently, Mandatum Group companies must have a detailed understanding of expected cash flows and their variance within each of the company's activities. In addition, a thorough understanding of how the market values of assets and liabilities may fluctuate at the total balance sheet level under different scenarios is needed. These balance sheet level risks are commonly defined as Asset and Liability Management ("ALM") risks. The ALM risks are one of the focus areas of senior management because of their relevance to risks and earnings in the long run.

In general, concentration risk arises when the company's risk exposures are not diversified enough. When this is the case, an individual extremely unfavourable claim or financial market event, for instance, could threaten the solvency of the company.

Concentrations can evolve within separate activities – large single name or industry specific insurance or investment exposures – or across activities when a single name or an industry is contributing widely to Mandatum's profitability and risks through both insurance and investment activities.

Concentration risk may also materialise indirectly when profitability and the capital position react similarly to general economic developments or to structural changes in the institutional environment in different areas of business.

1.2 Core risk management activities

To create value for all stakeholders in the long run, Mandatum must have the following forms of capital in place:

- Financial flexibility in the form of adequate capital and liquidity.
- Good technological infrastructure.
- Intellectual capital in the form of comprehensive proprietary actuarial data and analytical tools to convert this data into information.
- Human capital in the form of skillful and motivated employees.
- Social and relationship capital in the form of good relationships with society and clients to understand the changing needs of different stakeholders.

At the company level, these resources are continuously developed. They are in use when the following core activities related to risk pricing, risk taking, and active management of risk portfolios are conducted.

Appropriate selection and pricing of underwriting risks

- Underwriting risks are carefully selected and are priced to reflect their inherent risk levels.
- Insurance products are developed proactively to meet clients' changing needs and preferences.

Careful selection and execution of investment transactions

- Risk return ratios and sustainability issues of separate investments opportunities are carefully analysed.
- Transactions are executed effectively.

Effective management of investment portfolios and the balance sheet

- Balance between expected returns and risks in investment portfolios and the balance sheet is optimised, considering the features of insurance liabilities, internally assessed capital needs, regulatory solvency rules and rating requirements.
- Liquidity risks are managed by having an adequate portion of investments in liquid instruments. The portion is mainly dependent on the features of the liabilities.

Effective mitigation of consequential risks

- Counterparty default risks are mitigated by carefully selecting counterparties, applying collateral agreements and assuring adequate diversification.
- High quality and cost-efficient business processes are maintained.
- Continuity and recovery plans are continuously developed to secure business continuity.
- At the Group level, the risk management's focus is on the Group-wide capitalisation and liquidity. It is also essential to identify potential risk concentrations and to have a thorough understanding of how reported profits of companies would develop under different scenarios. These concentrations and correlations may have an effect on the Group level capitalisation and liquidity buffers as well as on the Group level management actions.

When the above-mentioned core activities are successfully implemented, a balance between profits, risks and capitalisation can be achieved both at company and the Group level and shareholder value can be created.

The most important goals of Mandatum's risk management are to ensure the adequacy of capital in relation to the business risks and to limit fluctuations in financial performance, to ensure efficient and continuous business processes in all circumstances and, for all operations, to limit the risks to the levels approved by the Board of Directors.

2. Mandatum Group's risk management system

The Boards of Directors of Mandatum Group companies are responsible for the adequacy of risk management and internal control. The Boards of subsidiaries annually approve the risk management and internal control policies, according to which risk management and internal control are arranged as part of the subsidiaries' business activities. The principles must be in line with Sampo Group's risk management principles.

Mandatum Holding's Managing Director has overall responsibility for arranging the Group's risk management in accordance with the Board's guidance. The responsibilities of the Group's Chief Risk Officer are to ensure that risk management and the monitoring thereof are organised appropriately and to an extent that is sufficient in terms of Mandatum's operations. In the subsidiaries, the business areas are responsible for the identification, assessment, control and management of their operational risks. Likewise, the subsidiaries' risk management functions are responsible for the companies' risk management duties.

Overall risk management in Mandatum is monitored according to a separate risk management framework, which is pictured on the next page (Figure 2–1). Some of the committees operate at the Group level, while some are company specific. The Risk Management Committee coordinates the arrangement of risk management and monitors all of the Group's risks. The Committee is chaired by the Managing Director of Mandatum Holding. In addition to Mandatum Holding's Managing Director and the Group's Chief Risk Officer, each risk area has a responsible person in the Committee.

The key role of Mandatum Life's Asset Liability Committee (ALCO) is to monitor and control the market risks related to the life insurance company's with-profit insurance portfolio and to ensure that investment operations are managed within the limits set in the Investment Policy approved by Mandatum Life's Board of Directors. In addition, it monitors the adequacy of liquidity, risk-bearing capacity and solvency capital in relation to balance sheet risks and prepares investment policy proposals for the Board of Directors. The ALCO convenes monthly as a rule and reports to the Risk Management Committee. The Chair of the ALCO reports to the Board of Directors on the company's asset and liability management regularly. In practice, Mandatum Life has two Asset and Liability Committees, one of which controls the assets and liabilities of the segregated group pension insurance portfolio that was transferred from Suomi Mutual on 30 December 2014, and the other controls the rest of the company's with-profit assets and liabilities.

Mandatum Life's Insurance Risk Committee monitors the comprehensiveness and appropriateness of the life insurance company's management of insurance risks. A key task is to control compliance with and maintain the life insurance company's Underwriting Policy. The Committee reports on risk management issues related to insurance risks and the Underwriting Policy to the Risk Management Committee. The Insurance Risk Committee is chaired by Mandatum Life's Chief Actuary, who is responsible for ensuring that the principles for pricing policies and for the calculation of technical provisions are adequate and in line with the risk selection and claims processes. Mandatum Life's Board of Directors approves the insurance policy pricing guidelines and the central principles for the calculation of technical provisions. In addition, the Board defines the maximum amount of risk to be retained on the company's own account and approves the reinsurance policy annually.

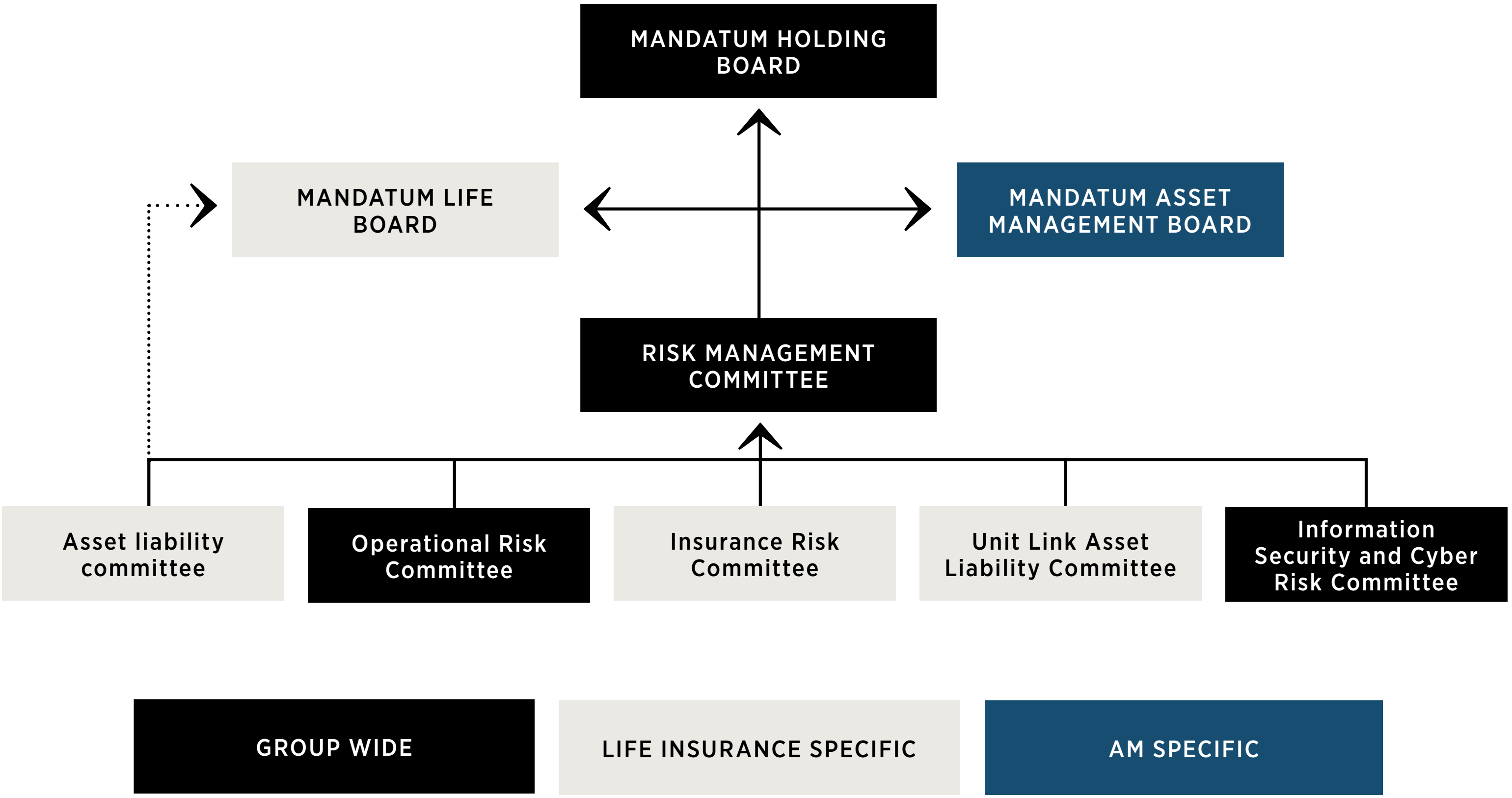
The key role of the Unit-Linked Asset Liability Committee (UL-ALCO) is to monitor and control the investment risks related to Mandatum Life's unit-linked insurance portfolio and to ensure that investment operations are managed within the rules laid down in the unit-linked Asset Liability Policy approved by Mandatum Life's Board of Directors. The UL-ALCO convenes quarterly and reports to the Risk Management Committee.

It is the role of the Operational Risk Committee to ensure that operational risk management is appropriately arranged in Mandatum. A key task is to ensure that Mandatum has efficient procedures for monitoring and reporting realised operational risks. Significant observations are reported to the Risk Management Committee and to the Boards of the companies. The Operational Risk Committee is also responsible for maintaining and updating risk assessments and the continuity and preparedness plans.

The role of the Information Security and Cyber Risks Committee is to ensure that the management of information security and cyber risks in Mandatum is appropriately arranged and that co-operation and communication on information security and cyber risks between business units, support units and steering functions is seamless. One key task is to ensure that Mandatum has effective procedures for reporting information security and cyber risk events and that the Operational Risk Committee has an adequate picture of the risks. The Committee also keeps track of the general development of information and cyber security and trends related to threats, devises policies concerning information and cyber security and prepares proposals on development measures for decision by other bodies.

The Compliance unit supports Mandatum's boards of directors and management, ensuring that Mandatum Group companies have the internal guidelines, processes, resources and tools they need to comply with binding laws, regulations and guidelines. The Compliance function is also involved in identifying the organisation's risks by assessing the Compliance risks. The Head of the Unit is responsible for the organisation of the unit and acts as Mandatum's Compliance Officer and is a member of the Risk Management Committee.

Figure 2–1 Risk management organisation in Mandatum



There is no specific committee for strategic risks. Those risks are managed as part of the Group's and the company's strategic planning and management of daily operations.

3. Special characteristics of the risks of Mandatum Group's subsidiaries

3.1 Mandatum Life

In addition to market risks, the company's main risks from the perspective of solvency capital requirements are longevity risk and surrender risk, which are part of underwriting risk. These are described in more detail in the notes to the accounts. In addition to those mentioned above, operational and business risks are key risks in terms of business operations and continuity. Operational risks and the management thereof are described in Section 5.

Life insurance business carries and manages risks originating from insurance events and liabilities. There are random fluctuations in the frequency and size of insurance events. The majority of with-profit life insurance business risks and results arise from investment activities. The return on assets should cover, in the long term, at least the guaranteed interest rate, bonuses based on the principle of fairness and the shareholders' return expectations. Other profit elements are generated from carrying insurance risk and expense risk. The insurance risk result is the assumed claims in premium calculations less the actual claims. The expense result is the expense charges from policies less the actual expenses.

3.2 Mandatum Asset Management

MAM's most significant risk area is operational risks, which is why operational risk management is an important part of the company's risk management. In addition to operational risks, MAM is exposed to liquidity risk. MAM's business is financed with the returns on assets under management, consisting of the fee income clients and partners pay for asset management. MAM has not used external financing for its activities and therefore has no risks related to external financing, such as interest rate risk, foreign exchange risk or refinancing risk. MAM manages its liquidity risk by regularly monitoring its liquidity position and maintaining a liquidity buffer. MAM also keeps track of its liquidity position from the perspective of regulatory liquidity requirements.

Due to its customer portfolio, MAM is also exposed to concentration risk, as most of its clients are Sampo Group companies. Mandatum Life is MAM's largest customer, measured by fee income. The concentration risk is considered to be minor, however, because Mandatum Life and MAM are both part of Sampo Group.

MAM does not trade on its own account and is thus not exposed to market risks that would arise from its own trading activities. However, MAM's fee income is strongly tied to the value of the assets under its management, and MAM is exposed to market risk through fee income. The assets under MAM's management are, however, well-diversified across asset classes and industries, but also geographically.

4. Capital and solvency management

The goal of solvency capital management is to ensure the adequacy of available capital in relation to risks arising from the company's business activities and business environment, and the goal of capital management is to make sure items accounted as own funds are adequate with respect to capital requirements. The capital requirement is estimated by comparing the amount of eligible own funds to the risk capital requirement that is needed to cover risks resulting from the current business and the external operating environment.

4.1 Mandatum Group

Mandatum's solvency is monitored according to the Solvency II directive. Subsidiaries that belong to some other capital adequacy framework (IFD or CRR) are included in the calculation according to their own capital requirements. Since Mandatum's core business area is life insurance, Mandatum Group does not form a financial and insurance conglomerate.

Mandatum's solvency position is largely determined by Mandatum Life's solvency, and Mandatum's other companies have little significance in terms of solvency requirements, as illustrated in figure 4–1.

The next sections describe the various companies' solvency in greater detail.

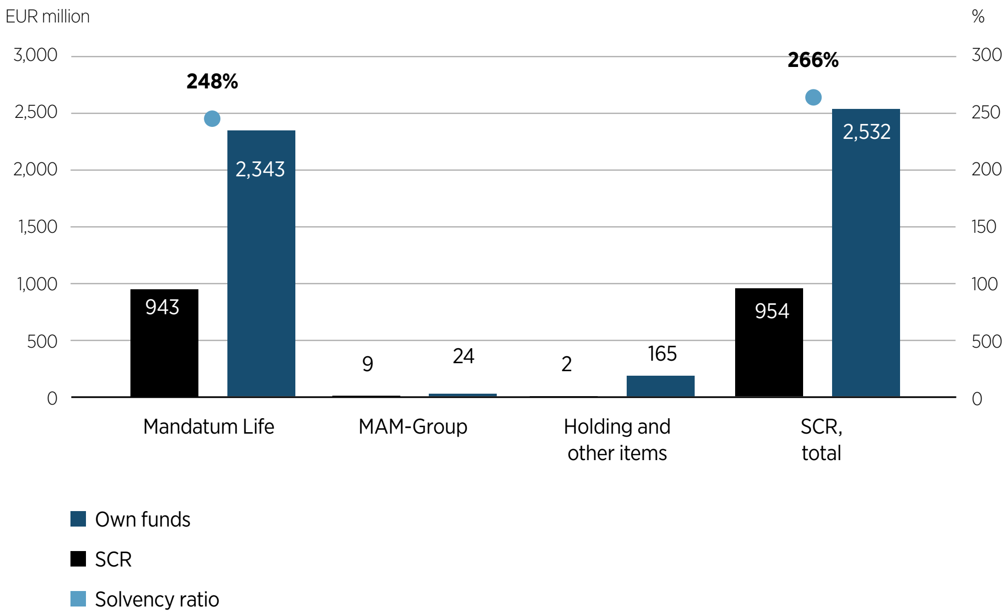
4.2 Mandatum Life

4.2.1 Regulatory solvency capital requirements

Life insurance is a highly regulated business with formal rules for minimum capital and capital structure. Mandatum Life's operations are supervised by the Financial Supervisory Authority.

In calculating solvency requirements under Solvency II, Mandatum Life applies the 'standard formula' in which changes in own funds are stressed with market and life insurance risks that

Figure 4–1 Mandatum Group's solvency position, 31 December 2022



have been determined beforehand in the regulations. The goal has been to set the Solvency Capital Requirement (SCR) under Solvency II at a level where the own funds would be sufficient to secure the insured's benefits with a one-year horizon and a 99.5 per cent confidence interval.

The amount of own funds under Solvency II is based on the market-consistent valuation and on the valuation of the technical provisions using the yield curve determined by Solvency II, so own funds under Solvency II differ from own funds according to book value. The technical provisions under Solvency II equal the so-called best estimate of the technical provisions plus the risk margin. The best estimate is based on the realistically expected cash flows of the insurance portfolio, which are discounted using the yield curve applied in Solvency II, derived from the risk-free yield curve. In terms of unit-linked insur-

Table 4–2 Technical provisions, in accordance with Solvency II and IFRS, 31 December 2022

EUR million	IFRS value	Solvency II value	Adjustment
Technical provisions – life (excluding unit-linked)	2,967	2,053	914
Best Estimate		1,959	
Risk margin		95	
Technical provisions – unit-linked	9,912	9,505	407
Best Estimate		9,440	
Risk margin		65	

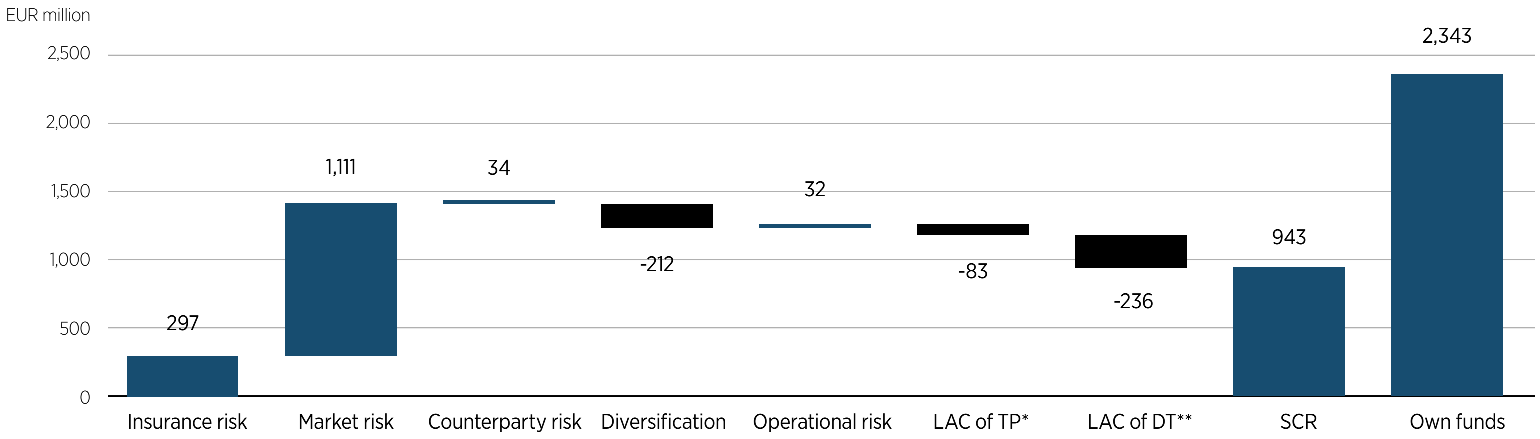
Table 4–3 Own funds, 31 December 2022, taking transitional measures into account

Own funds, 31 December 2022, taking transitional measures into account		EUR million
Tier 1	**Total**	**2,093**
	Ordinary Share Capital	181
	Reconciliation Reserve	1,812
	Subordinated Liabilities	100
Tier 2	**Total**	**250**
	Subordinated Liabilities	250
	Untaxed reserves	0
Tier 3	**Total**	**0**
	Deferred tax assets	0
Eligible own funds		**2,343**

ance, the best estimate is the insurance savings minus the present value of risk and expense surplus related to the unit-linked policies. The basis for the risk margin in the Solvency II framework is a six-per cent cost of capital. For life insurance risks and operational risks, the risk margin is the present value of the future cost of capital. Table 4–2 presents the value of the technical provisions in accordance with Solvency II, taking into account the transitional measure on technical provisions and the IFRS accounting value.

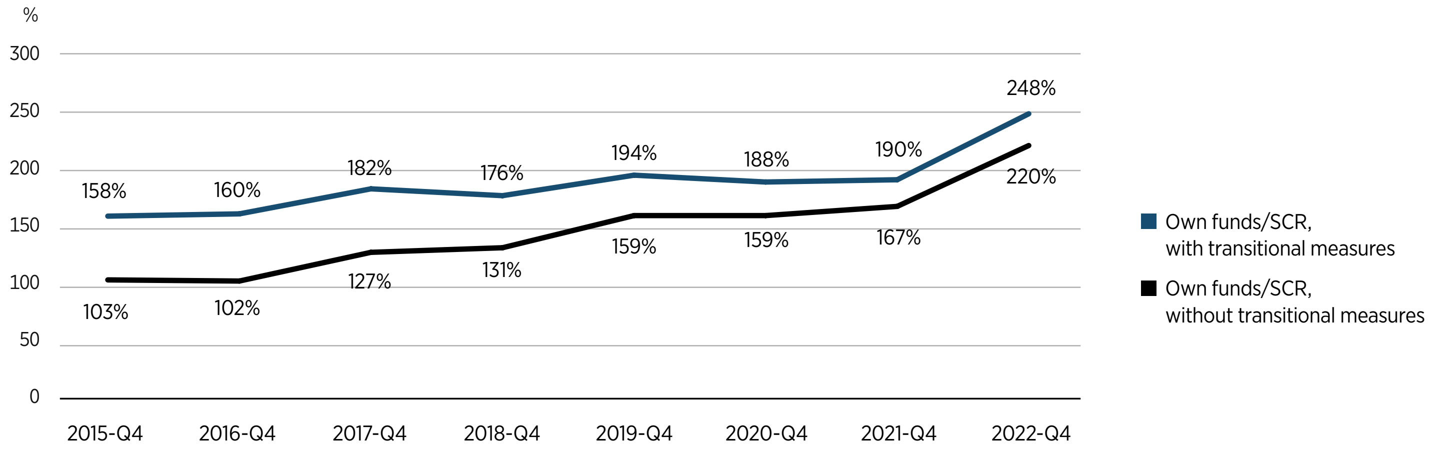
Mandatum Life applies a so-called transitional measure on technical provisions for the company's original with-profit pension policies with a guaranteed interest rate of 3.5 or 4.5 per cent. The transitional measure for technical provisions continues until 31 December 2031. The transitional measure on technical provisions increases own funds under Solvency II. Table 4–3 presents the structure of the company's own funds on 31 December 2022, taking into account the transitional measure on technical provisions. The majority of the company's own funds are classified as Tier 1 capital. EUR 250 million of the company's subordinated loans are classified as Tier 2 capital. Overall, the company has EUR 350 million in subordinated loans.

Figure 4–4 Solvency II Capital Requirement (SCR) and own funds, 31 December 2022, taking transitional measures into account



*Loss absorbing capacity of technical provisions **Loss absorbing capacity of deferred taxes

Figure 4–5 Development of solvency ratio, 1 January 2016–31 December 2022



Taking into account the transitional measures, Mandatum Life's own funds under Solvency II amounted to EUR 2,343 million (2,564), and the corresponding SCR according to Solvency II was EUR 943 million (1,352). The solvency ratio (own funds/SCR) was thus 248 per cent (190). The majority of SCR results from market risks, the most significant ones being equity risk and credit spread risk. The most significant life insurance risk is the surrender risk for unit-linked contracts and risk insurance, and the most significant biometric risk is the longevity risk of the group pension policies. The minimum capital requirement (MCR) according to Solvency II was EUR 236 million (338). Without the transitional measure on technical provisions, the company's own funds would have been EUR 2,072 million (2,263).

Figure 4–5 presents the development of Mandatum Life's solvency ratio since Solvency II entered into force. The company's strategic choices and their consequences for the structure of technical provisions play a major role in terms of the expected solvency position. Business based on unit-linked policies has been the company's focal area since 2001. Since then, the unit-linked technical provisions have grown, as shown in Figure 4–6. In contrast, the trend of original with-profit technical provisions has been downward since 2005. The parts of technical provisions with the highest guarantees, i.e. 4.5 and 3.5 per cent, have especially decreased. Liabilities with the highest guarantees fell by EUR 144 million during 2022. In total, the with-profit technical provisions decreased by EUR 268 million to EUR 2,969 million (3,247). The development of the structure and amount of the company's liabilities is shown in Figure 4–6.

In Mandatum Life's view, the calculation according to the transitional measures gives a good picture of the company's solvency position. Mandatum Life's balance sheet and its risk profile are expected to change significantly over the course of the transitional periods. The majority of the solvency capital requirements stem from the with-profit technical provisions and the assets covering them. Especially Mandatum Life's original with-profit insurance policies with a guaranteed interest rate of 3.5 and 4.5 per cent tie up capital, and the liabilities for these insurance policies are expected to decrease from the current EUR 1,587 million to approximately EUR 550 million during the transitional periods, as illustrated in Figure 4–7. This trend will strongly reduce the SCR arising from these policies, and the negative impact of

Figure 4–6 Development of with-profit and unit-linked liabilities 2013–2022

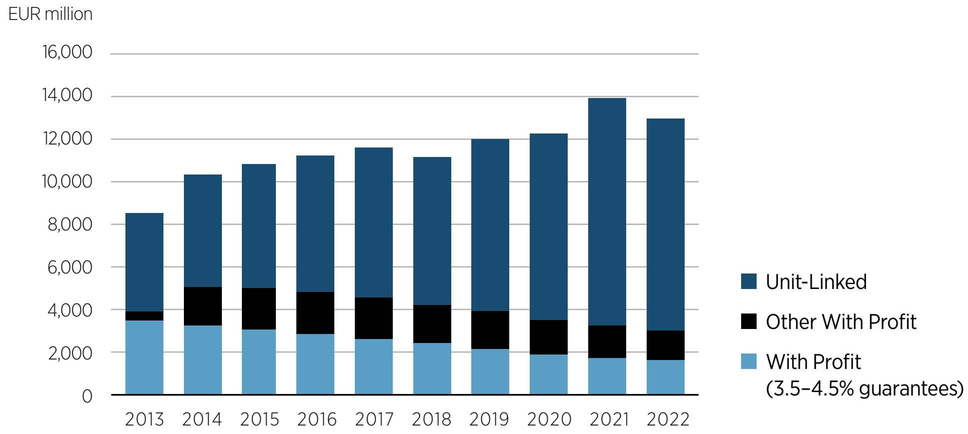
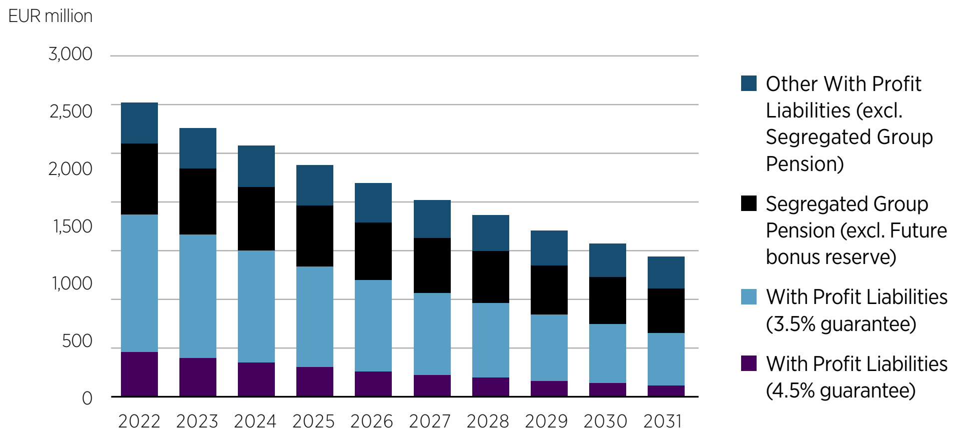


Figure 4–7 Prognosis of existing with-profit liabilities 2022–2031 without new sales



these policies on own funds calculated without the transitional measures will simultaneously decrease. Even though the positive impact of the transitional measures will decrease over the course of the transitional period, the solvency position is expected to remain strong as a result of the positive trend in own funds and the decrease in the SCR. Internally, the company monitors and forecasts the solvency ratio both with and without the transitional measures. Both forecasts have an impact on the company's business decisions.

4.2.2 Internal monitoring of solvency position

Solvency II also creates a framework for Mandatum Life's internal monitoring of solvency position. The company-level solvency position monitoring model, i.e. the 'risk-bearing capacity model', is based on the SCR calculated using the Solvency II transitional measures and own funds. In the risk-bearing capacity model, anticipatory monitoring limits are set for the company's solvency position to enable the company to react early enough to any weakening of its solvency position. There are three monitoring limits, and they take into account the solvency position, both with and without the transitional measures. Table 4–8 presents the applicable monitoring limits and the key guiding principles for different zones.

When the risk-bearing capacity is above the upper monitoring limit, Mandatum Life's investment operations are guided, as usual, by the investment policy and the limits set therein. If the risk-bearing capacity falls below the monitoring limits, the monitoring frequency of the solvency position will be strengthened, the Board of Directors' role in investment operations will be increased, risk-taking will be limited and, in the final phase, the solvency position shall be strengthened either by reducing market risks or by increasing own funds, for example, through capitalisation. In practice, the measures depend on the situation at hand and the general market situation. Thus, the actual measures may differ from the principles presented above if the Board of Directors sees fit.

In addition to Mandatum Life's company-level risk-bearing capacity model, the company also has its own risk-bearing capacity monitoring in place for the segregated group pension portfolio. The risk-bearing capacity of the segregated group pension portfolio is based on the buffering effect of the future bonus reserves in the investment risks. The monitoring limits of risk-bearing capacity monitoring are also based on asset stress tests that have been determined beforehand, and the measures in the case of falling below the monitoring limits are similar to those in the company-wide risk-bearing capacity model.

Table 4–8 Mandatum Life's internal risk monitoring framework (risk-bearing-capacity model)

Solvency ratio with the transitional measures	Solvency ratio without the transitional measures	Guiding principle
> 160%	**> 135%**	Normal activities
< 160%	**< 135%**	Enhanced monitoring
< 145%	**< 125%**	Limited risk-taking
< 135%	**< 115%**	Reduced risks

The risk-bearing-capacity model and the monitoring limits contained therein are determined annually in the Risk Management Policy decided on by the Board of Directors. The risk-bearing capacities and monitoring limits are reported to the Board of Directors at least monthly.

4.3 Mandatum Asset Management

4.3.1 Regulatory capital adequacy requirements

Like life insurance, investment services are a highly regulated business with formal rules for minimum capital and capital structure. MAM's operations are supervised by the Financial Supervisory Authority. In addition to this, the operations of the fund management company belonging to MAM Group are supervised by the authority in Luxembourg. Ownership of the company transferred from Mandatum Life to MAM in the first half of 2022.

As an investment firm, MAM complies with the EU's directive on the prudential supervision of investment firms and capital adequacy regulation. MAM and its subsidiaries Mandatum AM AIFM and Mandatum Fund Management together form an investment firm group ("MAM Group"), which complies with the same capital adequacy regulations on a consolidated basis.

MAM's and MAM Group's own funds at 31 December 2022 consisted solely of Common Equity Tier 1 capital. Table 4–9 presents the composition of MAM's and MAM Group's own funds.

According to the regulatory framework, an investment firm's own funds requirement is the highest of the following:
- the fixed overheads requirement
- the permanent minimum capital requirement
- the K-factor requirement

MAM's and MAM Group's capital requirements were determined according to the fixed overheads at 31 December 2022. MAM's K-factor requirement is small because MAM's customers are mainly financial sector entities that have outsourced their asset management to MAM.

4.3.2 Internal monitoring of solvency position

MAM regularly monitors its capital adequacy position and assesses its capital adequacy at least yearly in line with the internal capital adequacy assessment process (ICAAP) approved by the Board. The assessment of capital adequacy is based on an analysis of MAM's risk profile and risk appetite. MAM also actively assesses the impacts of any changes in its risk profile and in the operating environment on its capital adequacy position in order to ensure continuously sufficient own funds to cover operational risks and a strong solvency position. In MAM Group, the assessment of capital adequacy position takes place primarily at the company level.

MAM's risk management unit reports on MAM's and MAM Group's capital adequacy position to management and the Board of Directors quarterly.

5. Operational risks

Operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel or from external events. This definition includes legal and compliance risks but excludes risks resulting from strategic decisions. Risks can materialise due to the following events:
- internal misconduct
- external misconduct
- insufficiencies in working conditions and occupational safety
- insufficiencies in procedures
- damage to physical property
- interruption of activities and system failures
- defects in the operating process.

Realised operational risks may lead to additional expenses, revenue losses, loss of reputation and possibly official sanctions.

Table 4–9 Own funds and solvency requirement, MAM and MAM Group, 31 December 2022

EUR million	MAM	MAM Group
Common Equity Tier 1 capital before deductions	69.7	70.7
Share capital	0.1	0.1
Reserve for invested unrestricted equity	63.3	63.3
Retained earnings	6.3	7.3
Deductions	-52.4	-46.8
Common Equity Tier 1 capital after deductions	17.3	23.9
Additional tier 1 capital	0.0	0.0
Tier 2 capital	0.0	0.0
Own funds total	**17.3**	**23.9**
Capital requirement	**4.4**	**8.7**
Capital adequacy ratio	**392%**	**276%**

5.1 Goal of operational risk management and governance

The goal of operational risk management is to identify risks ahead of time, manage risks effectively and strive to minimise beforehand the impacts of any realised risks in a cost-effective manner. Business units are responsible for the identification, assessment, monitoring and management of their own operational risks, and for organising adequate internal control. The Operational Risk Committee (ORC) monitors and coordinates central issues regarding operational risks, such as policies and recommendations. The Committee ensures that risks are identified and that business units have organised internal control and risk management adequately. The Committee also analyses deviations from operational risk management policies and monitors operational risks identified in the self-assessments as well as the occurred incidents. Significant observations on operational risks are submitted to the Risk Management Committee and to the Board of Directors.

5.2 Operational risk identification and management

Operational risks are identified through several different sources and methods:

1. Self-assessment: Mapping and evaluating the major operational risks and their probabilities and significance are carried out through a regular self-assessment process, including an evaluation of internal controls and sufficiency of instructions.
2. Analysis of risk events: The business units are responsible for the root cause analysis related to risk events and the implementation of the necessary measures to reduce risks. Realised operational risks and near misses reported by the business units are collected and analysed by ORC. Each business unit is responsible for reporting realised operational risk events and near misses in accordance with the company's practices.

Risks recognised in the company's self-assessment process for identifying key operational risks include the following: data governance issues, the ageing of IT and particularly information systems, as well as possible errors in processes that involve considerable manual work stages.

In order to limit operational risks, the company has approved a number of policies including, but not limited to, the Risk Management Policy, Internal Control Policy, Compliance Policy, Security Policies, Continuity Plans, Acquisition and Outsourcing Policy, Complaints Handling Policy and a number of other policies related to ongoing operative activities. Deviations against different policies are followed up in each business unit and reported to the compliance function and risk management function.

The internal control system included in the processes aims at preventing and identifying negative incidents and minimising their impact. In addition, realised operational risk events or near misses are analysed and reported to the ORC by the risk management function.

5

IFRS FINANCIAL STATEMENTS FOR 2022

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR million	Note	1–12/2022	1–12/2021
Insurance premiums	1	1,390.4	1,367.0
Net income from investments	2	-825.9	1,787.20
Other operating income	3	36.3	40.2
Claims incurred	4	-882.7	-1,127.00
Change in liabilities for insurance and investment contracts	5	679.8	-1,642.10
Staff costs	6	-74.1	-65.4
Other operating expenses	6	-110.0	-99.6
Finance costs	8	-12.2	-13.8
Share of associates' profit/loss		0.1	0.6
Profit before taxes		**201.8**	**247.1**
Taxes	20	-43.0	-50.9
Non-controlling interests		0.2	0.1
Profit for the period		**158.9**	**196.3**
Other comprehensive income	21–22		
Items reclassifiable to profit or loss			
Shadow accounting		57.0	5.4
Available-for-sale financial assets		-605.6	126.2
Income tax relating to components of other comprehensive income		121.1	-25.2
Other comprehensive income, items reclassifiable to profit or loss net of tax, total		**-427.5**	**106.4**
TOTAL COMPREHENSIVE INCOME		**-268.6**	**302.6**

CONSOLIDATED BALANCE SHEET

EUR million	Note	12/2022	12/2021
Assets			
Property, plant and equipment	9	25.6	27.6
Investment property	10	116.3	129.4
Intangible assets	11	55.1	54.3
Investments in associates	12	4.3	1.3
Financial assets	13–17	3,776.0	4,427.4
Investments related to unit-linked insurance and investment contracts	18	9,934.3	10,557.6
Reinsurers' share of insurance liabilities	25	1.5	1.5
Other assets	23	195.6	157.0
Cash and cash equivalents	24	724.6	918.1
Assets classified as held for sale	39	0.0	196.4
Total assets		**14,833.3**	**16,470.6**
Equity	31		
Share capital		5.0	5.0
Reserves		746.7	1,174.2
Retained earnings		566.8	558.9
Equity attributable to owners of the parent		**1,318.5**	**1,738.1**
Non-controlling interests		0.0	0.0
Total equity		**1,318.5**	**1,738.1**
Liabilities			
Liabilities for insurance and investment contracts	25	2,968.6	3,236.4
Liabilities for unit-linked insurance and investment contracts	26	9,911.9	10,525.5
Financial liabilities	14, 27	352.3	374.7
Tax liabilities	19	58.6	158.6
Other liabilities	29	223.6	240.9
Liabilities associated with assets held for sale	38	0.0	196.4
Total liabilities		**13,514.9**	**14,732.5**
Total equity and liabilities		**14,833.4**	**16,470.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Share premium account	Legal reserve	Reserve for invested for non-restricted equity	Retained earnings	Available-for-sale financial assets*	Available-for-sale financial assets** IFRS 4.30	Total
Equity at 1 Jan 2021	**40.4**	**98.9**	**29.9**	**0.0**	**877.5**	**563.1**	**-28.8**	**1,580.9**
Changes in equity								
Dividends					-200.0			**-200.0**
Total comprehensive income for the year					196.3	100.9	5.4	**302.6**
Transfers between equity	-35.4	-98.9	-29.9	55.0	163.7			**54.5**
Equity at 31 Dec 2021	**5.0**	**0.0**	**0.0**	**55.0**	**1,037.5**	**664.1**	**-23.4**	**1,738.1**
Changes in equity								
Dividends					-150.0			**-150.0**
Total comprehensive income for the year					158.9	-484.5	57.0	**-268.6**
Transfers between equity					-1.1			**-1.1**
Equity at 31 Dec 2022	**5.0**	**0.0**	**0.0**	**55.0**	**1,045.3**	**179.6**	**33.6**	**1,318.4**

*The amount recognised in equity from available-for-sale financial assets for the period totalled EUR -504.4 million (380.0). The amount transferred to P&L amounted to EUR 101.2 million (253.8).

**Policyholders' share according to shadow accounting.

The amounts included in the translation of foreign operations and available-for-sale financial assets represent other comprehensive income for each component, net of tax.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1–12/2022	1–12/2021
Operating activities		
Profit before taxes	230.8	247.1
Adjustments:		
Depreciation and amortisation	8.6	8.1
Unrealised gains and losses arising from valuation	1,066.3	-1,292.6
Realised gains and losses on investments	91.7	-292.1
Change in liabilities for insurance and investment contracts	-1,077.8	1,671.5
Other adjustments	38.4	46.5
Adjustments total	**127.1**	**141.4**
Change (+/-) in assets of operating activities		
Investments*	-344.8	134.9
Other assets	-7.5	-41.2
Total	**-352.3**	**93.7**
Change (+/-) in liabilities of operating activities		
Financial liabilities	-26.4	25.9
Other liabilities	51.3	-19.7
Paid interest and taxes	-32.6	-24.5
Paid income taxes	-13.5	-66.0
Total	**-21.2**	**-84.4**
Net cash from operating activities	**-15.7**	**397.9**

EUR million	1–12/2022	1–12/2021
Investing activities		
Investments in group and associated undertakings	-7.1	-12.5
Net investment in equipment and intangible assets	-4.2	0.2
Net cash from investing activities	**-11.3**	**12.3**
Financing activities		
IFRS 16 lease liabilities	-1.5	-1.5
Subordinated loan	0.0	0.0
Invested unrestricted equity fund	0.0	55.0
Group contribution	-15.0	-3.4
Dividends paid	-150.0	-200.0
Net cash from financing activities	**-166.5**	**-149.9**
Total cash flows	**-193.5**	**235.7**
Cash and cash equivalents at 1 Jan	918.1	682.4
Cash and cash equivalents at 31 Dec	724.6	918.1
Net change in cash and cash equivalents	**-193.5**	**235.7**
Additional information to the statement of cash flows:		
Interest income received	117.9	101.1
Interest expense paid	-32.6	-24.5
Dividend income received	24.9	40.6

*Investments include investment property, financial assets and investments related to unit-linked insurance and investment contracts.

The items of the statement of cash flows cannot be directly concluded from the balance sheets due to, e.g. exchange rate differences.

Cash and cash equivalents include cash at bank and in hand EUR 724.6 million (918.1).

MANDATUM GROUP

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mandatum Holding's consolidated financial statements have been prepared in accordance with the international financial reporting standards IFRS (International Financial Reporting Standards). In preparing the financial statements, the group has applied all standards and interpretations related to its business that were valid on 31 December 2022 and approved by the EU Commission. In addition, Finnish accounting and corporate legislation as well as official regulations have also been taken into account in the preparation of the notes.

Climate issues, Russia's war of aggression and the effects of the macroeconomic environment have not had a significant impact on Mandatum Group's accounting policies.

In the notes to the Group's result, other operating income according to IFRS 15 is presented separately. For the most part, these concern asset management fees.

Subsidiaries

The consolidated financial statements cover the parent company Mandatum Holding Ltd and all those companies in which the Group has control. The Group controls a company if the Group is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through exercising its power over the company. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases. The Group acts as an investor and a manager of investment funds in various funds in order to get investment returns and fee income. If the Group is exposed to variable returns from a fund or participates in the direction of its relevant activities and the organisation of its administration, the fund must be consolidated. The Group monitors any changes in such control on a quarterly basis.

The acquisition method of accounting is used for the purchase of subsidiaries. The cost of an acquisition is allocated to the identifiable assets, liabilities and contingent liabilities, which are measured at the fair value of the date of the acquisition. Possible noncontrolling interest of the acquired entity is measured either at fair value or at proportionate interest in the acquiree's net assets. The acquisition-specific choice affects both the amount of recognised goodwill and non-controlling interest. The excess of the aggregate of consideration transferred, non-controlling interest and possibly previously held equity interest in the acquiree, over the Group's share of the fair value of the identifiable net assets acquired, is recognised as goodwill.

The accounting policies used throughout the Group for the purposes of consolidation are consistent with respect to similar business activities and other events taking place in similar conditions. All intra-Group transactions and balances are eliminated upon consolidation.

Associates

Associates are entities in which the Group has significant influence, but no control over the financial management and operating policy decisions. Unless otherwise demonstrated, this is generally presumed when the Group holds in excess of 20 per cent, but no more than 50 per cent, of the voting rights of an entity. Investments in associates are treated by the equity method of accounting, in which the investment is initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the associate. If the Group's share of the associate's loss exceeds the carrying amount of the investment, the investment is carried at zero value, and the loss in excess is consolidated only if the Group is committed to fulfilling the obligations of the associate. Goodwill arising on the acquisition is included in the cost of the investment. Unrealised gains (losses) on transactions are eliminated to the extent of the Group's interest in the entity.

The share of associates' profit or loss, equivalent to the Group's holding, is presented as a separate line in the income statement. The Group's share of associate's changes in other comprehensive income is presented in the Group's other comprehensive income items.

Foreign currency translation

The consolidated financial statements are presented in euro, which is the functional and reporting currency of the Group and the parent company. Items included in the financial statements of each of the Group entities are measured using their functional currency, being the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of transactions or the average rate for a month. The balance sheet items denominated in foreign currencies are translated into the functional currency at the rate prevailing at the balance sheet date.

Exchange differences arising from translation of transactions and monetary balance sheet items denominated in foreign currencies into functional currency are recognised as translation gains and losses in profit or loss. Exchange differences arising from equities classified as available-for-sale financial assets are included directly in the fair value reserve in equity.

Segment reporting

Mandatum Group's segmentation is based on division by product group and business activity. The reported segments are Mandatum Life Unit-linked contracts, Mandatum Life Other contracts and Mandatum Asset Management.

The investment risks vary by product group. The segment results are reported to the management of the company as part of management reporting.

Investments related to Mandatum Life unit-linked contracts and return on these investments, including commissions received by Mandatum Life Insurance Company Ltd from fund management companies, have been allocated to the segment "Unit-linked contracts". Allocation of operational expenses, including depreciation and amortisation, and tangible and intangible assets has been carried out through internal cost accounting.

In the inter-segment and inter-company pricing, for both domestic and cross border transactions, market-based prices are applied. The pricing is based on the Code of Conductt on Transfer Pricing Documentation in the EU and OECD guidelines.

Transactions between segments have been eliminated from the segment-specific numbers of the segment information.

Interest and dividends

Interest income and expenses are recognised in the income statement using the effective interest rate method. This method recognises income and expenses on the instrument evenly in proportion to the amount outstanding over the period to maturity. Dividends on equity securities are recognised as revenue when the right to receive payment is established.

Fees and commissions

The fees and transaction costs of financial instruments measured at fair value through profit or loss are recognised in profit or loss when the instrument is initially recognised.

In life insurance business, the acquisition costs are treated as fees and commission expense under 'Other operating expenses'.

Other fees and commissions paid for investment activities are included in 'Net income from investments'.

Insurance premiums

Insurance and investment contract liabilities are long term liabilities. Therefore, the insurance premiums and related claims are usually not recognised in the same accounting period. Depending on the type of insurance, premiums are primarily recognised in premiums written when the premium has been paid. In group pension insurance, a part of the premiums is recognised already when charged.

The change in the provisions for unearned premiums is presented under ´Claims paid´ and 'Change in insurance and investment contract liabilities'.

Financial assets and liabilities

Based on the measurement practice, financial assets and liabilities are classified in the following categories upon the initial recognition: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through profit or loss, and other liabilities.

According to the Group's risk management policy, investments are monitored and managed at fair value in order to have the most realistic and real-time picture of investments, and they are reported to the Group key management at fair value. Investments comprise debt and equity securities. They are mainly classified as financial assets available for sale or recognised at fair value through profit or loss.

The fair valuation of financial assets is based on either published price quotations or valuation techniques based on market observable inputs, where available. For a limited amount of assets, the value must be determined using other techniques. The financial instruments measured at fair value have been classified into three hierarchy levels in the notes, depending on, for example, whether the market for the instrument is active or if the inputs used in the valuation technique are observable.

On level 1, the measurement of the instrument is based on quoted prices in active markets for identical assets or liabilities.

On level 2, inputs for the measurement of the instrument include also other than quoted prices observable for the asset or liability, either directly or indirectly by using valuation techniques.

On level 3, the measurement is based on other inputs rather than observable market data. The majority of Mandatum Life's level 3 assets are private equity and alternative funds.

For private equity funds, the valuation of the underlying investments is conducted by the fund manager, who has all the relevant information required in the valuation process. The valuation is usually updated quarterly based on the value of the underlying assets and the amount of debt in the fund. There are several valuation methods, which can be based on, for example, the acquisition value of the investments, the value of publicly traded peer companies, the multiple-based valuation or the cashflows of the underlying investments. Most private equity funds follow the International Private Equity and Venture Capital Valuation (IPEV) guidelines, which give detailed instructions on the valuation of private equity funds.

For alternative funds, the valuation is also conducted by the fund managers. Alternative funds often have complicated structures, and the valuation is dependent on the nature of the underlying investments. There are many different valuation methods that can be used, for example, the method based on the cashflows of the underlying investments. The operations and valuation of alternative funds are regulated, for example, by the Alternative Investment Fund Managers Directive (AIFMD), which determines the principles and documentation requirements of the valuation process.

Insurance contracts with a discretionary participation feature (DPF) and investments made to cover shareholders' equity are managed in their entirety and are classified mainly as available-for-sale financial assets. An exception to this is investments related to unit-linked insurance, which are measured as financial assets at fair value through profit or loss, presented separately in the balance sheet. The corresponding liabilities are also presented separately.

Recognition and derecognition

Purchases and sales of financial assets at fair value through profit or loss and available for-sale financial assets are recognised and derecognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when the Group has a legally enforceable right to set off the recognised amounts and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expired.

Financial assets and financial liabilities at fair value through profit or loss

In the Group, financial assets and liabilities at fair value through profit or loss are financial assets held for trading and financial assets designated to be recognised at fair value through profit or loss.

Financial assets held for trading

A financial asset that is held for the purpose of selling or buying in the short term or which belongs to a portfolio that is managed together or is repeatedly used for short-term profit taking is classified as an asset held for trading. Such assets held for trading are initially recognised at fair value. Gains and losses arising from changes in fair value, or realised on disposal, together with related interest income and expenses and dividend income, are recognised in the income statement.

Also, derivative instruments that are not designated as hedges and do not meet the requirements for hedge accounting are classified as financial assets for trading purposes.

Financial derivatives held for trading are initially recognised at fair value. Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative instruments are recognised at fair value, and gains and losses arising from changes in fair value together with realised gains and losses are recognised in the income statement.

Financial assets designated as at fair value through profit or loss

Financial assets designated as at fair value through profit or loss are assets which, at inception, are irrevocably designated as such. They are initially recognised at their fair value. They are recognised in the income statement and balance sheet accordingly with the above-explained assets held for trading.

Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the short term. The category also comprises cash.

Loans and receivables are initially recognised at their fair value, plus the transaction costs directly attributable to the acquisition of the asset. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial investments that are designated as available for sale and/or are not categorised into any other category. Available-for-sale financial assets comprise debt and equity securities.

Available-for-sale financial assets are initially recognised at fair value, including direct and incremental transaction costs. They are subsequently remeasured at fair value, and the changes in fair value are recorded in other comprehensive income and presented in the fair value reserve, taking the tax effect into account. Interest income and dividends are recognised in profit or loss. When the available-for-sale assets are sold, the cumulative change in the fair value is transferred from equity and recognised together with realised gains or losses in profit or loss. The cumulative change in the fair value is also transferred to profit or loss when the assets are impaired and the impairment loss is recognised. Exchange differences due to available-for-sale monetary balance sheet items are always recognised directly in profit or loss.

Other financial liabilities

Other financial liabilities comprise debt securities in issue and other financial liabilities.

Other financial liabilities are recognised when the consideration is received and measured to amortised cost using the effective interest rate method.

If debt securities issued are redeemed before maturity, they are derecognised and the difference between the carrying amount and the consideration paid at redemption is recognised in profit or loss.

Fair value

The fair value of financial instruments is determined primarily by using quoted prices in active markets. Instruments are measured either at the bid price or at the last trade price if there is an auction policy in the stock market of the price source. The exception is syndicated loans, which are measured at the average rate due to lower liquidity. The financial derivatives are also measured at the last trade price. If the financial instrument has a counter-item that will offset its market risk, the same price source is used in assets and liabilities to that extent. If a published price quotation does not exist for a financial instrument in its entirety, but active markets exist for its component parts, the fair value is determined on the basis of the relevant market prices of the component parts.

If a market for a financial instrument is not active, or the instrument is not quoted, the fair value is established by using generally accepted valuation techniques, including recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The most significant share of unquoted equities and participations is private equity and venture capital investments. They are measured in accordance with the generally accepted International Private Equity and Venture Capital Guidelines (IPEV).

If the fair value of a financial asset cannot be determined, historical cost is deemed to be a sufficient approximation of fair value. The amount of such assets in the Group balance sheet is immaterial.

Impairment of financial assets

Mandatum Life assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than those at fair value through profit or loss, may be impaired. A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset, and if that event has an impact that can be reliably estimated on the estimated future cash flows of the financial asset.

Financial assets carried at amortised cost

There is objective evidence of impairment if an issuer or debtor, e.g. encounters significant financial difficulties that will lead to insolvency and to an estimation that the customer will probably not be able to meet the obligations to the Group. Objective evidence is first assessed for financial assets that are individually significant, and individually and collectively for financial assets not individually significant.

When there is objective evidence of impairment of a financial asset carried at amortised cost, the amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. The difference is recognised as an impairment loss in profit or loss. The impairment is assessed individually.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can objectively be related to an event occurring after the impairment was recognised (e.g. the default status is removed), the previously recognised impairment loss shall be reversed through profit or loss.

Available-for-sale financial assets

Objective evidence of an impairment of available-for-sale financial assets is evaluated in a separate assessment, which is done if the credit rating of an issuer has declined or the entity is placed on a watch list, or there is a significant or prolonged decline in the fair value of an equity instrument below its original acquisition cost.

The decision on whether the impairment is significant or prolonged requires an assessment by management. The assessment is done case by case and with consideration paid not only to qualitative criteria, but also to historical changes in the value of an equity as well as the time period during which the fair value of an equity security has been lower than the acquisition cost. The impairment is normally assessed to be significant if the fair value of a listed equity or participation decreases below the average acquisition cost by 20 per cent for a prolonged period, when the fair value has been lower than the acquisition cost for over 12 months.

The significance and prolongation of the impairment of private equity and venture capital investments are assessed case by case, taking into consideration special factors and circumstances related to the investment. Mandatum Life invests in private equity and venture capital in order to keep them until the end of their life cycle, so the typical lifetime is 10-12 years. In general, a justifiable assessment of a potential impairment may only be done towards the end of the life cycle. However, if there is also a well-founded reason to believe that an amount equivalent to the acquisition cost will not be recovered when selling the investment, an impairment loss is recognised.

An impairment on equity funds is recognised in line with the principles above when at least 10 years have passed since the starting year of the funds and the carrying amount of the fund is maximum EUR 500,000. In these cases, both the fair value and the carrying amount are booked to zero. An impairment is only made to those funds for which the benchmarks are met in all Sampo Group companies' portfolios.

In the case of debt securities, the amount of the impairment loss is assessed as the difference between the acquisition cost, adjusted with capital amortisations and accruals, and the fair value at the review time, reduced by the impairment loss previously recognised in profit or loss.

When it is assessed that there is objective evidence of impairment in debt or equity securities classified as financial assets available for sale, the cumulative loss recognised in other comprehensive income is transferred from equity and recognised in profit or loss as an impairment loss.

If, in a subsequent period, the fair value of a debt security increases and the increase can objectively be related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed by recognising the amount in profit or loss.

If the fair value of an equity security increases after the impairment loss was recognised in profit or loss, the increase shall be recognised in other comprehensive income. If the value keeps decreasing below the acquisition cost, an impairment loss is recognised through profit or loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments are classified as those held for trading and those held for hedging, including interest rate derivatives, credit risk derivatives, foreign exchange derivatives, equity derivatives and commodity derivatives. Derivative instruments are measured initially at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivatives held for trading

Derivative instruments that are not designated as hedges and embedded derivatives separated from a host contract are treated as held for trading. They are measured at fair value, and the change in fair value, together with realised gains and losses and interest income and expenses, is recognised in profit or loss.

If derivatives are used for hedging, but they do not qualify for hedge accounting as required by IAS 39, or are not designated as hedging, they are treated as held for trading.

Derivative financial instruments and hedge accounting

The Group may hedge its operations against interest rate risks, currency risks and price risks through fair value hedging and cash flow hedging. Cash flow hedging is used as a protection against the variability of the future cash flows, while fair value hedging is used to protect against changes in the fair value of recognised assets or liabilities. During the financial year, fair value hedging was applied in the Group.

Hedge accounting applies to hedges that are effective in relation to the hedged risk and meet the hedge accounting requirements of IAS 39. The hedging relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for undertaking the hedge, are documented at the inception of the hedge. In addition, the effectiveness of a hedge is assessed both at inception and on an ongoing basis to ensure that it is highly effective throughout the period for which it was designated. Hedges are regarded as highly effective in offsetting changes in fair value or the cash flows attributable to a hedged risk within a range of 80-125 per cent.

Fair value hedging

In accordance with the risk management principles, fair value hedging is used to hedge changes in fair values resulting from changes in price, interest rate or exchange rate levels. The hedging instruments used include foreign exchange forwards, interest rate swaps, interest rate and cross currency swaps and options, approved by the management.

Changes in the fair value of derivative instruments that are documented as fair value hedges and are effective in relation to the hedged risk are recognised in profit or loss. In addition, the hedged assets and liabilities are measured at fair value during the period for which the hedge was designated, with changes in fair value recognised in profit or loss.

Leases

Group as lessee

Lease contracts are primarily recognised in the balance sheet in accordance with the IFRS 16 Leases standard. The only optional exemptions include certain short-term or low-value contracts for which the lease payments can be recognised as an expense on a straight-line basis over the lease term.

Right-of-use assets related to lease contracts (right to use an underlying asset) are recognised in the asset side as part of Property, Plant and Equipment, and the corresponding lease liabilities in the liability side as part of 'Other liabilities'. A right-of use asset is recognised at the commencement date of the lease and measured at cost that includes the amount of the initial measurement of the liability and potential prepaid rents to the lessor. A lease liability is recognised at the commencement date and measured at the present value of the lease payments.

Depreciations on right-of-use assets and interests on the lease liabilities are recognised in the P&L.

Group as lessor

Leases are included in 'Investment property' in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment, and the impairment losses are recognised on the same basis as for these items. Rental income is recognised on a straight-line basis over the lease term in profit or loss.

Intangible assets

Goodwill

Goodwill is the residual value created from a business transaction or the acquisition of a company, and is based on the difference between the purchase price and net fair value of the company. Goodwill is not amortised. Instead, goodwill is tested for impairment on an annual basis.

Other intangible assets

IT software and other intangible assets, whether procured externally or internally generated, are recognised in the balance sheet as intangible assets with finite useful lives, if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. The cost of internally generated intangible assets is determined as the sum of all costs directly attributable to the assets. Research costs are recognised as expenses in profit or loss as they are incurred. Costs arising from the development of new IT software or from significant improvement of existing software are recognised only to the extent they meet the above-mentioned requirements for being recognised as assets in the balance sheet.

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and impairment losses. Intangible assets are amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful lives by asset class are as follows:

IT software	4–10 years
Other intangible assets	3–10 years

Property, plant and equipment

Property, plant and equipment comprise properties occupied for Mandatum Life's own activities, office equipment, fixtures and fittings, and furniture. Classification of properties as those occupied for own activities and those for investment activities is based on the square metres in use. If the proportion of a property in Mandatum Life's use is no more than 10 per cent, the property is classified as an investment property.

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses.

Improvement costs are added to the carrying amount of a property when it is probable that the future economic benefits that are attributable to the asset will flow to the entity. Costs for repairs and maintenance are recognised as expenses in the period in which they were incurred.

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. In most cases, the residual value is estimated at zero. Land is not depreciated. Estimates of useful life are reviewed at financial year-ends, and the useful life is adjusted if the estimates change significantly. The estimated useful lives by asset class are as follows:

Residential, business premises and offices	20–60 years
Industrial buildings and warehouses	30–60 years
Components of buildings	10–15 years
IT equipment and motor vehicles	3–5 years
Other equipment	3–10 years

Depreciation of property, plant or equipment will be discontinued if the asset in question is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Impairment of intangible assets and property, plant and equipment

At each reporting date, the Group assesses whether there is any indication that an intangible asset or an item of property, plant or equipment may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the asset. In addition, goodwill, intangible assets not yet available for use and intangible assets with an indefinite useful life are tested for impairment annually, independent of any indication of impairment. For impairment testing, the goodwill is allocated to the cash-generating units of the Group from the date of acquisition. In the test, the carrying amount of the cash generating unit, including the goodwill, is compared with its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is calculated by estimating future net cash flows expected to be derived from an asset or a cash-generating unit, and by discounting them to their present value using a pre-tax discount rate. If the carrying amount of an asset is higher than its recoverable amount, an impairment loss is recognised in profit or loss. In conjunction with this, the impaired asset's useful life will be re-determined.

If there is any indication that an impairment loss recognised for an asset in prior periods may no longer exist or may have decreased, the recoverable amount of the asset will be estimated. If the recoverable amount of the asset exceeds the carrying amount, the impairment loss is reversed, but no more than to the carrying amount which it would have been without recognition of the impairment loss. Impairment losses recognised for goodwill are not reversed.

Although no indication of impairment was identified in the Group for the intangible assets acquired, an impairment test was performed in accordance with the provisions of IAS 36 at the end of 2022.

Mandatum Group has designated Mandatum Asset Management as a cash-generating unit where goodwill is allocated. The testing takes into account external and internal sources of information that may have affected the value of an asset. The test estimates the income after taxes for the first five years according to management's expectations. From the fifth year onwards, the income after taxes is expected to develop in accordance with the inflation assumption. The present value of income is calculated by applying a discount rate of 10.75 per cent, which consists of the 10-year interest level of the Finnish government bond plus the risk premium. Both the expected earnings forecasts and the choice of the discount rate include some uncertainty. The present value of the earnings expectations clearly exceeds the value of the intangible assets, and thus there is no need for recognising an impairment loss.

Investment property

Investment property is held to earn rentals and for capital appreciation. The investment property is measured in the same way as property, plant and equipment. The depreciation periods and methods and the impairment principles are also the same as those applied to corresponding property occupied for own activities.

The fair value of investment property is estimated using a method based on estimates of future cash flows and a comparison method based on information from actual sales in the market. The fair value of investment property is presented in the notes.

The valuation takes into account the characteristics of the property with respect to location, condition, lease situation and comparable market information regarding rents, yield requirements and unit prices. During the financial year, the valuations were conducted by the Group's internal resources.

From 2023, Mandatum Group will start valuing investment properties at fair value.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the Group can reliably estimate the amount of the obligation. If it is expected that some or all of the expenditure required to settle the provision will be reimbursed by another party, the reimbursement will be treated as a separate asset only when it is virtually certain that the Group will receive it.

Insurance and investment contracts

Insurance contracts are treated, in accordance with IFRS 4, either as insurance or investment contracts. Under the standard, contracts are classified as insurance contracts if significant insurance risk is transferred between the policyholder and the insurer. If the risk transferred on the basis of the contract is essentially financial risk rather than significant insurance risk, the contract is classified as an investment contract.

Debts arising from contracts are processed in the first stage of the standard in accordance with national requirements.

The risks involved in insurance and investment contracts are widely elaborated in the Risk Management section.

Reinsurance contracts

A reinsurance contract is a contract that meets the IFRS 4 requirements for insurance contracts and on the basis of which Mandatum Group (the cedant) may receive compensation from another insurer (the reinsurer), if it becomes liable for paying compensation based on other insurance contracts it has issued. Such compensation received on the basis of reinsurance contracts is included in the balance sheet under 'Reinsurers' share of insurance liabilities' and 'Other assets'. The former item includes the reinsurers' share of the provisions for unearned premiums and claims outstanding in the Group's reinsured insurance contracts, while the latter includes short-term receivables from reinsurers.

When the Group itself has to pay compensation to another insurer on the basis of a reinsurance contract, the liability is recognised in the item 'Other liabilities'.

Receivables and liabilities related to reinsurance are measured uniformly with the cedant's receivables and liabilities. Reinsurance receivables are tested annually for impairment. Impairment losses are recognised through profit or loss if there is objective evidence indicating that the Group (as the cedant) will not receive all amounts of money it is entitled to on a contractual basis.

Classification of Insurance Contracts

Policies issued are classified as either insurance contracts or investment contracts. Insurance contracts are contracts that carry significant insurance risk or contracts in which the policyholder has the right to change the contract by increasing the risk. As capital redemption contracts do not carry insurance risk, these contracts are classified as investment contracts.

The discretionary participation feature (DPF) of a contract is a contractual right held by a policyholder to receive additional benefits, as a supplement to the guaranteed minimum benefits. The supplements are bonuses based on the reserves of policies credited to the policy reserve, additional benefits in the case of death, or the lowering of insurance premiums. In Mandatum Life, the principle of fairness specifies the application of this feature. In unit-linked contracts the policyholder carries the investment risk by choosing the investment funds linked to the contracts.

Measurement of insurance and investment contracts

National accounting standards in accordance with IFRS 4 Insurance contracts are applied to all insurance contracts and investment contracts with a DPF.

All contracts, except unit-linked contracts and the assumed reinsurance, include a DPF. In those unit-linked contracts which are not insurance contracts, the policyholder has the possibility to transfer the return on savings from unit-linked schemes to guaranteed interest with a DPF. Thus, the same standard is applied to these contracts as to contracts with a DPF.

The surrender right, guaranteed interest and the unbundling of the insurance component from the saving component and similar features are not separated and measured separately.

Regarding the group pension portfolio transferred from Suomi Mutual (=segregated portfolio), so-called shadow accounting is applied, as permitted in IFRS 4.30, by adjusting the equity with the amount of unrealised gains and losses of the agreement. The equity is adjusted with the amount that unrealised gains or losses would have affected the segregated portfolio in accordance with the profit distribution policy of the segregated portfolio if the gains or losses had been realised at the balance sheet date.

Insurance and investment contract liabilities and reinsurance assets

Insurance liabilities arising from insurance and investment contracts consist of provisions for unearned premiums and outstanding claims. In life insurance business, various methods are applied in calculating insurance liabilities which involve assumptions on matters such as mortality, morbidity, the yield level of investments, future operating expenses and the settlement of claims.

Changes in the liabilities of reinsurance have been calculated at variable rates of exchange.

In direct insurance, the insurance liability is calculated by policy, while in reinsurance it is calculated on the basis of the reports of the ceding company or the company's own bases of calculation.

The interest rate used in discounting liabilities is, at most, the maximum rate accepted by the authorities. The guaranteed interest used in the direct insurance premium basis varies from zero to 4.5 per cent depending on the starting date of the insurance. The interest rate used in discounting liabilities is the same or lower than that used in premium calculation. Most of Mandatum Group's liabilities of the accrued benefits of pension business with a DPF are discounted by an interest rate of 3.5 per cent, which is also the highest discount rate used. In addition, Mandatum has lowered the maximum rate to 0.25 per cent for the years 2023–2025 and to 0.75 per cent for 2026. The liabilities of the accrued benefits of the group pension insurance portfolio transferred from Suomi Mutual to Mandatum Life on 30 December 2014 and segregated from Mandatum Life's insurance portfolio are discounted by 0.0 per cent.

Due to the difference in the discount rate of liabilities and the guaranteed interest of 4.5 per cent and 3.5 per cent, supplementary provisions for guaranteed interest have been added to technical provisions.

Mortality assumptions have an essential effect on the amount of liability, particularly in group pension insurance, the liability of which accounts for about 27 per cent of the technical provisions of the company. A so-called cohort mortality model is used in calculating the group pension insurance liability, incorporating the insured person's birth year in addition to his or her age and sex. The cohort mortality model assumes that life expectancy increases by one year over a ten-year period.

For unit-linked contracts, all the liabilities and the assets covering the unit-linked insurance are matched. Both the liabilities and the assets have been presented in the notes to the accounts. In calculating the provision for claims outstanding of direct insurance, discounting is applied only in connection with the liabilities of pensions whose payment has commenced. The liabilities of assumed reinsurance are based on the reports of the ceding company and on an estimate of claims which have not yet been settled. The assets covering the unit-linked liabilities include debt securities issued by the Group companies. These have not been eliminated. Elimination would lead to misleading information, as the policyholders carry the investment risk related to these investments, and to a mismatch between the unit-linked liabilities and assets covering them.

The provision for claims outstanding is intended to cover the anticipated future payments of all claims incurred. The provision for claims outstanding includes claim payments plus all costs of claim settlements.

The amounts of short- and long-term liabilities in technical provisions are determined annually.

The Risk Management section elaborates on the change of technical provisions and their forecast annual maturities.

Liability adequacy test

A liability adequacy test is applied to all portfolios and the need for additional reserves is monitored, on the basis of the adequacy of the total technical provisions. The test includes all the expected contractual cash flows for non-unit-linked liabilities. The expected contractual cash flows include expected premiums, claims, bonuses and expenses. The claims have been estimated including surrenders and other insurance transactions based on historical data. The amounts of claims include the guaranteed interest and an estimation of future bonuses. The present values of the cash flows have been discounted to the balance sheet date using a swap rate curve.

For the unit-linked business, the present values of the insurance risk and expense results are calculated correspondingly. If the aggregate amount of the liability for the unit-linked and other business is not adequate, the liability is increased by the amount shown by the test and recognised in profit or loss.

Principle of fairness and profit distribution policy for the segregated group pension insurance portfolio

According to Chapter 13, Section 2 of the Finnish Insurance Companies' Act, the Principle of Fairness must be observed in life insurance and investment contracts with a discretionary participation feature. If the solvency requirements do not prevent it, a reasonable part of the surplus must be returned to these policies as bonuses.

Mandatum Group aims at giving a total return before charges and taxes on policyholders' savings in contracts with a DPF that is at least the yield of those long-term bonds that are considered to have lowest risk. Currently, we consider German government bonds to be the most risk-free, long-term bonds available. For the time being, however, the targeted level of total return corresponds to the yield of 5-year Finnish government bonds in the case of endowment policies and to the yield of 10-year Finnish government bonds in the case of pension insurance policies. The total return consists of the guaranteed interest rate and bonuses that are determined annually. Continuity is pursued in the level of bonuses. The aim is to maintain the company's solvency position at such a level that it limits neither the giving of bonuses to policyholders nor the distribution of profit to shareholders. The principle is explained in detail on the company's website.

On 30 December 2014, Mandatum Life took over control of Suomi Mutual's group pension insurance portfolio (Insurance Portfolio), which has been segregated from Mandatum Life's other insurance portfolio. In connection with the transfer, it was agreed that the assets transferred along with the Insurance Portfolio will be used to secure the benefits under the transferred Insurance Portfolio. To that end, and in order to ensure what has been agreed on, the Insurance Portfolio and the assets covering it have been segregated from Mandatum Life's other insurance portfolio and assets. It has furthermore been agreed that a profit distribution policy that is independent from Mandatum Life's other insurance portfolio shall be applied, as described further below, to the Insurance Portfolio and the assets covering it.

When the realised investment return exceeds the return requirement based on the discount rate for the Insurance Portfolio's insurance liabilities, 65 per cent of the surplus amount is distributed to the Insurance Portfolio. The discount rate for insurance liability that is applied in the profit distribution policy is always based on the discount rate for insurance liability used on the first day of the calendar year. The Insurance Portfolio's share of the investment returns that exceed the discount rate can be distributed, for example, in the form of annual client bonuses, one-time benefit increases, or it can be set aside in a reserve for future bonuses, which is used to equalise the annual client bonuses and safeguard the level of client bonuses and their continuity.

When the realised investment return is less than the return requirement based on the discount rate for the

Insurance Portfolio's insurance liabilities, the return requirement is financed primarily from the Insurance Portfolio's provision for future bonuses and thereafter from Mandatum Life's capital and reserves. The share of the provision for future bonuses that has been set aside, by a separate decision by Mandatum Life, for the Insurance Portfolio shall not be used to finance the above mentioned return requirement.

The discount rate to be applied in the profit distribution policy of the Insurance Portfolio is 0.0 per cent for 2021. The company's website provides a more detailed description of the profit distribution policy for the segregated group pension portfolio, as well as an explanation of the bonuses paid.

Employee benefits

Post-employment benefits

Post-employment benefits include pensions and life insurance.

Mandatum Group has defined contribution plans. The most significant defined contribution plan is that arranged through the Employees' Pensions Act (TyEL) in Finland.

In defined contribution plans, the Group pays fixed contributions to a pension insurance company and has no legal or constructive obligation to pay further contributions. The obligations arising from a defined contribution plan are recognised as an expense in the period that the obligation relates to.

The Group also has certain voluntary defined benefit plans. These are intra-Group, included in the insurance liabilities of Mandatum Life and have no material significance.

Termination benefits

An obligation based on termination of employment is recognised as a liability when the Group is verifiably committed to terminate the employment of one or more persons before the normal retirement date or to grant benefits payable upon termination as a result of an offer to promote voluntary redundancy. As no economic benefit is expected to flow to the employer from these benefits in the future, they are recognised immediately as an expense. Obligations maturing more than 12 months later than the balance sheet date are discounted. The benefits payable upon termination are the monetary and pension packages related to redundancy.

Incentives systems

During the financial year, Sampo Group had five valid share-based incentive schemes settled in cash (Sampo Group's incentive schemes for key persons 2017:1, 2017:1/2, 2020:1, 2020:1/2 and 2020:1/3). In Mandatum Group, around 34 persons were included in the schemes in 2022.

The schemes have been measured at fair value at the grant date and at every reporting date thereafter. In the schemes settled in cash, the valuation is recognised as a liability and changes recognised through profit or loss.

The fair value of the schemes has been determined using the Black-Scholes pricing model. The fair value of the market-based part of the incentive takes into consideration the model's forecast concerning the number of incentive units to be paid as a reward. The effects of non-market-based terms are not included in the fair value of the incentive; instead, they are taken into account in the number of those incentive units that are expected to be exercised during the vesting period. In this respect, the Group will update the assumption on the estimated final number of incentive units at every interim or annual balance sheet date.

Income taxes

The item 'Tax expenses' in the income statement comprises current and deferred tax. Tax expenses are recognised through profit or loss, except for items recognised directly in equity or other comprehensive income, in which case the tax effect will also be recognised in those items. Current tax is calculated based on the valid tax rate of each country. Tax is adjusted by any tax related to previous periods.

Deferred tax is calculated on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax is not recognised on non-deductible goodwill impairment, nor is it recognised on the undistributed profits of subsidiaries to the extent that it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated by using the enacted tax rates prior to the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which a temporary difference can be utilised.

Equity

Dividends are recognised in equity in the period when they are approved by the Annual General Meeting.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits (3 months).

Mandatum Holding presents cash flows from operating activities using the indirect method in which the profit (loss) before taxation is adjusted for the effects of transactions of a non-cash nature, deferrals and accruals, and income and expense associated with investing or financing cash flows.

In the cash flow statement, interest received and paid is presented in cash flows from operating activities. In addition, the dividends received are included in cash flows from operating activities. Dividends paid are presented in cash flows from financing.

Accounting policies requiring management judgement and key sources of estimation uncertainties

Preparation of the accounts in accordance with IFRS requires management estimates and assumptions that affect the revenue, expenses, assets, liabilities and contingent liabilities presented in the financial statements. Judgement is needed also in the application of accounting policies. The estimates made are based on the best information available at the balance sheet date. The estimation is based on historical experiences and most probable assumptions concerning the future at the balance sheet date. The actual outcome may deviate from results based on estimates and assumptions. Any changes in the estimates will be recognised in the financial year during which the estimate is reviewed and in all subsequent periods.

Mandatum Group's main assumptions concerning the future and the key uncertainties related to balance sheet estimates are related, for example, to assumptions used in actuarial calculations, the determination of fair values of non-quoted financial assets and liabilities and investment property, and the determination of the impairment of financial assets and intangible assets. Accounting policies concerning these areas require the most significant use of estimates and assumptions.

Actuarial assumptions

The actuarial assumptions applied to life insurance liabilities are discussed in more detail under 'Insurance and investment contract liabilities and reinsurance assets'.

Application of new or revised IFRS standards and interpretations

Transition to IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments

Summary of high-level impacts in Mandatum

Mandatum is applying IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments from 1 January 2023. The application of these new accounting standards is not expected to have any impact on the economics of Mandatum's business or on capital management, nor any substantial quantitative effect on shareholders' equity. IFRS 17 requires changes in the calculation of technical liabilities, including setting up an explicit risk adjustment for non-financial risk and the discounting of insurance contract liabilities with market rates. The application of IFRS 17, particularly discounting with market-consistent interest rates, will increase the volatility of insurance contract liabilities. Valuation changes of insurance contract liabilities due to the fluctuation in market rates are recognised immediately in the income statement.

The application of IFRS 9 does not have significant impacts on the measurement of Mandatum's balance sheet items, as the main part of financial assets is currently reported at fair value in the balance sheet. However, under IFRS 9 the fair value changes of financial instruments are recognised in the income statement, which is expected to increase earnings volatility. Implementation of IFRS 17 or IFRS 9 does not have an impact on the Solvency II calculations.

IFRS 17 Insurance Contracts (effective for annual periods beginning on 1 Jan 2023 or after)

The IASB published the IFRS 17 Insurance Contracts on 18 May 2017. IFRS 17 and the June 2020 amendments were adopted by the European Union on 19 November 2021. In addition, an optional exemption from applying the annual cohort requirement for certain types of groups of contract was adopted. Mandatum is not applying the exemption. Mandatum is applying IFRS 17 for the first time from 1 January 2023 and comparative information for the year 2022 will be restated.

IFRS 17 replaces IFRS 4 Insurance Contracts and establishes principles for the recognition, measurement, presentation, and disclosures of insurance contracts. IFRS 17 is applied to insurance contracts, reinsurance contracts as well as to certain investment contracts with discretionary participation features. The objective of the standard is to provide relevant information for the users of financial statements that faithfully represents the insurance contracts and to harmonise the measurement and presentation of insurance contract liabilities.

The new accounting policies and management judgement may change until Mandatum publishes its year-end financial statements 2023 in accordance with IFRS 17 which include the opening balance sheet of 1 January 2022.

Key accounting principles and management judgement

Scope

Insurance contracts may contain one or more components which would be within the scope of different accounting standards and accounted for separately if they were distinct. Mandatum evaluates the insurance contracts in order to identify components from the contracts. For example, an insurance contract may include an investment component or a component for services other than insurance contract services (or both).

Mandatum has identified capital redemption policies and unit-linked policies with distinct investment components with insignificant insurance risk for which IFRS 17 is not applied. These policies are measured in accordance with IFRS 9.

Level of aggregation

Under IFRS 17, insurance contracts are aggregated into portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Portfolios are divided into annual cohorts, i.e. contracts which are not issued more than one year apart.

Mandatum separates risk policies, with-profit policies and unit-linked policies into different portfolios.

At transition, Mandatum has identified only contracts which are non-onerous and have no significant possibility of becoming onerous subsequently.

Contract boundary

The initial measurement of group of insurance contracts includes all the future cash flows arising within the contract boundary. In determining which cash flows fall within the contract boundary, substantive rights and obligations arising from the terms of the contract, as well as from applicable laws and regulations, are considered.

Mandatum analyses contract limits at the portfolio level and they depend on the characteristics of the contracts in the portfolio.

The contract boundaries depend on the contractual characteristics and are generally longer term.

Measurement

IFRS 17 introduces a general measurement model (GMM) applicable to all insurance contracts to measure insurance contract liabilities and a variable fee approach (VFA) applicable to direct participating insurance contracts. Under both the GMM and the VFA insurance contracts are measured based on future cash flows, adjusted to reflect the time value of money, including a risk adjustment and a contractual service margin (CSM). CSM represents the expected unearned profit Mandatum recognises as it provides insurance contract services in the future. It is measured at initial recognition on the group of the insurance contracts. Mandatum applies GMM to with-profit policies and risk policies and VFA is applied to unit-linked insurance contracts measured under IFRS 17.

The measurement of insurance liabilities consists of liability for remaining coverage (LRC), and liability for incurred claims (LIC), including both reported but not settled claims as well as incurred but not reported claims.

Insurance acquisition cash flows arise from underwriting a group of insurance contacts and are taken into account when estimating the fulfillment cash flows. Insurance acquisition cash flows are determined at inception of the group of insurance contracts and are considered directly attributable to a portfolio and are allocated to individual contracts. Where actual and expected acquisition cash flows are not equal at the end of the reporting period, an experience variance is recognised in the income statement. When certain eligibility criteria are met, insurers may apply a simplified approach, i.e. the premium allocation approach (PAA), for the measurement of insurance contracts. PAA is eligible for insurance contracts with a coverage period of one year or less. This approach is also available for contracts where the PAA would not materially differ from the results of the GMM. Mandatum applies the PAA model to reinsurance contracts held.

Discounting

Transition to IFRS 17 broadens the discounting of insurance liabilities. In all applied measurement models, discounting adjusts the expected cash flows to reflect the time value of money.

Mandatum has determined the discount rates based on a top-down approach where a theoretical reference portfolio of assets is used to define the applicable discount curve. For insurance contracts without a direct participation feature, a so called locked-in rate is applied, i.e. a discount rate applied in the accretion of CSM determined at initial recognition.

The same discount rate curve is applied to all portfolios and it takes into account an illiquidity premium. Based on the liquidity characteristics of insurance contracts, the chosen theoretical reference portfolio for deriving an illiquidity-containing discount curve consists of euro-nominated BBB-rated fixed coupon corporate bonds. Extrapolation is produced based on assumptions on ultimate risk-free forward rates, consistent with EIOPA curve.

The unwinding of interest rates, the effect of changes in interest rates and other financial assumptions are presented as insurance finance income or expenses in profit or loss. Mandatum has elected not to apply the OCI option allowed under IFRS 17.

Risk adjustment

IFRS 17 introduces an explicit risk adjustment (RA) included in the measurement of insurance liabilities. The RA reflects the cost of uncertainty associated with the amount and timing of cash flows arising from non-financial risk and the degree of risk aversion. RA is determined separately for all portfolios.

RA is calculated by applying a confidence level approach and the confidence level applied in calculating the risk adjustment is 85 per cent. The following risks are considered in risk adjustment: mortality, longevity, disability (including permanent disability), lapse and expense risk.

General measurement model (GMM)

On initial recognition, Mandatum measures a group of insurance contracts at the total of the fulfilment cash flows (FCF), comprising of estimates of future cash flows, discounting and risk adjustment for non-financial risk, and the contractual service margin.

Estimates of future cash flows are based on cash flow projections and are estimated until the maturity of the contract. Only risk policies with no death benefit or permanent disability cover are short-term (yearly) contracts. Cash flows are estimated for every reporting period and assumptions are updated yearly or more often, if needed. The locked-in rate is applied for the accretion of CSM.

At the subsequent reporting periods, the amount of insurance contract liabilities is a sum of the liability for LRC, consisting of the present value of future cash flows for services that will be provided during future periods, RA, the remaining CSM at that date and LIC.

Variable fee approach (VFA)

The variable fee approach represents a modification from the GMM. In subsequent measurement periods, instead of the locked-in rate, CSM is adjusted to reflect the variable nature of the fees, which represent the amount of the entity's share of the fair value of the underlying items.

Transition approaches applied

On transition to IFRS 17, a full retrospective approach (FRA) and restatement of the previous year's comparatives are required. However, if the application of a full retrospective approach is impracticable, then a modified retrospective approach (MRA) or a fair value approach (FVA) may be applied.

Mandatum identifies, recognises and measures each group of insurance contracts as if IFRS 17 had always been applied, taking the relevant transition approach into account, and recognises any existing balances that would not exist if IFRS 17 had always been applied. The resulting net difference is recognised in retained earnings.

Mandatum applies MRA or FVA, when the application of full retrospective approach is impracticable. The choice of transition approach will depend on when the group of insurance contracts has been issued, on the nature of the group and on the data availability.

When applying FVA, Mandatum is required to determine the CSM or loss component of the LRC at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

Opening balance sheet 1 January 2022

Mandatum's opening balance sheet amounted to EUR 16,511.8 million and equity to EUR1,747.2 million. Compared to the IFRS 4 closing balance sheet of EUR 16,470.6 million, the opening IFRS 17 balance sheet increased by EUR 41.2 million.

The net transition impact on the IFRS 17 equity was EUR 9.1 million in the opening balance sheet.

The table on the following page presents the IFRS 17 opening balance sheet on 1 January 2022.

IFRS 17 impacts in Mandatum

In the IFRS 17 opening balance, insurance contract liabilities amounted to EUR 6,528.1 million, including EUR 41.2 million presented as assets. The introduction of discounting with market rates and new IFRS 17 components, RA and CSM increased the amount of insurance contract liabilities. At the transition, the CSM amounted to EUR 433.3 million.

A significant part of unit-linked insurance liabilities is in scope of IFRS 9, as these contracts do not include significant insurance risk or discretionary bonuses. In the opening balance sheet, these investment contract liabilities amounted to EUR 7,250.1 million. For contracts in scope of IFRS 9, expected profits are not presented as CSM. Therefore, the remaining CSM balance is expected to decrease over time as Mandatum's with-profit business runs off and most of the new business is recognised in IFRS 9.

Estimated impact of IFRS 17 adoption on equity

Equity bridge calculation between IFRS 4 and IFRS 17

Mandatum has assessed the impact of the initial application of IFRS 17 has on its equity. Mandatum's retained earnings decreased by EUR 14.3 million and other components of equity increased by EUR 23.4 million on 1 January 2022. Other components of equity increased due to the termination of shadow accounting related to the segregated group pension portfolio.

Transition impact amounted to EUR 9.1 million. The main impacts in transition to equity were due to decreased discount rates, introduction of RA and recognition of CSM.

IFRS 17 impact on presentation

The implementation of IFRS 17 leads to significant changes in the presentation and the extent of disclosures in the financial statements during 2023. The

EUR million	IFRS 17 1/1/2022
Assets	
Property, plant and equipment	27.6
Investment property	129.4
Intangible assets	54.3
Investments in associates	1.3
Financial assets	4,427.4
Financial assets related to unit-linked contracts	10,557.6
Insurance contract assets	41.2
Reinsurance contract assets	1.5
Other assets	157.0
Cash and cash equivalents	918.1
Non-current assets held for sale*	196.4
Total assets	**16,511.8**
Liabilities	
Insurance liabilities	6,570.8
Liability for remaining coverage	6,550.4
Liability for incurred claims	20.4
Investment contract liabilities	7,250.1
Subordinated debts	349.4
Other financial liabilities	29.0
Deferred income tax	155.0
Other liabilities	213.8
Liabilities related to non-current assets held for sale*	196.4
Total liabilities	**14,764.6**

EUR million	IFRS 17 1/1/2022
Equity	
Share capital	5.0
Reserves	533.5
Retained earnings	544.6
Other components of equity	664.1
Equity attributable to owners of the parent	1,747.2
Non-controlling interests	0.0
Total equity	**1,747.2**
Total equity and liabilities	**16,511.8**

*The sale of Baltic business was completed 1 July 2022. Please see note 39 for further information. IFRS 17 Insurance Contracts is not applied for Baltic figures in the opening balance sheet on 1 January 2022. Assets and liabilities are presented on a single line in the 2022 balance sheet until the sale date.

introduction of IFRS 17 changes the structure of the income statement to reflect the key sources of profit. The insurance service result reflects the result relating to underwriting and servicing insurance contracts. The net financial result reflects the insurance finance income and expenses arising from financial components' impacts. Changes in discount rates are recognised in the net financial result under IFRS 17. Since Mandatum does not apply the OCI option, the effect from changes in interest rates as well as interest expense is presented in its entirety as insurance finance income or expenses.

IFRS 9 Financial Instruments (effective for annual periods beginning on 1 January 2018 or after)

IFRS 9 Financial Instruments standard supersedes IAS 39 Financial Instruments: Recognition and Measurement. The new standard changes the classification and measurement of financial assets and includes a new impairment model based on expected credit losses.

Mandatum has applied the temporary exemption regarding the adoption of IFRS 9 Financial Instruments and implements IFRS 9 at the same time as IFRS 17 Insurance Contracts i.e. on 1 January 2023. The IFRS 9 comparative figures from 2022 will not be restated.

Equity bridge calculation between IFRS 4 and IFRS 17

EUR million	Share capital	Reserves	Retained earnings	Other components of equity	Total
Equity 31 Dec 2021	5.0	533.5	558.9	640.7	1 738.1
IFRS 17 adjustments			-17.9	23.4	5.5
Tax impact			3.6		3.6
Equity 1 Jan 2022	5.0	533.5	544.6	664.1	1 747.2

Key accounting principles

Financial assets - classification

Under IFRS 9, financial assets are classified as being subsequently measured either at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL). Previous IAS 39 categories held-to-maturity, available-for-sale and loans and receivables cease to exist under IFRS 9. Under IFRS 9, the majority of Mandatum's financial assets are classified at fair value through profit or loss. In transition to IFRS 9 Mandatum has classified only a limited amount of financial assets measured at amortised cost and no financial assets are classified as FVOCI.

The classification of financial assets into these new measurement categories is based on Mandatum's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets (solely payments of principal and interest criteria, SPPI). SPPI criteria is met when the financial instrument's contractual cash flows are solely payments of principal and interest on the principal amount outstanding. A financial asset is measured at amortised cost only if the objective of the business model is to hold a financial asset in order to collect contractual cash flows, and the contractual cash flows of the financial asset meet the SPPI criteria. Interest revenue is calculated using the effective interest rate method. Under IFRS 9, financial assets subsequently measured at amortised cost are subject to loss allowance, expected credit losses (ECL) and requirements.

Financial assets - impairment

IFRS 9 introduces a forward-looking ECL model, which replaces the model applied under IAS 39 based on incurred losses. In Mandatum Group, the ECL model is mainly applicable to financial assets measured at amortised cost, and Impairment requirements do not apply to equity instruments or other financial instruments measured at FVPL.

Expected credit losses reflect past events, i.e. historical loss experience, current conditions and forecasts of future economic conditions.

IFRS 9 introduces a general approach for impairment in which a loss allowance is calculated either for '12-month expected credit losses' or 'lifetime expected credit losses'. A three-stage model is used to determine the ECL at each reporting date, by assessing the change in the risk of a default occurring over the expected life of the financial instrument. In stage 1, the credit risk has not increased significantly. Loss allowance is measured at an amount equal to 12-month expected credit losses. In stages 2 and 3, the credit risk has increased significantly since initial recognition. Loss allowance is measured at an amount equal to the lifetime expected credit losses. In stage 3, the financial asset is assessed to be credit-impaired (at default). As in stage 2, the loss allowance in stage 3 is measured at an amount equal to the lifetime expected credit losses. However, at stage 3 the interest is calculated on the credit-impaired amount instead of the gross carrying amount.

In Mandatum Group, the general approach is based on three components, namely probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Measurement category under IAS 39	Measurement category under IFRS 9	Carrying amount 31 Dec 2022 (EUR million)	Transfer	Carrying amount 1 Jan 2023 (EUR million)
Derivative financial instruments	Derivative financial instruments	41.0	-	41.0
Financial assets at fair value	Financial assets at fair value through profit or loss	9,916.3	-	9,916.3
Financial assets available for sale	Financial assets at fair value through profit or loss	3,667.7	-	3,667.7
Loans and receivables	Financial assets at amortised cost	85.2	-	85.2
Financial assets, total	**Financial assets, total**	13,710.3	-	13,710.3

*The carrying amounts presented in the table above exclude the effect of expected credit losses. The effect is expected to be insignificant. Previously recognised incurred credit losses are included in the carrying amounts presented.

Financial liabilities

The transition to IFRS 9 is not changing the measurement of financial liabilities. Mandatum measures derivative financial liabilities at fair value through profit or loss. Financial liabilities, including subordinated debt securities, debt securities in issues and other financial liabilities, are subsequently measured at amortised cost using the effective interest rate method.

As described above, a significant part of unit-linked insurance liabilities are in scope of IFRS 9. Mandatum is recognising these investment contract liabilities at fair value through profit or loss. The fair value is based on the financial assets underlying these policies and recognised at FVPL.

Classification and measurement under IFRS 9

The table presents the changes in the classification and measurement of the main financial assets and liabilities at the transition to IFRS 9. The implementation of IFRS 9 does not have a material impact on the measurement of Mandatum's balance sheet, as the main part of financial assets are reported at fair value under IAS 39 in the balance sheet, which is the measurement principle also under IFRS 9. Therefore, the new classification requirements do not have a material impact on the total equity.

As financial assets classified as available for sale under IAS 39 are measured at fair value through profit or loss under IFRS 9, the equity reserve related to available-for-sale financial assets is transferred into retained earnings.

There were no changes in the measurement of financial liabilities at the transition to IFRS 9.

Expected credit losses

For Mandatum, expected credit losses are calculated on financial assets classified at amortised cost. For Mandatum Group financial assets classified at amortised cost consist mainly of bilateral loans. Expected credit losses on short-term deposits and bank accounts are considered immaterial.

RISK MANAGEMENT DISCLOSURE

1. Risk management principles

Mandatum Group (Mandatum) companies operate in business areas in which the characteristics of value creation are risk pricing and active management of risk portfolios, in addition to good customer service.

To create value for all stakeholders in the long run, Mandatum must have the following forms of capital in place:

- Financial flexibility in the form of adequate capital and liquidity.
- Good technological infrastructure.
- Intellectual capital in the form of comprehensive proprietary actuarial data and analytical tools to convert this data into information.
- Human capital in the form of skillful and motivated employees.
- Social and relationship capital in the form of good relationships with society and clients to understand the changing needs of different stakeholders.

At the company level, these resources are continuously developed. They are in use when the following core activities related to risk pricing, risk taking, and active management of risk portfolios are conducted.

Appropriate selection and pricing of underwriting risks

- Underwriting risks are carefully selected and are priced to reflect their inherent risk levels.
- Insurance products are developed proactively to meet clients' changing needs and preferences.

Careful selection and implementation of investment transactions

- Risk return ratios and sustainability issues of separate investments opportunities are carefully analysed.
- Transactions are executed effectively.

Effective management of investment portfolios and the balance sheet

- Balance between expected returns and risks in investment portfolios and the balance sheet is optimised, considering the features of insurance liabilities, internally assessed capital needs, regulatory solvency rules and rating requirements.
- Liquidity risks are managed by having an adequate portion of investments in liquid instruments. The portion is mainly dependent on the features of the liabilities.

Effective mitigation of consequential risks

- Counterparty default risks are mitigated by carefully selecting counterparties, applying collateral agreements, and assuring adequate diversification.
- High quality and cost-efficient business processes are maintained.
- Continuity and recovery plans are continuously developed to secure business continuity.

At the Group level, the risk management's focus is on the Group-wide capitalisation and liquidity. It is also essential to identify potential risk concentrations and to have a thorough understanding of how reported profits of companies would develop under different scenarios. These concentrations and correlations may have an effect on the Group-level capitalisation and liquidity buffers as well as on the Group-level management actions.

When the above-mentioned core activities are successfully implemented, a balance between profits, risks and capitalisation can be achieved both at the company- and Group level and shareholder value can be created.

In Mandatum Group, Mandatum Life's existing with-profit technical provisions and the assets covering them are the most capital-intensive business area, and this business forms most of Mandatum Group's solvency capital requirement. Therefore, the following risk descriptions focus mainly on Mandatum Life's risk exposures.

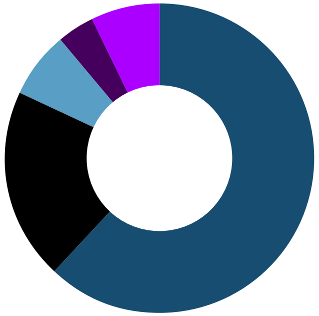
2. Risk related to Mandatum Life's business activities

Mandatum Life's main risks from the perspective of solvency capital requirements are market risks, longevity risk and surrender risk, of which the latter two are part of underwriting risk. In addition, operational and business risks are inherent in terms of the company's operations and continuity.

Life insurance business carries and manages risks originating from insurance events and liabilities. There are random fluctuations in the frequency

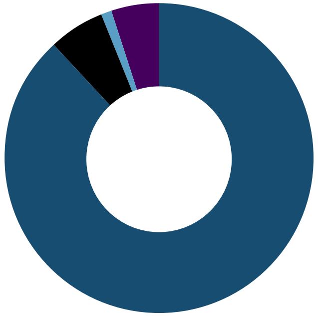
Figure 2–1 Allocation of investments, Mandatum Life, 31 December 2022 (comparison figures in parentheses)*

Original portfolio EUR 3,644 million (4,432)



Fixed income	62% (57%)
Listed equity	20% (27%)
Private equity	7% (6%)
Real estate	4% (4%)
Alternative	7% (6%)

Segregated portfolio EUR 683 million (801)



Fixed income	89% (88%)
Listed equity	6% (6%)
Private equity	1% (1%)
Real estate	5% (4%)
Alternative	0% (0%)

*The amounts of assets presented in Figure 2–1 deviate from the IFRS balance sheet. Investments at Mandatum Life's own risk are included in Figure 2–1 at fair value, and the asset values include, for example, accrued interest (the so-called dirty value). The classification of assets in Figure 2–1 is based on the model applied to the company's investment management and, for example, interest rate funds are presented as part of fixed income investments when they are under shares and participations in the IFRS balance sheet. Internal loans are also eliminated in the Group's balance sheet, having only a minor impact. The investment assets presented in Figure 2–1 include only the share of cash managed by the investment organisation. In Group companies other than Mandatum Life, the total amount of financial assets is approximately EUR 0.8 million. The total allocation of the original portfolio and the segregated assets is equal to EUR 4,326.7 million. When EUR 7.4 million of intra-Group assets, EUR 24.1 million of accrued interest, EUR 372.1 million of cash and the fair value EUR 172.0 million of real estate investments are deducted, and EUR 25.2 million of derivatives are added, the amount of the balance sheet item Loans and receivables presented in the allocation is adjusted by EUR 1.1 million, and EUR 0.8 million of financial assets belonging to Mandatum Asset Management Group are added, the total is equal to EUR 3,776.0 million. This corresponds to the financial assets on the Group balance sheet.

and size of insurance events. The majority of with-profit life insurance business risks and results arise from investment activities. The return on assets should cover, in the long term, at least the guaranteed interest rate, bonuses based on the principle of fairness and the shareholders' return expectations. Other profit elements are generated from carrying insurance risk and expense risk. The insurance risk result is the assumed claims in premium calculations less the actual claims. The expense result is the expense charges from policies less the actual expenses.

2.1 Market risks and their risk management

Market risks refer to impacts on Mandatum Life's result or solvency caused by changes in the market values of financial assets and liabilities and technical provisions. Market risks are examined from both an Asset Liability Management (ALM) as well as an investment portfolio risk perspective. Mandatum Life's market risks arise mainly from investments in equities, and interest rate risk arises from fixed income assets and with-profit liabilities.

The approach to market risk management is based on the technical provisions' expected cash flows, the interest level and the valid solvency position. A common feature for all elements of with-profit liabilities is the guaranteed rate and bonuses. The cash flows of Mandatum Life's liabilities are relatively well predictable because in most with-profit policies, surrenders and extra investments are not possible.

Mandatum Life's Board of Directors annually approves the Investment Policy for both segregated assets and other assets regarding the company's investment risks. The policy lays down the principles and limits of investment operations. The risk-bearing-capacity model that is essential for asset and liability management and the monitoring limits to be applied are determined in the Risk Management Policy decided on by the Board of Directors.

Mandatum Life has outsourced the management of its investment operations to Mandatum Asset Management Ltd (MAM), which makes the company's daily investment decisions based on the principles and authorisations laid down in the Investment Policy. However, all major investment decisions – large allocation changes and decisions related to investments that exceed the investment unit's authorisations – are made by Mandatum Life's CFO or Board of Directors. The Asset Liability Committees (ALCOs) regularly monitor compliance with the principles and limits specified in the Investment Policy. The CFO reports on the activities of the ALCOs to the Board of Directors and Mandatum Life's risk management function reports on investment risks to the Board of Directors. The ALCOs also monitor the company's technical provisions and the riskiness of the assets covering the technical provisions of the segregated group pension portfolio in relation to risk-bearing capacity. Mandatum Life's risk management function reports to the Board of Directors if the monitoring limits are not met.

In 2022, the net investment return of Mandatum Life's original portfolio was -9.0 per cent (10.2). The total return on the segregated group pension portfolio was -6.9 per cent (2.9). Figure 2–1 shows the total investments for original and segregated portfolios separately on 31 December 2021 and 31 December 2022.

2.1.1 Equity risks

Equity price risk is the risk of losses due to changes in share prices. At year-end, the company's listed equity investments for the original portfolio amounted to EUR 746.8 million (1,181.7). Listed equity investments for the segregated portfolio amounted to EUR 37.7 million (51.4).

The equity portfolio is actively managed. The positions and risks in the equity portfolio and the related derivatives may not exceed the limits set in the Investment Policy. The developed market equity portfolio is managed mainly by MAM while the emerging market equity investments are mainly managed through external asset managers. Figure 2–2 presents the geographical allocation of listed equity investments for both portfolios.

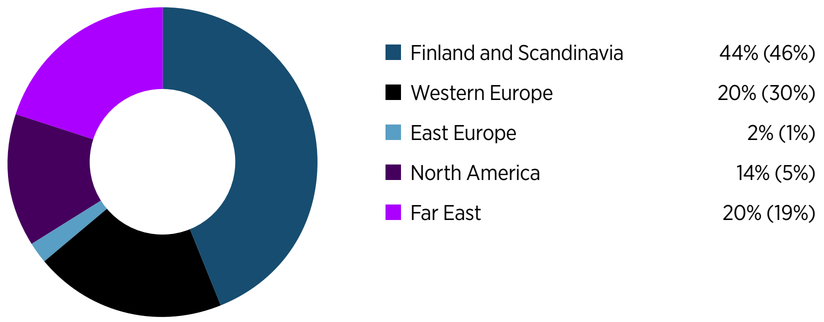
Section 2.2 contains a list of the ten largest equity investments, and a breakdown of direct listed equity investments by industry is shown in section 2.3.

2.1.2 Risks related to fixed income investments

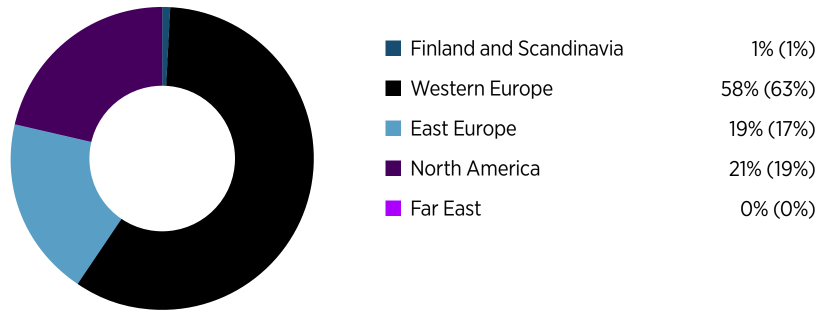
Mandatum Life's risks related to fixed income investments include interest rate risk related to changes in market interest rates and spread risk arising from changes in the credit spreads of fixed income investments.

Figure 2–2 Geographical allocation of listed equity investments, Mandatum Life, 31 December 2022 (figures of the comparison year in parentheses)

Original portfolio EUR 747 million (1,182)



Segregated portfolio EUR 38 million (58)



Mandatum Life's most significant interest rate risk is that fixed income investments will not, over a long period of time, generate a return at least equal to the guaranteed interest rate of with-profit liabilities. The probability of this risk increases when market interest rates fall and remain at a low level. According to the company's Investment Policy, the interest rate risk and inflation risk of technical provisions must be taken into account when defining the composition of investment assets. The company's duration gap between technical provisions and fixed income investments is constantly monitored and managed. Control levels based on internal capital models are used to manage and ensure adequate capital in different market situations.

The average duration of the company's original portfolio's liabilities (excluding unit-linked liabilities) was around eight years at year-end and for the segregated portfolio around eight years.

The duration of the fixed income investments covering the original with-profit technical provisions as per 31 December 2022 was 1.8 years (2.0) and the duration of the segregated assets was 2.1 years (2.5).

When it comes to with-profit liabilities, Mandatum Life has prepared for low interest rates by, for example, reducing the guaranteed interest rate in new contracts and supplementing the reserve for decreased discount rates. In addition, existing contracts have been changed to accommodate improved management of reinvestment risk, and the liabilities have been supplemented by the reserve for decreased discount rates. More information about the reserve can be found in Section 2.5.2. In addition, Mandatum Life has hedged the interest rate risk related to technical provisions with interest rate swaps, the principles of use and limits for which are specifically defined in Mandatum Life's Investment Policy. Hedge accounting is not applied to interest rate swaps related to the technical provisions in Mandatum Group's financial statements.

The majority of the company's fixed income investments are made in debt instruments issued by corporations. This increases the risk arising from increased credit spreads, that is the spread risk, which in turn leads to value alterations.

Table 2–3 illustrates the breakdown of the fixed income investments by type of instrument as well as their average maturity. The maturity measures the company's spread risk exposure better than the duration. This is true especially when it comes to floating interest rate investments. Table 2–8 shows the breakdown of investment assets by asset class, based on sector and credit rating.

Table 2–3 Fixed income investments by type of instrument, Mandatum Life, 31 December 2021 and 31 December 2022

	31 December 2022		31 December 2021	
Original assets	% of Fixed Income Portfolio	Average Maturity	% of Fixed Income Portfolio	Average Maturity
Money Market Securities and Cash	14.8%	0.0	19.7%	0.0
Government Bonds	0.0%	0.0	0.0%	0.0
Covered Bonds	0.0%	0.0	0.0%	0.0
Investment Grade Bonds and Loans	34.3%	3.1	29.0%	2.9
High-Yield Bonds and Loans	39.4%	2.7	40.6%	3.2
Asset Backed Securities	0.0%	0.0	0.0%	0.0
Subordinated/T2 -type	6.0%	2.4	4.5%	2.9
Subordinated/T1 -type	5.5%	3.4	6.2%	4.1
Interest Rate Derivatives	0.0%	-	0.0%	-
Total	**100.0%**	**2.5**	**100.0%**	**2.5**

	31 December 2022		31 December 2021	
Segregated assets	% of Fixed Income Portfolio	Average Maturity	% of Fixed Income Portfolio	Average Maturity
Money Market Securities and Cash	6.1%	0.0	12.4%	0.0
Government Bonds	0.0%	0.0	0.0%	0.0
Covered Bonds	0.0%	0.0	0.0%	0.0
Investment Grade Bonds and Loans	51.8%	3.0	45.7%	3.3
High-Yield Bonds and Loans	30.9%	3.3	30.6%	3.8
Asset Backed Securities	0.0%	0.0	0.0%	0.0
Subordinated/T2 -type	6.1%	2.4	5.0%	3.1
Subordinated/T1 -type	5.4%	3.9	6.3%	4.3
Interest Rate Derivatives	-0.4%	-	0.0%	-
Total	**100.0%**	**2.9**	**100.0%**	**3.1**

At the end of 2022, the share of money market investments in the original policies' fixed income portfolio fell to 14.8 per cent (19.7), and the share of investment-grade fixed income investments rose to 34.3 per cent (29.0). The share of high-yield fixed income investments fell slightly, to 39.4 per cent (40.6). The share of money market investments in the segregated policy's fixed income portfolio fell to 6.1 per cent (12.4). The share of investment grade fixed income investments rose to 51.8 per cent (45.7). The share of high-yield fixed income investments in the segregated policy rose slightly, to 30.9 per cent (30.6).

2.1.3 Currency Risks

The with-profit technical provisions on direct insurance arising from Mandatum Life's insurance policies consist entirely of euro-denominated commitments. Currency risk from reinsurance is low. In practice, the company is exposed to currency risk when investing outside the euro zone. Open currency positions are managed within the limits imposed by the Investment Policy. Table 2–4 shows the net currency exposures (net assets) for original and segregated portfolios on 31 December 2021 and 31 December 2022.

Table 2–4 Net currency exposure, Mandatum Life, 31 December 2021 and 31 December 2022

Transaction risk position, original assets, 31 December 2022 and 31 December 2021

Base currency, EUR million	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
Technical provisions	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	-0.3
Investments	495.5	0.6	98.5	45.0	9.4	18.6	7.6	146.2	821.4
Derivatives	-497.8	0.0	-104.9	-48.6	-8.6	-24.4	-12.8	-68.0	-765.0
Total transaction risk, net position	**-2.4**	**0.6**	**-6.4**	**-3.8**	**0.8**	**-5.7**	**-5.1**	**78.2**	**56.1**

Base currency, EUR million	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
Technical provisions	0.0	0.0	0.0	-0.9	0.0	0.0	0.0	0.0	-0.9
Investments	502.0	0.0	127.0	60.4	10.1	48.5	24.8	213.9	986.8
Derivatives	-483.0	0.0	-124.0	-57.6	-9.0	-42.6	-24.1	-122.4	-862.6
Transaction risk, net position	**19.1**	**0.0**	**2.9**	**1.9**	**1.1**	**5.9**	**0.7**	**91.5**	**123.2**

Transaction risk position, segregated assets, 31 December 2022 and 31 December 2021

Base currency, EUR million	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
Technical provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments	18.9	0.0	20.2	0.0	0.4	3.8	1.2	0.3	44.8
Derivatives	-19.7	0.0	-20.3	0.0	0.0	-4.4	-1.3	0.0	-45.7
Total transaction risk, net position	**-0.8**	**0.0**	**-0.1**	**0.0**	**0.4**	**-0.6**	**-0.1**	**0.3**	**-0.9**

Base currency, EUR million	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Total, net
Technical provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments	36.3	0.0	18.4	0.0	0.4	6.6	1.4	0.3	63.5
Derivatives	-34.9	0.0	-17.8	0.0	0.0	-5.8	-1.3	0.0	-59.8
Total transaction risk, net position	**1.4**	**0.0**	**0.6**	**0.0**	**0.4**	**0.8**	**0.0**	**0.3**	**3.6**

2.1.4 Other market risks

In addition to interest rate, equity and currency risks, the company's investment assets are also subject to risks resulting from real estate, private equity funds and other alternative investments. The company's Investment Policy sets limits for the maximum allocations to these markets and products. On 31 December 2022, the share of the above-mentioned investments of the original portfolio was 17.4 per cent (16.4) and of the segregated portfolio 5.8 per cent (5.2) of the total investment portfolio.

Private equity funds and alternative investments are managed by external asset managers. The private equity fund portfolio is diversified according to both fund style and geographical area. Alternative investments are placed both directly into individual funds and into funds of funds in order to attain sufficient diversification between funds and investment styles.

Alternative investments often come with an investment commitment that is made beforehand and is committed over time, either fully or in part, as investments in the funds in question. At the end of 2022, Mandatum Life had EUR 2,066 million (1,804) in such open off-balance-sheet investment commitments, of which EUR 1,785 million (1,542) were related to assets covering unit-linked liabilities. These commitments expose the company to the risk of not having liquid assets to pay the funds' capital calls. The company manages this risk by evaluating, in advance, the amounts of potential future capital calls, and these are taken into account in the company's internal liquidity management. In unit-linked investments, the capital calls are usually financed by collecting a separate insurance premium from the policyholder. The methods used by the company to manage the resulting counterparty risk with regard to the policyholder include, for example, client selection, defining the target group for the investment baskets and the insurance policy terms and conditions.

The company's real estate portfolio is managed by MAM's real estate management unit. The portfolio includes direct and indirect investments, such as real estate funds and shares in real estate companies in accordance with the decided allocation. The main risks related to property investments are limited by diversifying holdings both geographically and by type of property.

2.2 Concentration risk of investment operations

The company's Investment Policy sets limits for investments in individual companies. When setting the limits, the primary aspects to be taken into account are the company's estimate of the investment's credit risk and the corresponding amount of tied-up capital. The public information available on the investment object, such as credit ratings, also affects the maximum amount of the investment limit. Risk concentrations are monitored continuously. Table 2–5 shows market and credit risk concentrations in individual counterparties by asset class.

Table 2–6 illustrates the ten largest equity investments separately and their proportion of the total direct equity investments. In addition to Finnish direct equity investments, the company invests in foreign equities through investment funds and ETFs, and as direct equity investments. Furthermore, the largest exposures of high-yield and non-rated bonds are broken down in Table 2–7.

Table 2–5 Concentration of market and credit risks in individual counterparties by asset class, Mandatum Life, 31 December 2021 and 31 December 2022

Concentration of market and credit risks in individual counterparties by asset class, Mandatum Life, 31 December 2022

Issuer, EUR million	Total market value	% of total investment assets	Cash & short-term fixed income	Long-term fixed income, total	Long-term fixed income: Government guaranteed	Long-term fixed income: Covered bonds	Long-term fixed income: Senior bonds	Long-term fixed income: Tier 1 and Tier 2	Equities	Uncollateralised part of derivatives
BNP Paribas	152.4	4%	122.2	30.2	0.0	0.0	30.2	0.0	0.0	0.0
Skandinaviska Enskilda Banken	114.2	3%	99.2	14.4	0.0	0.0	2.8	11.6	0.0	0.6
Danske Bank	106.8	2%	79.0	27.8	0.0	0.0	17.3	10.5	0.0	0.0
Nordea Bank	103.1	2%	71.8	30.3	0.0	0.0	5.6	24.7	0.0	1.1
Vattenfall	68.8	2%	0.0	68.8	0.0	0.0	0.0	68.8	0.0	0.0
UPM-Kymmene	54.3	1%	0.0	8.5	0.0	0.0	8.5	0.0	45.8	0.0
Vaisala	49.8	1%	0.0	0.0	0.0	0.0	0.0	0.0	49.8	0.0
OP Pohjola	45.6	1%	0.0	45.6	0.0	0.0	33.7	12.0	0.0	0.0
Caverion	40.4	1%	0.0	4.4	0.0	0.0	0.0	4.4	36.0	0.0
Metso Outotec	35.7	1%	0.0	5.9	0.0	0.0	5.9	0.0	29.8	0.0
Total top 10 exposures	**771.1**	**18%**	**372.1**	**235.9**	**0.0**	**0.0**	**103.9**	**132.0**	**161.4**	**1.7**
Other	3,566.7	82%								
Total investment assets	4,337.7	100%								

Concentration of market and credit risks in individual counterparties by asset class, 31 December 2021

Issuer, EUR million	Total market value	% of total investment assets	Cash & short-term fixed income	Long-term fixed income, total	Long-term fixed income: Government guaranteed	Long-term fixed income: Covered bonds	Long-term fixed income: Senior bonds	Long-term fixed income: Tier 1 and Tier 2	Equities	Uncollateralised part of derivatives
BNP Paribas	208.4	4%	181.5	26.9	0.0	0.0	26.9	0.0	0.0	0.0
Nordea Bank	204.0	4%	180.1	23.8	0.0	0.0	5.1	18.7	0.0	0.0
Skandinaviska Enskilda Banken	151.0	3%	147.2	3.7	0.0	0.0	0.0	3.7	0.0	0.0
Danske Bank	94.9	2%	76.6	18.3	0.0	0.0	11.1	7.2	0.0	0.0
Vattenfall	81.6	2%	0.0	81.6	0.0	0.0	0.0	81.6	0.0	0.0
Vaisala	78.1	1%	0.0	0.0	0.0	0.0	0.0	0.0	78.1	0.0
Fortum	51.1	1%	0.0	27.4	0.0	0.0	27.4	0.0	23.8	0.0
OP Pohjola	48.8	1%	0.0	48.8	0.0	0.0	37.0	11.8	0.0	0.0
Trevian Finland Properties I	46.1	1%	0.0	46.1	0.0	0.0	46.1	0.0	0.0	0.0
UPM-Kymmene	43.9	1%	0.0	0.0	0.0	0.0	0.0	0.0	43.9	0.0
Total top 10 exposures	**1,007.8**	**19%**	**585.5**	**276.7**	**0.0**	**0.0**	**153.6**	**123.1**	**145.7**	**0.0**
Other	4,225.6	81%								
Total investment assets	5,233.5	100%								

Table 2–6 Ten largest direct listed equity investments, Mandatum Life, 31 December 2021 and 31 December 2022

Ten largest direct listed equity investments, 31 December 2022

Ten largest direct listed equity investments,	Total, EUR million	% of total direct listed equity investments
Vaisala	49.8	11.6%
UPM-Kymmene	45.8	10.7%
Caverion	36.0	8.4%
Lassila & Tikanoja	31.6	7.4%
Metso Outotec	29.8	7.0%
F-Secure Corporation	19.2	4.5%
Uponor	17.9	4.2%
Musti Group Holding	16.4	3.8%
Nanoform Finland	13.1	3.1%
F-Secure	9.3	2.2%
Total top 10 exposures	**268.9**	**62.9%**
Other direct listed equity investments	158.7	37.1%
Total direct listed equity investments	**427.6**	**100.0%**

Ten largest direct listed equity investments, 31 December 2021

Ten largest listed equity investments	Total market value, EUR million	% of total direct listed equity investments
Vaisala	78.1	9.9%
UPM-Kymmene	43.9	5.5%
Lassila & Tikanoja	40.0	5.0%
Terveystalo	37.0	4.7%
F-Secure	33.7	4.3%
Caverion	33.2	4.2%
Musti Group	32.5	4.1%
Uponor	30.9	3.9%
Metso Outotec	29.0	3.7%
Nanoform Finland	26.9	3.4%
Total top 10 exposures	**385.1**	**48.6%**
Other direct listed equity investments	407.3	51.4%
Total direct listed equity investments	**792.4**	**100.0%**

Table 2–7 Ten largest high-yield and non-rated fixed income investments, Mandatum Life, 31 December 2021 and 31 December 2022

Ten largest direct high-yield and non-rated fixed income investments, 31 December 2022

Ten largest high-yield and not rated fixed income instruments	Rating	Total market value, EUR million	% of total direct fixed income investments
Granite Debtco 9 Limited	NR	27.0	1.0%
Teollisuuden Voima	BB+	26.0	1.0%
Granite Debtco 10 Limited	NR	25.2	0.9%
Special Investment Fund eQ Finnish Real Estate	NR	24.7	0.9%
Pohjolan Voima	NR	24.4	0.9%
Huhtamaki	BB+	23.2	0.9%
Saxo Bank	BB	17.2	0.6%
Volvo Car	BB	17.2	0.6%
Intrum	BB	15.2	0.6%
Sponda	NR	14.7	0.5%
Total top 10 exposures		**214.8**	**8.0%**
Other direct fixed income investments		2,485.1	92%
Total direct fixed income investments		**2,699.9**	**100%**

Ten largest direct high-yield and non-rated fixed income investments, 31 December 2021

Ten largest high-yield and not rated fixed income instruments	Rating	Total market value, EUR million	% of total direct fixed income investments
Trevian Finland Properties I	NR	46.1	1.5%
TDC	B	43.2	1.4%
Pohjolan Voima	NR	37.4	1.2%
Sponda	NR	35.0	1.1%
Teollisuuden Voima	BB	28.4	0.9%
EQ FIN Real Estate	NR	26.0	0.8%
Granite DEBTCO 9 LTD	NR	25.8	0.8%
Huhtamaki	NR	23.0	0.7%
EG Group	B-	18.9	0.6%
Intrum	BB	18.3	0.6%
Total top 10 exposures		**302.2**	**9.8%**
Other direct fixed income investments		2,789.1	90%
Total direct fixed income investments		**3,091.2**	**100%**

2.3 Credit risks

Credit risk is the risk of loss or of an adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, derivative counterparties or other debtors. Credit risks arise from investments as well as insurance and reinsurance contracts.

In the company, credit risks can materialise as market value losses when credit spreads change unfavourably (spread risk) or as credit losses when issuers of credit instruments or counterparties of financial derivatives or reinsurance transactions fail to meet their financial obligations (default risk). The role of credit risk with the current asset allocation is remarkable from both the risk exposure and risk management perspectives.

In addition to the credit risks associated with investment assets, credit risks arise from reinsurance contracts. Credit risks related to reinsurers arise through reinsurance receivables and through the reinsurers' portion of the liabilities. In the company, credit risks related to reinsurance are relatively low compared to the credit risks associated with investment assets.

Investments in fixed income instruments in the financial sector comprise the largest industry concentration inside the company's investment portfolio.

Table 2–8 Credit risk position by asset class, sector and credit rating, Mandatum Life, 31 December 2022

EUR million	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Not rated	Fixed income total	Listed equities	Other	Counterparty risk	Total	Change from 31 Dec 2021
Basic Industry	0.0	0.0	4.0	32.9	29.9	0.0	13.7	**80.4**	**62.2**	**0.0**	**0.0**	**142.7**	**9.6**
Capital Goods	0.0	0.0	16.8	22.3	57.9	0.0	15.1	**112.0**	**99.3**	**0.0**	**0.0**	**211.4**	**-0.4**
Consumer Products	0.0	2.9	23.5	87.2	90.4	0.0	10.3	**214.4**	**59.8**	**0.0**	**0.0**	**274.2**	**-120.0**
Energy	0.0	0.0	7.0	0.0	0.0	0.0	0.0	**7.0**	**7.5**	**0.3**	**0.0**	**14.8**	**-44.3**
Financial Institutions	0.0	221.1	556.2	292.1	62.3	0.0	18.9	**1,150.7**	**1.8**	**0.4**	**1.7**	**1,154.6**	**-218.0**
Governments	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**
Government Guaranteed	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**
Health Care	0.0	0.0	5.3	38.9	130.9	0.0	8.4	**183.6**	**32.7**	**0.0**	**0.0**	**216.4**	**-92.7**
Insurance	0.0	0.0	15.4	41.8	0.0	0.0	16.6	**73.8**	**0.0**	**1.0**	**0.0**	**74.8**	**-15.6**
Media	0.0	0.0	0.0	0.0	0.0	2.9	2.9	**5.8**	**0.0**	**0.0**	**0.0**	**5.8**	**-2.0**
Packaging	0.0	0.0	0.0	0.0	27.4	0.0	0.0	**27.4**	**5.4**	**0.5**	**0.0**	**33.3**	**-2.3**
Public Sector, Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-22.9**
Real Estate	0.0	0.0	0.0	73.9	0.0	0.0	83.4	**157.3**	**0.0**	**169.4**	**0.0**	**326.7**	**-91.5**
Services	0.0	0.0	10.1	38.2	192.8	0.0	36.5	**277.7**	**41.3**	**2.7**	**0.0**	**321.7**	**-75.7**
Technology and Electronics	0.0	0.9	7.1	14.4	4.7	0.0	20.4	**47.5**	**110.2**	**0.0**	**0.0**	**157.7**	**-56.3**
Telecommunications	0.0	0.0	7.3	44.4	26.5	0.0	0.0	**78.2**	**0.3**	**0.0**	**0.0**	**78.5**	**-45.4**
Transportation	0.0	0.0	1.9	8.4	4.8	0.0	5.8	**20.9**	**7.0**	**0.0**	**0.0**	**27.9**	**-9.2**
Utilities	0.0	1.3	0.0	39.9	94.8	0.0	34.6	**170.6**	**0.0**	**0.0**	**0.0**	**170.6**	**-27.3**
Others	0.0	5.6	0.0	4.4	13.0	0.0	69.5	**92.5**	**0.0**	**11.6**	**0.0**	**104.1**	**37.9**
Asset-Backed Securities	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**
Covered Bonds	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**
Funds	0.0	0.0	0.0	0.0	0.0	0.0	171.2	**171.2**	**356.9**	**487.3**	**0.0**	**1,015.4**	**-127.0**
Clearing House	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	**7.2**	**7.2**	**7.2**
Total	**0.0**	**231.9**	**654.6**	**738.8**	**735.6**	**2.9**	**507.3**	**2,871.1**	**784.5**	**673.3**	**8.9**	**4,337.7**	**-895.7**
Change from 31 Dec 2021	**0.0**	**19.8**	**-8.7**	**-166.6**	**-100.4**	**2.9**	**-106.5**	**-359.4**	**-448.6**	**-96.5**	**8.9**	**-895.7**	

2.3.1 Credit risk management

The selection of direct debt investments is based primarily on 'bond-picking' and secondarily on top-down allocation. This investment style may lead to a situation where the portfolio is not as diversified as the finance theory suggests but includes thoroughly analysed investments with a focus on risk-return ratios. Critical success factors for making fixed income investments are considered to be the following:

1. Potential investments must be understood thoroughly. Hence, the creditworthiness of the issuer or counterparty is assessed together with collaterals and other structural details of instruments. Although external credit ratings by rating agencies are used to support the internal assessment, internal assessments are always the most important factor in decision making. Expertise and resources required for making analyses have been continuously developed in investment management units during recent years.
2. When the details of an instrument are understood and the related earnings potential and risks are considered to be in balance, an investment transaction shall be executable at short notice regardless of instrument type. This puts pressure on credit limit structures and procedures that must be at the same time:
   i. flexible enough to facilitate fast decision making regardless of instrument type;
   ii. well-structured to ensure that investment opportunities are assessed prudently, taking into account the specific features and risks of all investment types; and
   iii. they must restrict the maximum exposure of single name risk to the level that is in balance with the company's risk appetite. In recent years, credit limit structures and procedures have been in focus when developing the companies' investment policies.

Credit exposure accumulations over single names and products are monitored regularly at the company- and Group levell to identify unwanted concentrations. Credit exposures are reported to the ALCO and the Board of Directors, for instance, by sector and asset class and within fixed income by rating. Individual issuers' and counterparties' credit ratings are monitored continuously.

Derivatives' counterparty risk is managed and mitigated by bilateral ISDA and CSA agreements.

2.4 Liquidity risk

Liquidity risk is the risk of the company being unable to realise its investments or other assets in order to settle its financial obligations when they fall due.

A relatively small part of liabilities can be surrendered, and it is therefore possible to forecast short-term cash flows related to claims payments in a reliable manner. In addition, the assets are liquid and thus, liquidity risk is currently not significant to the company. However, the use of derivatives and the related collaterals increase the importance of managing liquidity risk. These are taken into account in the company's liquidity management through stress tests. A more detailed description of liquidity risk of Mandatum Group can be found in Chapter 4.2.

2.5 Insurance risks

Insurance risks in the life insurance business encompass biometric risks, lapse risk and expense risk. Risk related to the discount rate applied to with-profit liabilities is part of market risks, but it closely relates to insurance products and is therefore presented as part of insurance risks. This section presents the development of these life insurance risks in 2022. In addition, the section presents the key insurance risk management principles.

2.5.1 Biometric risks

Biometric risks in life insurance refer mainly to the risk that the company has to pay more mortality, disability or morbidity benefits than expected or the company has to keep paying pension payments to the pension policy holders for a longer time (longevity risk) than expected when pricing the policies. The specific case in which a single event or series of single events of major magnitude leads to a significant deviation in actual benefits and payments from the total expected payments is called catastrophe risk.

The long duration of policies and restriction of the company's right to change policy terms and conditions and tariffs increases biometric risks. If the premiums turn out to be inaccurate and pricing cannot be changed afterwards, liabilities have to be supplemented with an amount corresponding to the expected losses.

Table 2–10 shows the insurance risk result in the company's direct insurance policies, excluding the Baltic business's result. The ratio of the actual claims costs to the assumed was 75 per cent in 2022 (68). Sensitivity of the insurance risk result can also be assessed on the basis of the information in the table. For example, a 100 per cent increase in mortality would increase the amount of benefit payments from EUR 17.2 million to approximately EUR 34.4 million. The risk result of Baltic business was EUR 0.9 million (1.5).

Longevity risk is the most significant biometric risk in the company. The with-profit group pension portfolio represents most of the longevity risk. With-profit group pension policies have mostly been closed to new members for years, and due to this, the average age of members is relatively high, around 70 years. In the unit-linked group pension and individual pension portfolio, the longevity risk is less significant because most of these policies are fixed-term annuities including death cover, which mitigate the longevity risk.

The annual longevity risk result and longevity trend are analysed regularly, and the life expectancy used when calculating the liabilities for both the segregated group pension portfolio and other group pension portfolios has been revised in the past. In total, these changes increased the 2022 liabilities by EUR 63.4 million (71.0), including a EUR 52.2 million (58.2) longevity reserve for the segregated group pension portfolio. The cumulative longevity risk result has been positive since these revisions. The longevity risk result for group pension insurance policies in 2022 was EUR 7.8 million (11.3) positive, after a EUR 7.6 million (7.3) release from the longevity reserve.

Table 2–10 Claims ratios after reinsurance 2021 and 2022, excluding the Baltic business's share, Mandatum Life

	2022			2021		
EUR million	Risk income	Claims expense	Claims ratio	Risk income	Claims expense	Claims ratio
Life insurance	**46.5**	**22.2**	**48%**	**47.3**	**17.3**	**37%**
Mortality	27.4	17.2	63%	28.2	12.1	43%
Morbidity and disability	19.1	5.0	26%	19.1	5.3	28%
Pension	**80.1**	**72.9**	**91%**	**83.5**	**72.1**	**86%**
Individual pension	13.9	14.6	105%	14.0	14.6	104%
Group pension	66.2	58.3	88%	69.4	57.4	83%
Mortality (longevity)	64.9	57.2	88%	67.9	56.6	83%
Disability	1.2	1.1	94%	1.6	0.9	54%
Total	**126.6**	**95.1**	**75%**	**130.8**	**89.4**	**68%**

The mortality risk result in life insurance is positive. A possible pandemic is seen as the most significant risk that could adversely affect the mortality risk result, although the Covid-19 pandemic has not really had a negative impact on the development of the company's mortality risk result. This is largely due to the fact that the impacts of the disease more often affect the elderly, who generally no longer have risk life insurance.

The insurance risk result of other biometric risks has been profitable in total, although the different risk results differ considerably. In the longer term, disability and morbidity risks are mitigated by the company's right to raise insurance premiums for existing policies in case the claims experience deteriorates.

The insurance portfolio of the company is relatively well diversified and does not include major risk concentrations. To further mitigate the effects of possible risk concentrations, the company has catastrophe reinsurance in place.

2.5.2 Discount rate risk in the liabilities

Discount rate risk applied in with-profit liabilities is the main risk affecting the adequacy of liabilities for insurance contracts. The guaranteed interest rate in policies is fixed for the whole policy period. Thus, if market interest rates and expected investment returns fall, liabilities may have to be supplemented.

In most of the original with-profit policies, the guaranteed interest rate is 3.5 per cent. In individual policies sold in Finland before 1999, the guaranteed interest rate is 4.5 per cent, which is also the statutory maximum discount rate. With respect to these policies, the maximum discount rate used when discounting liabilities has been decreased to 3.5 per cent. As a result, liabilities were supplemented with EUR 28.9 million in 2022 (32.4). In addition, EUR 182.2 million has been reserved to lower the interest rate of with-profit liabilities to 0.25 per cent in 2023–2025, and to 0.75 per cent in 2026, i.e. the company has set up an extra reserve of EUR 211.0 million (274.0) as part of liabilities for insurance contracts.

The guaranteed interest rate for the segregated group pension policies is mainly 3.5 per cent. From a risk management perspective, it is more important that the discount rate for the technical provisions is 0.0 per cent. The liabilities calculated with 3.5 per cent (so-called basic provision) total EUR 450.9 million (485.1) and the liabilities calculated with 0.0 per cent supplement this basic provision by EUR 168.7 million (183.5). The increase in the future bonus reserves plays a significant role in the risk management of the segregated portfolio. This provision totals EUR 95.6 million (82.4), which can be used to cover possible investment losses or to finance possible changes in the discount rate of segregated liabilities.

The liabilities related to each product type and guaranteed interest rates are shown in Table 2–11. The table also shows the change in each category in 2022.

2.5.3 Other insurance risks

The most significant other insurance risks arise from the uncertainty related to the behavior of policyholders. The policyholders have the right to cease paying premiums and the possibility to interrupt their policies (lapse risk). Being able to keep lapse and surrender rates at a low level is a crucial success factor, especially for the expense result of unit-linked business. From the ALM point of view, lapse risk is less significant because approximately 85 per cent of with-profit policies in the company are pension policies in which surrender is possible only in exceptional cases. For ALM, surrender risk is therefore only relevant in with-profit investment insurance and capital redemption policies of which the related liabilities amount to only about five per cent of the total with-profit liabilities. Furthermore, the supplements to liabilities are not paid out at surrender, which also reduces the surrender risk related to the with-profit policies.

2.5.4 Insurance risk management and control

The biometric risks of life insurance policies are managed through careful risk selection, by setting prices to reflect the risks and costs, by setting upper limits for the protection granted and through reinsurance. The Insurance Risk Committee monitors the comprehensiveness and appropriateness of the company's insurance risk management.

Risk selection is a part of the day-to-day business routines in the company. Mandatum Life's underwriting policy defines the risk selection principles and limits for the insurance amounts. The Board of Directors approves the Underwriting Policy, pricing guidelines and the central principles for the calculation of technical provisions.

Reinsurance is used to limit the amount of individual mortality and permanent disability risks. The Board of Directors annually determines the maximum amount of risk to be retained on the company's own account, which for the company is EUR 1.5 million per insured. To mitigate the effects of possible catastrophes, the company participates in catastrophe reinsurance.

The risk result is actively monitored and analysed thoroughly at least annually. The company measures the efficiency of risk selection and adequacy of tariffs by collecting information about the actual claims expenditure for each product line and each type of risk and by comparing it to the claims expenditure assumed in insurance premiums of every risk cover. The expense risk is managed by continuously monitoring expenses, by improving efficiency and by using an expense charge structure that provides income throughout the policy's life cycle.

Liabilities are analysed and the possible supplement needs are assessed regularly. The key assumptions related to liabilities are reviewed annually. The adequacy of liabilities is tested quarterly. Tariffs for new policies are set, and the underwriting policy and assumptions used in calculating liabilities are updated based on the analysis related to liabilities and the risk result.

Table 2–11 Analysis of the change in liabilities before reinsurers' share, Mandatum Life

EUR million	Liability 2021	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	Other	Liability 2022	Share %
Unit-linked, excl. Baltic	**10,525**	**1,285**	**-734**	**-104**	**0**	**0**	**-1,061**	**9,912**	**77%**
Individual pension insurance	1,777	52	-24	-20	0	0	-308	1,478	11%
Individual life	2,495	73	-146	-19	0	0	-342	2,062	16%
Capital redemption operations	4,721	1,065	-510	-41	0	0	-220	5,015	39%
Group pension	1,532	95	-54	-24	0	0	-192	1,357	11%
With-profit and others, excl. Baltic	**3,236**	**104**	**-364**	**-31**	**80**	**4**	**-61**	**2,969**	**23%**
Group pension insurance. segregated portfolio	**751**	**2**	**-45**	**-1**	**16**	**4**	**-12**	**715**	**6%**
Basic liabilities. guaranteed rate 3.5%	485	2	-45	-1	16	4	-10	451	4%
Reserve for decreased discount rate (3.5% -> 0.0%)	183	0	0	0	0	0	-15	169	1%
Future bonus reserves	82	0	0	0	0	0	13	96	1%
Group pension	**1,397**	**32**	**-168**	**-4**	**41**	**0**	**12**	**1,309**	**10%**
Guaranteed rate 3.5 %	1,129	0	-133	-2	37	0	13	1,044	8%
Guaranteed rate 2.5 %. 1.5% or 0.0 %	268	32	-35	-2	4	0	-2	265	2%
Individual pension insurance	**550**	**4**	**-123**	**-3**	**19**	**0**	**43**	**490**	**4%**
Guaranteed rate 4.5%	377	2	-56	-2	15	0	-5	331	3%
Guaranteed rate 3.5%	112	1	-35	-1	4	0	23	104	1%
Guaranteed rate 2.5% or 0.0%	61	0	-32	0	1	0	26	56	0%
Individual life insurance	**130**	**30**	**-19**	**-9**	**5**	**0**	**-14**	**122**	**1%**
Guaranteed rate 4.5%	49	4	-2	-1	2	0	-1	51	0%
Guaranteed rate 3.5%	63	8	-9	-3	2	0	-5	57	0%
Guaranteed rate 2.5% or 0.0%	18	18	-8	-5	0	0	-8	15	0%
Capital redemption operations	**28**	**0**	**0**	**0**	**0**	**0**	**-3**	**25**	**0%**
Guaranteed rate 3.5%	0	0	0	0	0	0	0	0	0%
Guaranteed rate 2.5% or 0.0%	28	0	0	0	0	0	-3	25	0%
Future bonus reserves	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0%**
Reserve for decreased discount rate	**274**	**0**	**0**	**0**	**0**	**0**	**-63**	**211**	**2%**
Longevity reserve	**71**	**0**	**0**	**0**	**0**	**0**	**-8**	**63**	**0%**
Assumed reinsurance	**1**	**0**	**-1**	**0**	**0**	**0**	**0**	**0**	**0%**
Other liabilities	**35**	**37**	**-8**	**-15**	**0**	**0**	**-17**	**32**	**0%**
Total, excl. Baltic	**13,762**	**1,390**	**-1,098**	**-135**	**80**	**4**	**-1,123**	**12,881**	**100%**
Baltic	**196**	**10**	**-27**	**-3**	**0**	**0**	**-176**	**0**	**0%**
Unit-linked liabilities	186	9	-26	-3	0	0	-166	0	0%
Other liabilities	10	1	-1	0	0	0	-10	0	0%
Mandatum Life group total	**13,958**	**1,399**	**-1,125**	**-138**	**81**	**4**	**-1,299**	**12,881**	**100%**

3. Risks related to Mandatum Asset Management's business activities

MAM's most significant risk area is operational risks, which is why operational risk management is an important part of the company's risk management. In addition to operational risks, MAM is exposed to liquidity risk. MAM's business is financed with the returns on assets under management, consisting of the fee income clients and partners pay for asset management. MAM has not used external financing for its activities and therefore has no risks related to external financing, such as interest rate risk, foreign exchange risk or refinancing risk. MAM manages its liquidity risk by regularly monitoring its liquidity position and maintaining a liquidity buffer. MAM also keeps track of its liquidity position from the perspective of regulatory liquidity requirements.

Due to its customer portfolio, MAM is also exposed to concentration risk, as most of its clients are Sampo Group companies. Mandatum Life is MAM's largest customer, measured by fee income. The concentration risk is considered to be minor, however, because Mandatum Life and MAM are both part of Sampo Group.

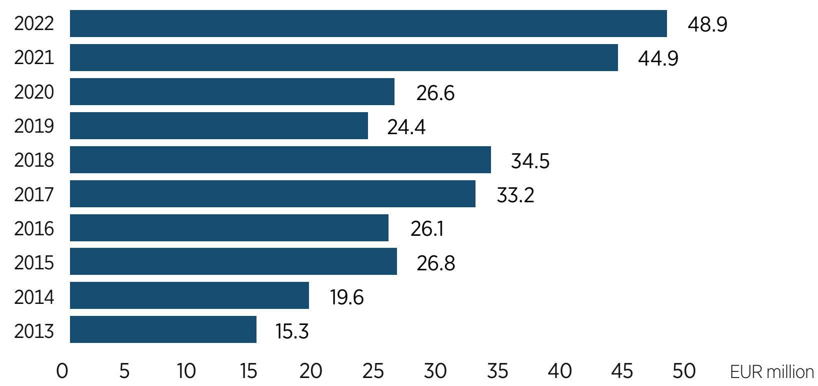
MAM does not trade on its own account and is thus not exposed to market risks that would arise from its own trading activities. However, MAM's fee income is strongly tied to the value of the assets under its management, and MAM is exposed to market risk through fee income. The assets under MAM's management are, however, well-diversified across asset classes and industries, as well as geographically.

4. Mandatum Group

4.1 Operating expense risk

Mandatum is also exposed to expense risk, which is a risk that the future operating expenses exceed the level that was anticipated when pricing the insurance and services. In life insurance business, policy terms and tariffs cannot usually be changed during the lifetime of the policies, which increases the expense risk. The main challenge is to keep the costs of the processes related to managing insurance policies and services and the costs of complex IT architecture at an acceptable level. In 2022, the Group's operational result (fee income minus operating expenses) was EUR 48.9 million (44.9). Mandatum does not defer insurance acquisition costs. Figure 4–1 shows the Group's operational result for 2013–2022. In the figure, the operational result for 2020 and earlier years corresponds to the figures for Mandatum Life Group.

Figure 4–1 Mandatum's operational result 2013–2022



4.2 Liquidity risk

Liquidity risk bears relatively little significance in Mandatum Group. It bears the most significance in Mandatum Life, but in general, a life insurance company's liabilities in a with-profit insurance portfolio are relatively predictable, and a sufficient share of the corresponding investment assets are cash or short-term money market investments.

Generally speaking, a major change in surrenders could have an impact on a life insurance company's liquidity position. In Mandatum Life, however, only a relatively small number of insurance contracts can be surrendered prematurely, as a result of which it is possible to very accurately predict short-term cash flows from claims incurred.

The maturities of technical provisions and financial assets and liabilities are presented in Table 4–2. The table shows the financing need arising from the expected cash flows of financial assets and liabilities and technical provisions.

Table 4–2 Cashflows according to contractual maturity, Mandatum Group, 31 December 2022

	Carrying amount total			Cash flows						
EUR million	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	2023	2024	2025	2026	2027	2028-2037	2038-
Financial assets	**4,574.2**	**2,177.7**	**2,396.5**	**330.0**	**639.9**	**570.8**	**515.3**	**426.8**	**434.9**	**0.0**
Financial assets (non-derivatives)	4,551.1	2,177.7	2,373.4	306.9	639.9	570.8	515.3	426.8	434.9	0.0
Interest rate swaps	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FX derivatives	23.1	0.0	23.1	23.1	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities	**405.1**	**0.0**	**405.1**	**-362.1**	**-263.1**	**-8.2**	**-7.8**	**-7.8**	**-78.2**	**-182.8**
Financial liabilities (non-derivatives)	402.5	0.0	402.5	-361.5	-262.6	-8.1	-7.7	-7.7	-76.8	-182.9
Interest rate swaps	2.2	0.0	2.2	-0.1	-0.5	-0.2	-0.2	-0.2	-1.4	0.1
FX derivatives	0.4	0.0	0.4	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities	**21.0**	**0.0**	**21.0**	**-1.6**	**-1.6**	**-1.6**	**-1.6**	**-1.7**	**-12.9**	**0.0**
Net technical provisions	**2,493.0**	**0.0**	**2,493.0**	**-242.0**	**-228.8**	**-225.1**	**-205.3**	**-177.4**	**-114.2**	**-682.5**

*In the table, financial assets and liabilities have been divided into contracts with a contractual maturity and other contracts. Instead of presenting the cash flow profile of other contracts, only their carrying amount is presented. In addition, the table presents the technical provisions' expected cash flows after reinsurance. Due to the nature of the items, the figures include some uncertainty.

As Mandatum Group has quite few financial liabilities, the refinancing risk is relatively small.

As mentioned above, for MAM, liquidity risk is related more to the payment of the company's expenses, and especially since a significant share of the expenses is related to intra-Group charges, the liquidity risk related to MAM's operations is very low for the Group. This is highlighted by the fact that MAM's capitalisation has been arranged with equity assets.

4.3 Currency risks

Currency risks can be divided into transaction risk and translation risk. Mandatum Group is exposed to transaction risk, meaning the currency risk arising from contractual foreign-currency-denominated cash flows mainly in the life insurance company.

In Mandatum Group, transaction risk mainly arises from Mandatum Life's investments in currencies other than euro because Mandatum Life's technical provisions are in euro (excluding reinsurance, which has little significance). Open currency positions are managed within the permitted limits. The transaction risk position resulting from MAM's branch's cash assets is insignificant, with the cash position amounting to EUR 0.05 million at the end of 2022. Mandatum Group's transaction risk position thus largely corresponds to Mandatum Life's currency position described in Table 2–4 above.

SEGMENT INFORMATION

Mandatum Group's segmentation is based on division by product group and business activity. The reported segments are "Unit-linked contracts," "Other contracts" and "Asset management solutions".

The investment risks vary by product group. The segment results are reported to the management of the company as part of management reporting.

Investments related to unit-linked contracts and return on these investments, including commissions received by Mandatum Life from fund management companies, have been allocated to the segment "Unit-linked contracts".

The allocation of operational expenses, including depreciation and amortisation, and tangible and intangible assets has been carried out through internal cost accounting.

In the inter-segment and inter-company pricing, for both domestic and cross border transactions, market-based prices are applied. The pricing is based on the Code of Conduct on Transfer Pricing Documentation in the EU and OECD guidelines.

Consolidated Income Statement by business segment for year ended 31 December 2022

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination and items not allocated to segments	Group
Insurance premiums	1,294.0	96.4	0.0	0.0	1,390.4
Net income from investments[1]	-1,002.6	169.8	0.1	6.8	-825.9
Other operating income + revenue from 3rd parties	0.0	17.7	18.6	0.0	36.3
Revenue from Group Companies	0.0	0.0	59.5	-59.5	0.0
Claims incurred	-759.7	-123.0	0.0	0.0	-882.7
Change in liabilities for insurance and investment contracts[2]	596.0	83.8	0.0	0.0	679.8
Staff costs	-24.0	-29.5	-20.5	0.0	-74.1
Other operating expenses	-74.5	-29.2	-26.4	49.2	-81.0
Group contribution to Sampo plc	0.0	0.0	-29.0	0.0	-29.0
Finance costs	0.0	-14.0	-0.1	1.8	-12.2
Share of associates' profit/loss	0.0	0.1	0.0	0.0	0.1
Profit before taxes	**29.1**	**172.2**	**2.1**	**-1.7**	**201.8**
Taxes	-5.8	-36.7	-0.5	0.0	-43.0
Minority interest	0.0	0.2	0.0	0.0	0.2
Profit	**23.3**	**135.7**	**1.6**	**-1.7**	**158.9**

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination and items not allocated to segments	Group
Other comprehensive income for the year					
Shadow accounting		0.0			0.0
Available-for-sale financial assets		-548.6			-548.6
Cash flow hedging		0.0			0.0
Income tax relating to components of other comprehensive income		121.1			121.1
Other comprehensive income					**-427.5**
TOTAL COMPREHENSIVE INCOME					**-268.6**
Profit attributable to					
Owners of the parent company					158.7
Non-controlling interests					0.2
Total comprehensive income attributable to					
Owners of the parent company					-268.8
Non-controlling interests					0.2

[1]"Mandatum Life Other contracts" includes Mandatum's share, EUR 6.1 million, of the segregated portfolio's investment result according to the old segment.

[2]In the "Mandatum Life Unit-linked contracts" segment, the transfer of liabilities between unit-linked and other contracts has been recognised.

The transfers between segments decreased the "Change in liabilities for insurance and investment contracts" for unit-linked liability with 56.6 MEUR (increase 69.0 MEUR) and increased the corresponding amount in the "Mandatum Life Other contracts" segment. Transfers included an amount of 68.2 MEUR (74.0 MEUR), which is reserved for pension payments for next year.

Consolidated Income Statement by business segment for year ended 31 December 2021

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination and items not allocated to segments	Group
Insurance premiums	1,278.4	88.6	0.0	0.0	1,367.0
Net income from investments[1]	1,448.1	337.2	0.0	1.9	1,787.2
Other operating income	0.0	25.5	14.7	0.0	40.2
Revenue from other companies	0.0	0.0	35.0	-35.0	0.0
Claims incurred	-726.1	-401.0	0.0	0.0	-1,127.0
Change in liabilities for insurance and investment contracts[2]	-1,875.9	233.9	0.0	0.0	-1,642.1
Staff costs	-46.6	-6.3	-12.5	0.0	-65.4
Other operating expenses	-40.4	-56.1	-18.9	30.8	-84.6
Group contribution to Sampo plc	0.0	0.0	-15.0	0.0	-15.0
Finance costs	0.0	-16.0	-0.1	2.3	-13.8
Share of associates' profit/loss	0.0	0.6	0.0	0.0	0.6
Profit before taxes	**37.6**	**206.4**	**3.2**	**0.0**	**247.1**
Taxes	-7.5	-42.8	-0.6	0.0	-50.9
Minority interest	0.0	0.1	0.0	0.0	0.1
Profit	**30.1**	**163.7**	**2.6**	**0.0**	**196.3**

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination and items not allocated to segments	Group
Other comprehensive income for the year					
Shadow accounting		5.4			5.4
Available-for-sale financial assets		126.2			126.2
Cash flow hedging		0.0			0.0
Income tax relating to components of other comprehensive income		-25.2			-25.2
Other comprehensive income					**106.4**
TOTAL COMPREHENSIVE INCOME					**302.6**
Profit attributable to					
Owners of the parent company					196.2
Non-controlling interests					0.1
Total comprehensive income attributable to					
Owners of the parent company					302.6
Non-controlling interests					0.1

[1]"Mandatum Life Other contracts" includes Mandatum's share, EUR 11.3 million, of the segregated portfolio's investment result according to the old segment.

[2]In the "Mandatum Life Unit-linked contracts" segment, the transfer of liabilities between unit-linked and other contracts has been recognised.

The transfers between segments have an effect of EUR 69.0 million (82.2) in the item 'Change in liabilities for insurance and investment contracts' of the "Unit-linked contracts" and a corresponding EUR –69 million in the liabilities for insurance contracts of the "Mandatum Life Other contracts" segment.

Consolidated Balance Sheet by business segment at 31 December 2022

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination	Group
Assets					
Property, plant and equipment	2.2	23.4	0.1	0.0	25.6
Investment property	0.0	182.7	0.0	-66.4	116.3
Intangible assets	6.2	2.2	46.7	0.0	55.1
Investments in associates	0.0	4.3	0.0	0.0	4.3
Financial assets	0.0	3,779.0	0.8	-3.8	3,776.0
Investments related to unit-linked insurance and investment contracts	9,934.3	0.0	0.0	0.0	9,934.3
Reinsurers' share of insurance liabilities	0.0	1.5	0.0	0.0	1.5
Other assets	0.0	212.4	12.2	-29.0	195.6
Cash and cash equivalents	0.0	667.2	57.4	0.0	724.6
Total assets	**9,942.7**	**4,872.6**	**117.2**	**-99.2**	**14,833.3**
Liabilities					
Liabilities for insurance and investment contracts	0.0	2,968.6	0.0	0.0	2,968.6
Liabilities for unit-linked insurance and investment contracts	9,911.9	0.0	0.0	0.0	9,911.9
Financial liabilities	0.0	356.1	0.0	-3.8	352.3
Tax liabilities	0.0	58.0	0.6	0.0	58.6
Other liabilities	23.3	249.9	45.7	-95.4	223.6
Total liabilities	**9,935.2**	**3,632.5**	**46.3**	**-99.2**	**13,514.9**

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination	Group
Equity					
Share capital					5.0
Reserves					746.7
Retained earnings					566.8
Equity attributable to parent company's equity holders					**1,318.5**
Non-controlling interests					-0.1
Total equity					**1,318.4**
Total equity and liabilities					**14,833.3**

Consolidated Balance Sheet by business segment at 31 December 2021

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination	Group
Assets					
Property, plant and equipment	2.4	25.1	0.1	0.0	27.6
Investment property	0.0	129.4	0.0	0.0	129.4
Intangible assets	5.0	3.0	46.3	0.0	54.3
Investments in associates	0.0	1.3	0.0	0.0	1.3
Financial assets	0.0	4,430.3	0.9	-3.8	4,427.4
Investments related to unit-linked insurance and investment contracts	10,557.6	0.0	0.0	0.0	10,557.6
Reinsurers' share of insurance liabilities	0.0	1.5	0.0	0.0	1.5
Other assets	0.0	161.7	18.9	-23.6	157.0
Cash and cash equivalents	0.0	876.6	41.5	0.0	918.1
Assets classified as held for sale[1]	186.1	10.3	0.0	0.0	196.4
Total assets	**10,751.2**	**5,639.3**	**107.6**	**-27.4**	**16,470.6**
Liabilities					
Liabilities for insurance and investment contracts	0.0	3,236.4	0.0	0.0	3,236.4
Liabilities for unit-linked insurance and investment contracts	10,525.5	0.0	0.0	0.0	10,525.5
Financial liabilities	0.0	378.5	0.0	-3.8	374.7
Tax liabilities	0.0	158.4	0.2	0.0	158.6
Other liabilities	47.2	255.9	30.5	-92.7	240.9
Liabilities associated with assets held for sale	186.1	10.3	0.0	0.0	196.4
Total liabilities	**10,758.8**	**4,039.5**	**30.8**	**-96.5**	**14,732.5**

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination	Group
Equity					
Share capital					5.0
Reserves					1,174.2
Retained earnings					558.9
Equity attributable to parent company's equity holders					**1,738.1**
Non-controlling interests					0.0
Total equity					**1,738.1**
Total equity and liabilities					**16,470.6**

[1]Assets to be sold relate to the Baltic business.

NOTES TO THE INCOME STATEMENT

1. Insurance premiums

Premiums from insurance contracts

EUR million	2022	2021
Insurance contracts		
Insurance contracts	333.4	371.6
Reinsurance contracts	0.0	0.1
Insurance contracts total, gross	**333.5**	**371.7**
Reinsurers' share	-9.0	-8.8
Insurance contracts total, net	**324.5**	**362.9**
Investment contracts	**1,065.9**	**1,004.1**
Total premiums*	**1,390.4**	**1,367.0**

*The change in unearned premiums is presented in note 5 "The change in insurance and investment liabilities".

Specification of premiums

EUR million	2022	2021
Premiums from insurance contracts		
Premiums from contracts with discretionary participation feature	104.4	95.7
Premiums from unit-linked contracts	228.1	274.4
Premiums from other contracts	0.9	1.6
Total	**333.4**	**371.6**
Assumed reinsurance	0.0	0.1
Premiums from investment contracts		
Premiums from contracts with discretionary participation feature	0.0	0.0
Premiums from unit-linked contracts	1,065.9	1,004.1
Total	**1,065.9**	**1,004.1**
Insurance and investment contracts, total	**1,399.4**	**1,375.8**

EUR million	2022	2021
Reinsurers' share	-9.0	-8.8
Total premiums	**1,390.4**	**1,367.0**
Direct insurance premiums by geographical segments		
Finland	1,349.1	1,350.9
Baltic countries	50.2	24.8
Total	**1,399.3**	**1,375.7**
Single and regular premiums from direct insurance		
Regular premiums, insurance contracts	257.1	258.4
Single premiums, insurance contracts	76.3	113.3
Single premiums, investment contracts	1,065.9	1,004.1
Total	**1,399.3**	**1,375.7**
Direct insurance premiums by line of business		
Premiums from insurance contracts		
Life insurance		
Unit-linked individual life insurance	81.2	128.6
Other individual life insurance	45.3	46.2
Employees' group life insurance	8.9	8.2
Other group life insurance	14.1	12.7
Total	**149.5**	**195.7**
Pension insurance		
Unit-linked individual pension insurance	52.2	54.0
Other individual pension insurance	4.0	4.6
Unit-linked group pension insurance	94.7	91.7
Other group pension insurance	33.1	25.6
Total	**183.9**	**175.9**
Total	**333.4**	**371.6**

EUR million	2022	2021
Premiums from investment contracts		
Capital redemption operations		
Unit-linked capital redemption operations	1,065.9	1,004.1
Other capital redemption operations	0.0	0.0
Total	**1,065.9**	**1,004.1**
Total premiums from insurance- and investment contracts	**1,399.3**	**1,375.7**

More information on the sale of the Baltic business can be found in the report of the Board of Directors and in appendix 39 Discontinued operations.

2. Net income from investments

EUR million	2022	2021
Financial assets		
Derivative financial instruments		
Gains/losses	-11.5	-39.6
Investments related to unit-linked contracts		
Debt securities		
Interest income	35.9	26.2
Gains/losses	-74.3	24.6
Equity securities		
Gains/losses	-1,150.3	1,297.2
Dividend income	162.9	75.8
Loans and receivables		
Interest income	0.5	-1.8
Other financial assets		
Gains/losses	1.9	1.9
Other assets		
Gains/losses	5.2	1.2
Total	**-1,018.4**	**1,425.0**

EUR million	2022	2021
Loans and receivables		
Interest income	7.7	3.4
Gains/losses	-0.4	3.2
Total	**7.3**	**6.6**
Financial assets available for sale		
Debt securities		
Interest income	74.8	69.3
Gains/losses	-4.3	23.7
Impairment losses	0.0	-3.9
Equity securities		
Gains/losses	77.4	204.1
Impairment losses	-24.1	-7.7
Dividend income	58.7	107.8
Total	**182.5**	**393.2**
Total financial assets	**-840.0**	**1,785.2**
Other assets		
Investment properties		
Gains/losses	-0.9	0.3
Impairment losses	-1.2	-8.6
Other	1.2	2.5
Total other assets	**-0.9**	**-5.8**
Net fee income		
Asset management	-22.0	-24.0
Fee income	37.0	31.8
Total	**15.0**	**7.8**
Net Income from Investments total	**-825.9**	**1,787.2**

Net income from investments total

Included in gains/losses from financial assets available for sale is a net gain of EUR 101.2 million (253.8) transferred from the fair value reserve.

Other income and expenses comprise rental income, maintenance expenses and depreciation of investment property.

All the income and expenses arising from investments are included in Net income from investments. Gains/losses include realised gains/losses on sales, unrealised and realised changes in fair values and exchange differences. Unrealised fair value changes for financial assets available for sale are recorded in other comprehensive income and presented in the fair value reserve in equity.

The changes in the fair value reserve are disclosed in the Statement of changes in equity.

3. Other operating income

EUR million	2022	2021
Other income	9.0	9.4
Other technical income	8.8	14.2
Asset management fees	18.6	16.8
Total	**36.3**	**40.4**

Asset management fees include 16.2 EUR million (14.5) income recognised under IFRS 15. Also Other income, 9.0 EUR million (9.4), which is revenue from pension and remuneration services, is recognised under IFRS 15.

Other technical income relates to NovaS portfolio.

4. Claims incurred

Claims include all claims related to insurance and investment contracts.

	Claims paid		Change in provision for claims outstanding		Claims incurred	
EUR million	2022	2021	2022	2021	2022	2021
Insurance contracts						
Life insurance						
Contracts with discretionary participation feature (DPF)	-28.2	-29.6	0.3	5.0	-27.8	-24.6
Other contracts	-0.1	-0.2	0.0	0.0	-0.1	-0.2
Unit-linked contracts	-155.1	-145.2	0.5	0.2	-154.6	-145.0
Total	**-183.5**	**-175.0**	**0.9**	**5.2**	**-182.6**	**-169.8**
Pension insurance						
Contracts with discretionary participation feature (DPF)	-336.1	-342.9	182.9	175.5	-153.2	-167.4
Unit-linked contracts	-77.6	-62.4	57.0	-210.8	-20.6	-273.2
Total	**-413.8**	**-405.3**	**240.0**	**-35.3**	**-173.8**	**-440.6**
Assumed reinsurance	-0.9	-0.2	0.9	0.3	-0.1	0.0
Total	**-598.1**	**-580.5**	**241.7**	**-29.9**	**-356.4**	**-610.4**
Reinsurers' share	0.7	1.4	0.0	0.5	0.7	1.9
Insurance contracts total	**-597.5**	**-579.1**	**241.7**	**-29.4**	**-355.8**	**-608.5**
Investment contracts						
Capital redemption policies						
Contracts with discretionary participation feature (DPF)	0.0	0.0	0.0	0.0	0.0	0.0
Unit-linked contracts	-527.0	-518.5	0.0	0.0	-527.0	-518.5
Total	**-527.0**	**-518.5**	**0.0**	**0.0**	**-527.0**	**-518.5**
Claims total	**-1,124.5**	**-1,097.6**	**241.7**	**-29.4**	**-882.7**	**-1,127.0**

Claims paid by type of benefit

EUR million	2022	2021
Insurance contracts		
Life insurance		
Surrender benefits	-2.5	-2.6
Death benefits	-14.5	-12.3
Maturity benefits	-2.3	-3.6
Loss adjustment expenses	0.0	-1.6
Other	-9.0	-9.6
Total	**-28.3**	**-29.8**
Life insurance, unit-linked		
Surrender benefits	-93.5	-92.8
Death benefits	-56.9	-47.0
Maturity benefits	-4.7	-5.3
Total	**-1,55.1**	**-145.2**
Pension insurance		
Pension payments	-328.8	-337.2
Surrender benefits	-0.7	-1.1
Death benefits	-6.6	-4.7
Total	**-336.1**	**-342.9**

EUR million	2022	2021
Pension insurance, unit-linked		
Pension payments	-65.7	-45.0
Surrender benefits	-5.9	-8.7
Death benefits	-6.1	-8.7
Other	0.0	0.0
Total	**-77.6**	**-62.4**
Assumed reinsurance	-0.9	-0.2
Total	**-598.1**	**-580.5**
Reinsurers' share	0.7	1.4
Insurance contracts total	**-597.5**	**-579.1**
Investment contracts		
Capital redemption policy, with-profit		
Surrender benefits	0.0	0.0
Total	**0.0**	**0.0**
Investment contracts		
Capital redemption policy, unit-linked		
Surrender benefits	-526.4	-518.5
Maturity benefits	-0.6	-0.1
Total	**-527.0**	**-518.5**
Investment contracts total	**-527.0**	**-518.5**
Claims paid total, gross	-1,125.1	-1,099.0
Claims paid total, net	-1,124.5	-1,097.6

5. Change in liabilities for insurance and investment contracts

EUR million	2022	2021
Insurance contracts		
Life-insurance		
Contracts with discretionary participation feature (DPF)	10.5	0.0
Other contracts	0.0	-0.1
Unit-linked contracts	453.1	-224.2
Total	**463.7**	**-224.3**
Pension insurance		
Contracts with discretionary participation feature (DPF)	70.4	95.6
Unit-linked contracts	417.5	-302.1
Total	**487.8**	**-206.5**
Assumed reinsurance	0.0	0.0
Total	**951.5**	**-430.8**
Reinsurers' share	0.0	0.5
Insurance contracts total, net	**951.5**	**-430.3**
Investment contracts		
Capital redemption policy		
Contracts with discretionary participation feature (DPF)	3.2	-2.0
Unit-linked contracts	-274.9	-1,209.3
Total	**-271.7**	**-1,211.3**
Change in liabilities for insurance and investment contracts total, gross	**679.8**	**-1,642.1**

6. Staff costs

EUR million	2022	2021
Staff costs		
Wages and salaries	-53.8	-49.0
Cash-settled share-based payments	-8.3	-4.9
Pension costs - defined contribution plans	-8.8	-7.9
Other social security costs	-3.2	-3.5
Total	**-74.1**	**-65.4**

More information on share-based payments in note 33 Incentive schemes.

7. Other operating expenses

EUR million	2022	2021
IT costs	-25.9	-24.5
Other staff costs	-2.6	-1.8
Marketing expenses	-3.9	-4.1
Depreciation and amortisation	-5.4	-4.7
Rental expenses	-1.6	-1.7
Direct insurance commissions	-2.5	-4.1
Commissions of reinsurance assumed	0.0	0.0
Commissions on reinsurance ceded	6.3	5.8
Commissions	-24.6	-28.3
Employees' group life insurance costs	-2.2	-1.9
External consultancy fees	-3.0	-2.2
Group contribution	-29.0	-15.0
Other technical expenses	-7.8	-14.2
Market information	-2.3	-1.4
Bank services	-1.1	-1.1
Other	-4.4	-0.4
Total	**-110.0**	**-99.6**

Item Other includes, e.g. expenses related to communication, external services and other administrative expenses.

Operating expenses by activity

EUR million	2022	2021
Policy acquisition costs for insurance- and investment contracts		
Direct insurance commissions	-2.5	-4.1
Commission on reinsurance assumed	0.0	0.0
Other acquisition costs	-19.3	-20.8
Policy management expenses on insurance and investment contracts	-98.8	-84.1
Administrative expenses	-16.5	-12.7
Commission on reinsurance ceded	6.3	5.8
Investment management expenses	-0.4	0.8
Claims settlement expenses	-8.5	-6.1
Other expenses	-44.2	-43.7
Total	**-184.0**	**-165.0**

8. Financial assets and liabilities

The financial assets in the table include balance sheet items Financial assets excluding Investments related to unit-linked contracts.

Financial assets and liabilities have been categorised in accordance with IAS 39.9. In the table are also included interest income and expenses, realised and unrealised gains and losses recognised in P&L, impairment losses and dividend income arising from those assets and liabilities.

Accrued interest income and expenses are not included in financial assets or financial liabilities. Accrued interest income was EUR 24.3 million (21.6) and accrued interest expenses were EUR 3.6 million (1.9).

EUR million	2022 Carrying amount	Interest inc./exp.	Gains/ losses	Impairment losses	Dividend income
FINANCIAL ASSETS					
Financial assets at fair value through P&L					
Derivative financial instruments	23.1	-13.4	1.9	-	-
Loans and receivables	85.2	7.7	0.9	-1.2	-
Financial assets available for sale	3,667.7	74.8	73.1	-24.1	58.7
Financial assets total	**3,776.0**	**69.1**	**75.8**	**-25.3**	**58.7**

EUR million	2022 Carrying amount	Interest inc./exp.	Gains/ losses	Impairment losses	Dividend income
FINANCIAL LIABILITIES					
Financial liabilities at fair value through P&L					
Derivative financial instruments	2.6	-	-	-	-
Other financial liabilities at amortised cost	349.6	-11.6	-	-	-
Financial liabilities total	**352.3**	**-11.6**	**-**	**-**	**-**

EUR million	2021 Carrying amount	Interest inc./exp.	Gains/ losses	Impairment losses	Dividend income
FINANCIAL ASSETS					
Financial assets at fair value through P&L					
Derivative financial instruments	3.7	-6.5	-33.1	-	-
Loans and receivables	85.5	3.4	5.8	-8.6	-
Financial assets available for sale	4,348.50	69.3	227.8	-11.6	107.8
Financial assets total	**4,437.80**	**66.2**	**200.4**	**-20.2**	**107.8**

EUR million	2021 Carrying amount	Interest inc./exp.	Gains/ losses	Impairment losses	Dividend income
FINANCIAL LIABILITIES					
Financial liabilities at fair value through P&L					
Derivative financial instruments	29.0	-	-	-	-
Other financial liabilities at amortised cost	345.6	-13.3	-	-	-
Financial liabilities total	**374.7**	**-13.3**	**-**	**-**	**-**

NOTES TO THE BALANCE SHEET

9. Property, plant and equipment

	2022				2021			
EUR million	Right-of-use assets*	Land and buildings	Equipment	Total	Right-of-use assets*	Land and buildings	Equipment	Total
Net carrying amount at 1 Jan	22.4	2.0	3.3	27.6	24.0	2.0	3.6	29.6
Additions	0.0	0.0	0.2	0.2	0.0	0.0	0.2	0.2
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	-1.6	0.0	-0.5	-2.2	-1.6	0.0	-0.5	-2.2
Closing net carrying amount at 31 Dec	**20.7**	**2.0**	**2.9**	**25.6**	**22.4**	**2.0**	**3.3**	**27.6**
At 31 Dec								
Acquisition cost	26.3	2.9	12.1	41.2	26.3	2.9	11.9	41.0
Accumulated depreciation	-5.5	-0.9	-9.1	-15.5	-3.9	-0.9	-8.6	-13.4
Net carrying amount at 31 Dec	**20.7**	**2.0**	**2.9**	**25.6**	**22.4**	**2.0**	**3.3**	**27.6**

Equipment comprise IT and office equipment

*The Group is a lessee in multiple leases concerning office premises, cars and office equipment. Right-of-use assets include the Group's rental agreements on premises.

In general, the Group rents premises for its own use. The contracts have mainly been made for 2–5 years. Most of the contracts include an option to renew the contract after the term has expired.

The rents are usually linked to the consumer price index.

More information about Group's leases in note 29.

10. Investment property

EUR million	2022	2021
At 1 Jan		
Acquisition cost	246.1	238.4
Accumulated depreciation	-74.3	-70.9
Accumulated impairment losses	-42.4	-33.9
Net carrying amount at 1 Jan	**129.4**	**133.7**
Opening net carrying amount	**129.4**	**133.7**
Additions	2.3	7.8
Disposals	-9.2	-0.1
Depreciation	-3.2	-3.4
Impairment losses	-2.9	-8.6
Closing net carrying amount at 31 Dec	**116.3**	**129.4**
At 31 Dec		
Acquisition cost	239.2	246.1
Accumulated depreciation	-77.5	-74.3
Accumulated impairment losses	-45.3	-42.4
Net carrying amount at 31 Dec	**116.3**	**129.4**
Rental income from investment property	**15.8**	**14.7**
Property rented out under operating lease		
Non-cancellable minimum rental		
not later than one year	7.3	7.3
later than one year and not later than five years	10.0	10.0
later than five years	0.8	0.8
Total	**18.1**	**18.1**
Variable rents recognised as income during the financial period	0.3	0.0

EUR million	2022	2021
Expenses arising from investment property		
Direct operating expenses arising from investment property generating rental income during the period	-8.2	-6.5
Direct operating expenses arising from investment property not generating rental income during the period	-2.9	-2.3
Total	**-11.1**	**-8.8**
Fair value of investment property at 31 Dec	**165.4**	**176.7**

Fair values for the investment property are entirely determined by the Group based on the market evidence, i.e. they belong to level 3 in the fair value hierarchy.

The premises in investment property for different segments are leased on market-based, irrevocable contracts. The lengths of the contracts vary from those for the time being to those for several years.

11. Intangible assets

	2022					2021				
EUR million	Goodwill	Customer relations	Work in progress	Other intangible assets	Total	Goodwill	Customer relations	Work in progress	Other intangible assets	Total
At 1 Jan										
Acquisition cost	39.9	12.4	2.1	49.1	103.5	0.0	4.1	0.0	49.1	53.2
Accumulated depreciation	0.0	-3.3	0.0	-46.0	-49.2	0.0	-2.0	0.0	-44.7	-46.6
Net carrying amount at 1 Jan	**39.9**	**9.1**	**2.1**	**3.2**	**54.3**	**0.0**	**2.0**	**0.0**	**4.4**	**6.6**
Opening net carrying amount	39.9	9.1	2.1	3.2	54.3	0.0	2.2	0.0	4.4	6.6
Additions	2.8	1.5	2.5	2.5	9.2	39.9	8.3	2.1	0.0	50.3
Disposals	-1.5	0.0	-2.3	0.0	-3.8	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	-3.1	0.0	-1.5	-4.6	0.0	-1.3	0.0	-1.3	-2.6
Closing net carrying amount at 31 Dec	**41.2**	**7.5**	**2.2**	**4.2**	**55.1**	**40.0**	**9.0**	**2.1**	**3.2**	**54.3**
At 31 Dec										
Acquisition cost	41.2	13.9	2.2	51.6	108.9	39.9	12.4	2.1	49.1	103.5
Accumulated depreciation	0.0	-6.4	0.0	-47.4	-53.8	0.0	-3.3	0.0	-46.0	-49.2
Net carrying amount at 31 Dec	**41.2**	**7.5**	**2.2**	**4.2**	**55.1**	**40.0**	**9.0**	**2.1**	**3.2**	**54.3**

The useful life for customer relations in the Group is 5–15 years. They are amortised using the straight-line method. Other intangible assets comprise mainly IT software. Amortisations are included in the income statement item Other opertaing costs.

Testing goodwill for impairment

Regarding goodwill, the impairment test has been implemented in accordance with the IAS 36 Impairment of Assets standard. Based on testing, no impairments have been recorded. For impairment testing, Mandatum determines the recoverable amount based on value in use for the cash-generating units to which goodwill has been allocated. Mandatum has defined the MAM group as such a unit.

The MAM group's recoverable amounts for Mandatum have been determined using the discounted cash flow model. In addition to historical data, the model is based on management's best estimates of financial revenue and cost trends. In the model for the next five years, a more precise calculation based on the management's estimates has been used, and after five years the terminal value of future cash flows has been calculated using Gordon's growth model with a 2 per cent growth assumption. The received cash flows have been discounted before taxes at the cost of capital, where a value of 10.75 per cent has been used. The cost of capital is defined by using the CAPM model.

Regarding the MAM group, the recoverable amount exceeds its book value by approximately 347 million euros. The goodwill of the MAM group has been tested with two different sensitivity analyses. The first sensitivity analysis describes a calculation based on a weakening result, and the second calculation is based on an increasing cost of capital. Based on the sensitivity analyses, even significant changes would not lead to the unit's book value exceeding its recoverable amount.

12. Investments in associates

Associates that have been accounted for by the equity method at 31 Dec 2022

EUR million	Carrying amount	Fair value	Interest held %	Assets/ liabilities	Revenue	Profit/ loss
Precast Holding Oy	3.6	3.6	27.1	59.2/45.3	58.9	0.4

Associates that have been accounted for by the equity method at 31 Dec 2021

EUR million	Carrying amount	Fair value	Interest held %	Assets/ liabilities	Revenue	Profit/ loss
Precast Holding Oy	2.6	2.6	20.4	42.2/37.0	66.4	2.4

Changes in investments in associates

EUR million	2022	2021
At beginning of year	1.3	0.6
Change	3.0	0.1
Share of loss/profit	0.1	0.6
At end of year	**4.3**	**1.3**

13. Financial assets

The Group's financial assets comprise investments in derivatives, financial assets designated as at fair value through P&L, loans and receivables and available-for-sale financial assets.

The Group uses derivative instruments for trading and for hedging purposes. The derivatives used are foreign exchange, interest rate and equity derivatives. Fair value hedging has been applied.

EUR million	2022	2021
Derivative financial instruments	23.1	3.7
Financial assets designated as at fair value through P&L	0.0	0.0
Loans and receivables	85.2	85.5
Financial assets available for sale	3,667.7	4,348.5
Total	**3,776.0**	**4,437.8**

Derivative financial instruments

EUR million	2022 Contract notional amount	2022 Fair value Assets	2022 Fair value Liabilities	2021 Contract notional amount	2021 Fair value Assets	2021 Fair value Liabilities
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	58.0	0.0	2.2	0.0	0.0	0.0
Total	**58.0**	**0.0**	**2.2**	**0.0**	**0.0**	**0.0**
Foreign exchange derivatives						
Currency forwards	508.3	11.0	0.4	771.1	3.7	16.6
Total	**508.3**	**11.0**	**0.4**	**771.1**	**3.7**	**16.6**
Total	**566.3**	**11.0**	**2.6**	**771.1**	**3.7**	**16.6**
Derivatives held for hedging						
Currency forwards	328.4	12.0	0.0	422.9	0.0	12.4
Total	**328.4**	**12.0**	**0.0**	**422.9**	**0.0**	**12.4**
Total derivatives held for hedging	**328.4**	**12.0**	**0.0**	**422.9**	**0.0**	**12.4**
Total derivatives	**894.7**	**23.1**	**2.6**	**1,194.1**	**3.7**	**29.0**

Fair value hedges
Fair value hedging is used to hedge a proportion of foreign exchange in available-for-sale financial assets. The interest elements of forward contracts have been excluded from hedging relationships in foreign exchange hedges.

Net gains/losses from exchange derivatives designated as fair value hedges amounted to EUR -32.2 million (-31.9). Net gains/losses from hedged risks in fair value hedges of available-for-sale financial assets amounted to EUR 32.2 million (31.9).

Other financial assets

EUR million	2022	2021
Financial assets available for sale		
Debt securities	2,214.6	2,395.0
Equity securities	1,453.1	1,953.5
Total	**3,667.7**	**4,348.5**
Derivatives	**23.1**	**3.7**
Loans and receivables	**85.2**	**85.5**
Financial assets total	**3,776.0**	**4,437.8**

Financial assets available for sale for life insurance include impairment losses EUR 24 million (8).

14. Fair values

EUR million	2022 Fair value	2022 Carrying amount	2021 Fair value	2021 Carrying amount
Financial assets				
Financial assets	3,690.8	3,690.8	4,352.3	4,352.3
Loans and receivables	85.2	85.2	85.5	85.5
Investments related to unit-linked contracts	9,934.3	9,934.3	10,743.7	10,743.7
Other assets	73.6	73.6	38.9	38.9
Cash and cash equivalents	724.6	724.6	918.1	918.1
Total	**14,508.5**	**14,508.5**	**16,138.5**	**16,138.5**
Financial liabilities				
Financial liabilities	330.1	349.6	356.8	349.4
Derivatives	2.6	2.6	29.0	29.0
Other liabilities	223.6	223.6	240.9	240.9
Total	**556.3**	**575.9**	**626.8**	**619.4**

In the table above are presented fair values and carrying amounts of financial assets and liabilities including assets classified as held for sale. The detailed measurement bases of financial assets and liabilities are disclosed in Group Accounting policies.

According to current preliminary analysis the Group doesn't have financial assets measured at amortised cost or financial instruments at fair value through OCI that meet the SPPI test according to IFRS 9. The final classification may change before implementing the IFRS 9 standard on 1 January 2023.

The fair value of investment securities is assessed using quoted prices in active markets. If published price quotations are not available, the fair value is assessed using discounting method. Values for the discount rates are taken from the market's yield curve.

The fair value of the derivative instruments is assessed using quoted market prices in active markets, discounting method or option pricing models.

The fair value of loans and other financial instruments which have no quoted price in active markets is based on discounted cash flows, using quoted market rates. The market's yield curve is adjusted by other components of the instrument, e.g. by credit risk.

The fair value for short-term non-interest-bearing receivables and payables is their carrying amount.

Disclosed fair values are "clean" fair values, i.e. less interest accruals.

15. Determination and hierarchy of fair values

A large majority of the Group's financial assets are valued at fair value. The valuation is based on either published price quotations or valuation techniques based on market observable inputs, where available. For a limited amount of assets, the value needs to be determined using other techniques.

The financial instruments measured at fair value have been classified into three hierarchy levels in the notes, depending on, e.g. if the market for the instrument is active, or if the inputs used in the valuation technique are observable.

On level 1, the measurement of the instrument is based on quoted prices in active markets for identical assets or liabilities.

On level 2, inputs for the measurement of the instrument include also other than quoted prices observable for the asset or liability, either directly or indirectly by using valuation techniques.

On level 3, the measurement is based on other inputs rather than observable market data.

Financial assets 31 December 2022

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Foreign exchange derivatives	0.0	23.1	0.0	23.1
Total	**0.0**	**23.1**	**0.0**	**23.1**
Financial assets related to unit-linked insurance				
Equity securities	647.0	2.1	31.3	680.5
Debt securities	89.8	757.2	94.3	941.3
Funds	4,879.8	675.8	2,327.0	7,882.6
Derivative financial instruments	0.0	18.0	0.0	18.0
Other assets	0.0	411.9	0.0	411.9
Total	**5,616.6**	**1,865.0**	**2,452.7**	**9,934.3**
Financial assets available for sale				
Equity securities	416.8	0.0	16.4	433.2
Debt securities	1,570.2	631.0	13.4	2,214.6
Other assets	358.6	67.6	593.6	1,019.9
Total	**2,345.6**	**698.6**	**623.4**	**3,667.7**
Total financial assets measured at fair value	**7,962.3**	**2,586.7**	**3,076.1**	**13,625.0**
Financial assets at amortised cost				
Other assets				
Loans and receivables	0.0	0.0	85.2	85.2
Total	**0.0**	**0.0**	**85.2**	**85.2**
FINANCIAL ASSETS TOTAL	**7,962.3**	**2,586.7**	**3,161.3**	**13,710.3**

Financial liabilities 31 December 2022

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Interest rate derivatives	0.0	2.2	0.0	2.2
Foreign exchange derivatives	0.0	0.4	0.0	0.4
Total financial liabilities measured at fair value	**0.0**	**2.6**	**0.0**	**2.6**
Subordinated debt securities				
Subordinated loans	0.0	349.6	0.0	349.6
Financial liabilities total	**0.0**	**349.6**	**0.0**	**349.6**
FINANCIAL LIABILITIES TOTAL	**0.0**	**352.3**	**0.0**	**352.3**

Financial assets 31 December 2021

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Foreign exchange derivatives	0.0	3.7	0.0	3.7
Total	**0.0**	**3.7**	**0.0**	**3.7**
Financial assets designated at fair value through P&L				
Equity securities	703.2	2.4	20.1	725.7
Debt securities	78.5	817.0	60.5	956.0
Funds	5,804.6	707.0	2,064.9	8,576.5
Derivative financial instruments	0.0	11.4	0.0	11.4
Other assets	0.0	474.1	0.0	474.1
Total	**6,586.3**	**2,011.9**	**2,145.5**	**10,743.7**
Financial assets available for sale				
Equity securities	773.4	0.0	28.8	802.1
Debt securities	1,647.1	716.0	32.0	2,395.0
Funds	438.3	22.9	690.2	1,151.4
Total	**2,858.7**	**739.0**	**750.9**	**4,348.5**
Total financial assets measured at fair value	**9,445.0**	**2,754.6**	**2,896.4**	**15,096.0**
Derivative financial instruments				
Other assets				
Loans and receivables	0.0	0.0	85.5	85.5
Total	**0.0**	**0.0**	**85.5**	**85.5**
FINANCIAL LIABILITIES TOTAL	**9,445.0**	**2,754.6**	**2,981.9**	**15,181.5**

Financial liabilities 31 December 2021

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Foreign exchange derivatives	0.0	29.0	0.0	29.0
Total financial liabilities measured at fair value	**0.0**	**29.0**	**0.0**	**29.0**
Subordinated debt securities				
Subordinated loans	0.0	356.8	0.0	356.8
Financial liabilities total	**0.0**	**356.8**	**0.0**	**356.8**
FINANCIAL LIABILITIES TOTAL	**0.0**	**385.8**	**0.0**	**385.8**

Sensitivity analysis of fair values

10 per centage point depreciation of all other currencies against EUR would result in an effect recognised in P&L of EUR 32 million and in an effect recognised directly in equity of EUR -45 million.

The sensitivity analysis of the Group's fair values of financial assets and liabilities in different market risk scenarios is presented below. The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values on 31 December 2022.

The sensitivity analysis includes the effects of derivative positions. All sensitivities are calculated before taxes.

	Interest rate		Credit		Equity	Other financial invest-ments
EUR million	1% parallel shift down	1% parallel shift up	10% fall in prices	10% fall in prices	20% fall in prices	20% fall in prices
Effect recognised in P&L	6	-6	0	0	0	0
Effect recognised directly in equity	57	-55	21	-23	-157	-135
Total effect	**64**	**-61**	**21**	**-23**	**-157**	**-135**

16. Movements in level 3 financial instruments measured at fair value

Financial assets 2022

EUR million	At 1 Jan	Total gains/ losses in P&L	Total gains/ losses recorded in OCI	Purchases	Sales	Executions	Transfers from levels 1 and 2	Transfers to levels 1 and 2	At 31 Dec	Gains/losses included in P&L for financial assets
Financial assets related to unit-linked insurance										
Equity securities	20.1	1.2	0.0	15.0	-4.9	0.0	0.0	0.0	31.4	1.2
Debt securities	60.5	-7.7	0.0	108.4	-81.2	-22.6	39.6	-2.8	94.3	-7.7
Funds	2,064.9	-15.7	0.0	597.7	-315.3	0.0	0.0	-4.5	2,327.0	-23.3
Total	**2,145.5**	**-22.3**	**0.0**	**721.1**	**-401.4**	**-22.6**	**39.6**	**-7.3**	**2,452.7**	**-29.8**
Financial assets available for sale										
Equity securities	28.8	5.9	-12.0	0.0	-6.2	0.0	0.0	0.0	16.4	-12.0
Debt securities	32.0	0.0	0.0	17.2	-5.7	0.0	0.0	-30.1	13.4	0.0
Funds	690.2	10.4	-50.8	43.8	-100.0	0.0	0.0	0.0	593.6	-40.8
Total	**750.9**	**16.3**	**-62.8**	**61.0**	**-111.9**	**0.0**	**0.0**	**-30.1**	**623.4**	**-52.8**
Total financial assets measured at fair value	**2,896.4**	**-6.0**	**-62.8**	**782.0**	**-513.3**	**0.0**	**39.6**	**-37.3**	**3,076.1**	**-82.5**

EUR million	Realised gains/losses	Fair value change	Total
Total gains or losses included in P&L for assets held at the end of the financial year	-19.8	-62.8	-82.5

Financial liabilities 2022

Nothing to report.

Financial assets 2021

EUR million	At 1 Jan	Total gains/ losses in P&L	Total gains/ losses recorded in OCI	Purchases	Sales	Executions	Transfers from levels 1 and 2	Transfers to levels 1 and 2	At 31 Dec	Gains/losses included in P&L for financial assets
Financial assets related to unit-linked insurance										
Equity securities	18.2	3.9	0.0	1.6	-3.5	0.0	0.0	0.0	20.1	2.8
Debt securities	19.3	1.4	0.0	80.3	-40.4	0.0	0.0	0.0	60.5	1.3
Funds	1,296.8	477.9	0.0	635.9	-345.7	0.0	0.0	0.0	2,064.8	480.6
Total	**1,334.3**	**483.1**	**0.0**	**717.8**	**-389.7**	**0.0**	**0.0**	**0.0**	**2,145.5**	**484.8**
Financial assets available for sale										
Equity securities	31.3	0.0	3.9	0.3	0.0	0.0	0.0	-6.8	28.8	3.9
Debt securities	23.1	2.8	0.6	66.9	-61.4	0.0	0.0	0.0	32.0	0.7
Funds	657.7	17.8	132.2	95.4	-212.8	0.0	0.0	0.0	690.2	147.4
Total	**712.1**	**20.6**	**136.7**	**162.6**	**-274.3**	**0.0**	**0.0**	**-6.8**	**750.9**	**152.0**
Total financial assets measured at fair value	**2,046.4**	**503.7**	**136.7**	**880.3**	**-664.0**	**0.0**	**0.0**	**-6.8**	**2,896.4**	**636.8**

EUR million	Realised gains/losses	Fair value change	Total
Total gains or losses included in P&L for assets held at the end of the financial year	500.1	136.7	636.8

Financial liabilities 2021

Nothing to report.

17. Sensitivity analysis of level 3 financial instruments measured at fair value

EUR million	2022 Carrying amount	2022 Effect of reasonably possible alternative assumptions (+/-)	2021 Carrying amount	2021 Effect of reasonably possible alternative assumptions (+/-)
Financial assets				
Financial assets related to unit-linked insurance and investment contracts				
Equity securities	16.4	-3.3	28.8	-5.8
Debt securities	13.4	0.0	32.0	-0.3
Funds	593.6	-118.7	690.2	-138.0
Total	**623.4**	**-122.1**	**750.9**	**-144.1**
Total financial assets measured at fair value	**623.4**	**-122.1**	**750.9**	**-144.1**

The value of financial assets regarding the debt security instruments has been tested by assuming a rise of 1% unit in the interest rate level in all maturities. For other financial assets, the prices were assumed to go down by 20%. The Group bears no investment risks related to unit-linked insurance, so a change in assumptions regarding these assets does not affect profit or loss. On the basis of these alternative assumptions, a possible change in interest levels would cause a descent of EUR 0.0 million (0.3) for the debt instruments, and EUR 122.0 million (143.8) valuation loss for other instruments in the Group's other comprehensive income. The reasonably possible effect, proportionate to the Group's equity, would thus be 9.3 per cent (8.3).

18. Investments related to unit-linked insurance contracts

EUR million	2022	2021
Financial assets designated at fair value through P&L		
Debt securities	941.3	956.0
Equity securities	8,273.3	9,082.7
Total	**9,214.6**	**10,038.6**
Loans and other receivables	701.7	693.6
Other financial asset	18.0	11.4
Investment related to unit-linked contracts, total	**9,934.3**	**10,743.7**
Total	**9,934.3**	**10,743.7**

The historical cost of the equity securities related to unit-linked contracts was EUR 7,533 million (6,954) and that of the debt securities EUR 1,032 million (1,009).

19. Deferred tax assets and liabilities

Changes in deferred tax during the financial period 2022

EUR million	1 Jan	Recognised in OCI	Recognised in equity	31 Dec
Deferred tax assets				
Losses from previous years	0.1	-0.1		0.0
Changes in fair values	0.0			0.0
Shadow accounting	4.7		-11.4	-6.7
Other deductible temporary differences	6.1	-5.8		0.3
Total	**10.9**	**-5.9**	**-11.4**	**-6.4**
Netting of deferred taxes				6.4
Deferred tax assets				**0.0**
Deferred tax liabilities				
Depreciation differences and untaxed reserves	1.4			1.4
Changes in fair values	163.2		-106.3	56.9
Shadow accounting	4.7		-11.4	-6.7
Other differences	0.2	0.4	0.0	0.6
Total	**169.5**	**0.4**	**-117.7**	**52.2**
Netting of deferred taxes				-6.4
Total deferred tax liabilities				**58.6**

Changes in deferred tax during the financial period 2021

EUR million	1 Jan	Recognised in OCI	Recognised in equity	31 Dec
Deferred tax assets				
Losses from previous years	0.1			0.1
Changes in fair values	0.0			0.0
Shadow accounting	5.8		-1.1	4.7
Other deductible temporary differences	0.6	5.5		6.1
Total	**6.5**	**5.5**	**-1.1**	**10.9**
Netting of deferred taxes				-10.9
Deferred tax assets				**0.0**
Deferred tax liabilities				
Depreciation differences and untaxed reserves	1.5	0.0		1.4
Changes in fair values	138	-0.1	25.2	163.2
Shadow accounting	5.8		-1.1	4.7
Other differences	0.0	0.1	0.1	0.2
Total	**145.3**	**-0.2**	**24.2**	**169.5**
Netting of deferred taxes				10.9
Total deferred tax liabilities				**158.6**

20. Taxes

EUR million	2022	2021
Profit before tax	201.8	247.1
Tax calculated at parent company's tax rate	-40.4	49.4
Different tax rates on overseas earnings	0.0	0.1
Income not subject to tax	1.8	-3.2
Expenses not allowable for tax purposes	-1.4	2
Consolidation procedures and eliminations	0.0	-0.1
Tax from previous years	-3.0	2.8
Total	**-43.0**	**50.9**

21. Components of other comprehensive income

EUR million	2022	2021
Other comprehensive income items reclassifiable to P&L		
Available-for-sale financial assets		
Gains/losses arising during the year	-605.6	126.2
Income tax relating to components of other comprehensive income	121.1	-25.2
Shadow accounting	57.0	5.4
Total items reclassifiable to profit or loss, net of tax	**-427.5**	**106.4**

22. Tax effects relating to components of other comprehensive income

	2022			2021		
EUR million	Before-tax amount	Tax	Net-of-tax amount	Before-tax amount	Tax	Net-of-tax amount
Available-for-sale financial assets	-605.6	107.2	-498.4	126.2	-26.9	100.9
Shadow accounting	57.0	13.9	70.9	5.4	1.7	5.4
Total	**-548.6**	**121.1**	**-427.5**	**131.6**	**-25.2**	**106.4**

23. Other assets

EUR million	2022	2021
Interests	24.3	21.5
Receivables from policyholders	2.9	0.9
Assets arising from reinsurance operations	0.1	0.4
Settlement receivables	73.6	38.9
Assets pledged for trading in derivatives	5.7	25.8
Prepaid pensions	20.7	21.9
Reinsurance reward	5.8	5.4
Rental receivables on properties	0.1	0.4
Recivables from investments and fees	2.0	1.4
Receivables from associated companies	0.2	0.4
Tax receivables	7.1	10.7
Recivables from the segregated portfolio	33.6	0.0
Other	19.6	35.9
Total	**195.6**	**157.0**

The item 'Settlement receivables' consists of payments not yet received from the counterparty.

The item 'Interests' consists of interests of derivatives.

The item 'Recivables from segregated portfolio' consists of receivables from segregated group pensions.

The item 'Other' consists of, for example, fees

24. Cash and cash equivalents

EUR million	2022	2021
Cash at bank	724.6	918.1
Total	**724.6**	**918.1**

25. Liabilities from insurance and investment contracts

Change in liabilities arising from other than unit-linked insurance and investment contracts

EUR million	Insurance contracts	Investment contracts	Total
At Jan 1 2022	**3,218.9**	**27.8**	**3,246.7**
Premiums	105.4	0.0	105.4
Claims paid	-365.4	0.0	-365.4
Expense charge	-31.6	0.0	-31.6
Guaranteed interest	80.6	0.0	80.6
Bonuses	4.5	0.0	4.5
Portfolio transfer	-9.9	0.0	-9.9
Other	-58.6	-3.2	-61.8
At 31 Dec 2022	**2,944.0**	**24.6**	**2,968.6**
Reinsurers' share	-1.5	0.0	-1.5
Liability at 31 Dec 2022	**2,942.5**	**24.6**	**2,967.1**

EUR million	Insurance contracts	Investment contracts	Total
At Jan 1 2021	**3,495.3**	**25.8**	**3,521.1**
Premiums	97.4	0.0	97.4
Claims paid	-372.9	0.0	-372.9
Expense charge	-31.2	0.0	-31.2
Guaranteed interest	90.3	0.0	90.3
Bonuses	12.2	0.0	12.2
Other	-72.1	2.0	-70.2
At 31 Dec 2021	**3,218.9**	**27.8**	**3,246.7**
Reinsurers' share	-1.5	0.0	-1.5
Liability at 31 Dec 2021	**3,217.5**	**27.8**	**3,245.2**

Change in liabilities arising from unit-linked insurance and investment contracts

EUR million	Insurance contracts	Investment contracts	Total
At Jan 1 2022	**5,936.1**	**4,775.5**	**10,711.6**
Premiums	228.1	1,065.9	1,294.0
Claims paid	-232.8	-527.0	-759.7
Expense charge	-65.3	-41.0	-106.3
Portfolio transfer	-146.2	0.0	-146.2
Other	-823.3	-258.1	-1,081.4
At 31 Dec 2022	**4,896.6**	**5,015.3**	**9,911.9**

EUR million	Insurance contracts	Investment contracts	Total
At 1 Jan 2021	**5,199.1**	**3,566.1**	**8,765.2**
Premiums	274.4	1,004.1	1,278.4
Claims paid	-207.5	-518.5	-726.1
Expense charge	-69.2	-29.2	-98.4
Other	739.4	753.0	1,492.4
At 31 Dec 2021	**5,936.1**	**4,775.5**	**10,711.6**

The liabilities at 1 January and at 31 December include the future bonus reserves and the effect of the reserve for the decreased discount rate. The calculation is based on items before the reinsurers' share. A more detailed specification of changes in insurance liabilities is presented in the Group's Risk Management.

Insurance contracts

EUR million	2022	2021
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	1,369.3	1,459.0
Provision for claims outstanding	1,574.5	1,758.0
Liabilities for contracts without discretionary participation feature (DPF)		
Provision for unearned premiums	0.0	0.6
Provision for claims outstanding	0.0	0.1
Total	**2,943.8**	**3,217.8**
Assumed reinsurance		
Provision for unearned premiums	0.0	0.0
Provision for claims outstanding	0.3	1.1
Total	**0.3**	**1.1**
Insurance contracts total		
Provision for unearned premiums	1,369.3	1,459.7
Provision for claims outstanding	1,574.5	1,758.1
Total	**2,943.8**	**3,217.8**
Investment contracts		
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	24.6	27.8
Liabilities for insurance and investment contracts total		
Provision for unearned premiums	1,393.8	1,487.5
Provision for claims outstanding	1,574.7	1,759.3
Total	**2,968.6**	**3,246.7**

EUR million	2022	2021
Reinsurers' share		
Provision for claims outstanding	1.5	1.5
Total	**1.5**	**1.5**

Liability adequacy test does not give rise to supplementary claims.

Exemption allowed in IFRS 4 Insurance contracts has been applied to investment contracts with DPF or contracts with a right to trade-off for an investment contract with DPF. These investment contracts have been valued like insurance contracts.

26. Liabilities from unit-linked insurance and investment contracts

EUR million	2022	2021
Unit-linked insurance contracts	4,896.6	5,936.1
Unit-linked investment contracts	5,015.3	4,775.5
Total	**9,911.9**	**10,711.6**

27. Financial liabilities

The financial liabilities include derivatives, debt securities and other financial liabilities.

EUR million			2022	2021
Derivative financial instruments			**2.6**	**29.0**
Subordinated debt securities				
Subordinated loans	Loan period	Interest	100.0	100.0
Subordinated loan 2002	outstanding	variable interest rate		
(nominal value EUR 100 million)		12-month Euribor + 4.5%		
Subordinated loan 2019	30 years	Fixed interest 1.875% until 4 Oct 2024.	249.6	249.4
(Solvency II Tier 2, nominal value EUR 250 million)		Thereafter 3-month Euribor + Floating Rate Margin 230 bps until 4 Oct 2029.		
		Thereafter 3-month Euribor + Floating Rate Margin 230 bps + Step up 100 bps.		
Total			**349.6**	**349.4**
Total			**352.3**	**378.5**

The interest on the 2002 subordinated loan is payable only from distributable capital. The loan is repayable only with the consent of the Finnish Financial Supervisory Authority. The loan is wholly subscribed by Sampo Plc.

The 2019 subordinated loan matures on 4 October 2049. The loan has a fixed interest rate until the first possible repayment date of 4 October 2024, after which it changes to a floating rate of interest.

28. Employee Benefits

Employee Benefits
In addition to statutory retirement pension insurance, the Group has certain voluntary defined benefit plans. The voluntary defined benefit plans are intra-Group and included in the insurance liabilities of Mandatum Life. The amount is negligible and they have no material impact on the Group profit or loss or equity.

Other Short-Term Employee Benefits
There are other short-term staff incentive schemes in the Group, the terms of which vary each year. Benefits are recognised in the profit or loss for the year they arise from. An estimated amount of these profit-sharing bonuses for 2022 is EUR 7.2 million.

29. Other liabilities

EUR million	2022	2021
Interests	8.8	7.0
Liabilities arising out of direct insurance operations	6.1	30.3
Liabilities arising out of reinsurance operations	8.7	8.2
Settlement liabilities	52.8	80.4
Guarantees received	32.1	11.4
Leases	21	22.5
Withholding tax of claims	10.7	11.1
Rental deposits	1.1	1.1
Group contribution	26.3	15.0
Other liabilities	56.0	50.1
Total	**223.6**	**237.1**

Item Guarantees received comprise assets accepted as guarantees required in derivative trading and securities lending.

Item Leases include non-cash additions from IFRS 16 leases to the balance sheet items.

Item Settlement liabilities comprise investment payments.

Item Other includes, e.g. liabilities arising from withholding taxes and social security costs, liabilities to creditors and insurance premium advances.

EUR million	2022	2021
Items recognised in the P&L from lease liabilities		
Interest expenses	-0.6	-0.5
Expenses from short-term and low-value lease liabilities	-1.6	-1.7

30. Contingent liabilities and commitments

EUR million	2022	2021
Off-balance sheet items		
Fund commitments	2,066.0	1,804.4
Acquisition of IT-software	10.8	7.5
Total	**2,076.8**	**1,811.9**
Assets pledged as security for derivative contracts		
Cash	5.7	25.8

Of the remaining private equity fund commitments, EUR 1,785 million (1,542) is related to the investments related to unit-linked insurance.

The pledged assets are included in the balance sheet item 'Other assets'

31. Equity and reserves

Equity
The number of shares at 31 December 2022 was 200. The company's share capital is EUR 5.0 million euros. At the end of the financial year 2022, the Group companies held no own shares.

Reserves and Retained Earnings

Invested unrestricted equity fund
The fund is based on a decision made by the company's Board of Directors.

Other components of equity include fair value changes of financial assets available for sale and derivatives used in cash flow hedges, and exchange differences.

Changes in the reserves and retained earnings are presented in the Group's statement of changes in equity.

32. Related party disclosures

Key management personnel

Related parties of Mandatum Group include subsidiaries and associates. In addition, related parties include key management personnel and their related parties.

Group's subsidiaries are included in note 37 and associates in note 12.

The key management personnel in Mandatum Group consist of the members of the Board of Directors of Mandatum Holding Ltd and the members of the Board of the subsidiaries mentioned in note 37 as well as the Chief Executive Officers of the companies mentioned above. Their related parties include close family members and the entities over which the members of the key management personnel or their close family members have control or significant influence.

EUR million	2022	2021
Key management compensation		
Short-term employee benefits	1.9	1.5
Post-employment benefits	0.6	0.5
Other long-term benefits	2.0	1.2
Total	**4.6**	**3.2**

Short-term employee benefits comprise salaries and other short-terms benefits, including profit-sharing bonuses accounted for the year, and social security costs.

Post-employment benefits include pension benefits under the Employees' Pensions Act (TyEL) in Finland and voluntary supplementary pension benefits.

Other long-term benefits consist of the benefits under long-term incentive schemes accounted for the year. The benefits are determined by terms at the Group level. Mandatum pays the benefits allocated to its key management (note 33).

Related party transactions of key management

The key management does not have any loans from the Group companies.

Associates

The Group has no related party transactions with associates.

Transactions of related party companies

Mandatum Life Insurance Company Ltd paid on 20th December 2022 EUR 160 million (175) in dividends to Mandatum Holding Ltd. Mandatum Holding paid EUR 150 million (0) in dividends to Sampo Ltd on 22nd March 2022.

Mandatum Asset Management Ltd's profit for the financial year is reduced by EUR 26.3 million (15) by group contribution to Sampo Ltd. Mandatum AM AIFM Ltd's profit for the financial year is reduced by EUR 2.7 million (0) by group contribution to Sampo Ltd.

All intra-Group transactions and balances are eliminated upon consolidation. The related party transaction disclosed in the note include transactions with related parties that are not eliminated, for example, a subordinated loan of EUR 100 million (100) from Sampo Ltd to Mandatum Life Insurance Company Ltd and the management fees of EUR 1.3 million (0.5) Mandatum Asset Management Ltd receives from Sampo Ltd and If P&C.

33. Incentive schemes

The Board of Directors of Sampo plc has decided on the long-term incentive schemes 2017:1 and 2020:1 for the key personnel of Sampo Group. The Board has authorised the CEO and President to decide on the allocation of the calculated bonus units used in determining the amount of the performance-related bonus. For the CEO and President and the members of the Sampo Group Executive Committee, the corresponding decisions are made by the Board of Directors of Sampo plc. In Mandatum Group, 34 persons were included in the long-term incentive schemes at the end of year 2022.

The amount of the performance-related bonus is based on the value performance of the Sampo A share, the insurance margin (IM) of If P&C and Sampo Group's return on the risk adjusted capital (ROCaR). The value of one calculated bonus unit is the trade-weighted average price of the Sampo A share at the time period specified in the terms of the incentive scheme, and reduced by the dividend-adjusted starting price. The starting prices in the incentive schemes vary between EUR 32.94 and EUR 44.74. The maximum value of one calculated bonus unit varies between EUR 56.94 and EUR 68.74. In the 2017:1 incentive scheme, two benchmarks are also taken into account when calculating the performance-related bonus. If the IM is 6 per cent or more, 60 per cent of the bonus is paid. If the IM is between 4 per cent and 5.99 per cent, 30 per cent of the bonus is paid. If the ROCaR is at least risk-free return + 4 per cent, 40 per cent of the bonus is paid. If the ROCaR is at least risk-free return + 2 per cent but less than risk free return + 4 per cent, 20 per cent of the bonus is paid. In the 2020:1 incentive scheme, the ROCaR is also taken into account when calculating the performance-related bonus. If the ROCaR is at least risk-free return + 5 per cent, the bonus is paid in full. If the ROCaR is at least risk-free return + 3 per cent but less than risk free return + 5 per cent, half of the bonus is paid. If the ROCaR is less than risk-free return + 3 per cent, no bonus will be paid.

Each plan has three performance periods and performance-related bonuses are settled in cash in three installments. Certain persons are required to buy Sampo A shares with 50 per cent of the amount of bonus received after income taxes and other comparable charges. The shares are subject to a transfer restriction for three years from the day of payout of the installment. A premature payment of the bonuses may occur in the event of changes in the group structure. The fair value of the incentive schemes is estimated by using the Black–Scholes pricing model.

EUR million		2017:I	2017:I/2	2020:1	2020:1/2	2020:1/3
Terms approved*		14.9.2017	14.9.2017	5.8.2020	5.8.2020	5.8.2020
Granted (1,000) 31 Dec 2018		558	10	-	-	-
Granted (1,000) 31 Dec 2019		390	20	580	-	-
Granted (1,000) 31 Dec 2020		249	14	790	20	-
Granted (1,000) 31 Dec 2021		-	7	790	20	50
End of performance period I 30%		Q2-2020	Q2-2021	Q2-2023	Q2-2024	Q2-2025
End of performance period II 35%		Q2-2021	Q2-2022	Q2-2024	Q2-2025	Q2-2026
End of performance period III 35%		Q2-2022	Q2-2023	Q2-2025	Q2-2026	Q2-2027
Payment I 30%		9-2020	9-2021	9-2023	9-2024	9-2025
Payment II 35%		9-2021	9-2022	9-2024	9-2025	9-2026
Payment III 35%		9-2022	9-2023	9-2025	9-2026	9-2027
Price of Sampo A at terms' approval date*		44.02	44.02	30.30	30.30	30.3
Starting price**		43.81	44.10	32.94	43.49	44.74
Dividend-adjusted starting price at 31 Dec 2021		30.49	33.38	27.14	39.39	44.74
Sampo A - closing price 31 Dec 2021	48.82					
Total intrinsic value, EUR million		0.1	9.8	0.1	0.0	0.0
Liability, total EUR million	10.0					
Total cost for the financial period, EUR million	8.3					

*Grant dates vary.

34. Auditors' fees

EUR million	2022	2021
Auditing fees	0.6	-0.4
Other fees	0.1	0.0
Total	**0.7**	**-0.4**

In 2022 and 2021 audit firm Deloitte Ltd.

35. Legal proceedings

There are no legal proceedings against Mandatum outstanding on 31 December 2022.

36. Events after the balance sheet date

The Board of Directors proposes to the Annual General Meeting that EUR 150.0 million be paid in dividends.

There are no other significant events after the balance sheet date.

37. Investments in subsidiaries

Nimi	Country	Holding %	Carrying amount %
Mandatum Henkivakuutusosakeyhtiö	Finland	100.00	483.5
Mandatum Asset Management Oy	Suomi	100.00	70.0
Mandatum Life Fund Management S.A.	Luxemburg	100.00	6.0
Mandatum AM AIFM OY	Finland	100.00	1.7
Mandatum Incentives Oy	Finland	75.00	1.2
Mandatum Life Palvelut Oy	Finland	100.00	1.1
Mandatum Life Private Equity GP Oy	Finland	88.08	0.9
Mandatum Life Vuokratontit I GP Oy	Finland	100.00	0.0
SaKa Hallikiinteistö GP Oy	Finland	100.00	0.0
CO2 Avoid1 OY	Finland	100.00	0.0
Mandatum AM Finland Properties II GP Oy	Finland	100.00	0.0
MAM Growth Equity II GP Oy	Finland	100.00	0.0
Mandatum Life Vuokratontit II Oy	Finland	100.00	19.9
Asunto Oy Espoon Aallonhuippu 9	Finland	100.00	1.5
Asunto Oy Espoon Aapelinkatu 6	Finland	100.00	7.0
Asunto Oy Espoon Matinkatu 8	Finland	100.00	4.8
Asunto Oy Vantaan Raiviosuonmäki 6	Finland	100.00	3.9
Kiinteistö Oy Ahti Business Park	Finland	100.00	4.0
Kiinteistö Oy Galaxy	Finland	100.00	3.9
Kiinteistö Oy Helsingin Ratamestarinkatu 7a	Finland	100.00	8.9
Kiinteistö Oy Helsingin Ratamestarinkatu 7b	Finland	100.00	8.2
Kiinteistö Oy Hyvinkään Sampotalo	Finland	81.37	7.2
Kiinteistö Oy Hämeenlinnan Karhulinna	Finland	100.00	4.7
Kiinteistö Oy Jäkälävaara	Finland	100.00	10.7
Kiinteistö Oy Järvenpään Asemakatu 4	Finland	100.00	6.8
Kiinteistö Oy Kaupintie 5	Finland	100.00	5.0
Kiinteistö Oy Leppävaaran Säästötammi	Finland	100.00	2.7
Kiinteistö Oy Niittymaanpolku	Finland	100.00	7.1
Kiinteistö Oy Oulun Torikatu 21-23	Finland	100.00	2.4
Kiinteistö Oy Rautalaani	Finland	100.00	4.2
Kiinteistö Oy Tampereen Hatanpäänvaltie 18	Finland	100.00	3.1

38. Interests in unconsolidated structured entities

Mandatum Fund Management S.A and Mandatum AM AIFM Ltd, which belong to the Mandatum group, manage the Mandatum funds. Both companies use Mandatum Asset Management as the portfolio manager for the funds they manage. Mandatum Asset Management also manages the investment activities of Mandatum Life Vuokratontit I and Private Equity I limited partnerships.

Mandatum Group receives management fee income from the unconsolidated funds and limited partnerships. This income is included in fee income in the income statement. In addition, Mandatum Group receives returns from the unconsolidated funds and limited partnerships as an investor. These returns are included in income from investments according to the balance sheet item in which the investments have been included in the balance sheet. Mandatum Group's investments in the funds managed by Mandatum Fund Management S.A. and Mandatum AM AIFM Ltd and in the limited partnerships managed by the Mandatum Asset Management totalled EUR 1,716 (1,1915) million on 31 December 2022. The investments are included in investment assets in the balance sheet.

39. Assets held for sale

On July 1, 2022, Mandatum Life completed the sale of its Baltic life insurance operations to the Lithuanian investment and insurance group Invalda INVL. The transaction was carried out as a business transfer. The amount of transferred insurance liabilities was 156 million. The transfer had no effect on the group's result or other indicators.

MANDATUM HOLDING LTD

FINANCIAL STATEMENTS

INCOME STATEMENT

EUR million	Note	1 Jan–31 Dec 2022	15 Feb–31 Dec 2021
Other operating expenses	1	-303,530.80	-150,535.25
Operating profit		**-303,530.80**	**-150,535.25**
Financial income and expenses	2	159,855,024.11	174,712,005.17
Profit before appropriations and taxes		**159,551,493.31**	**174,561,469.92**
Taxes for the period		0.00	-72.50
Profit for the period		**159,551,493.31**	**174,561,397.42**

BALANCE SHEET

EUR million	Note	Dec 2022	Dec 2021
Assets			
Investments			
Interests in Group companies		553,665,534.28	553,676,534.28
Current receivables			
Other receivables	3	29,709.81	12,415.50
Cash and cash equivalents		168,941,081.08	159,391,295.08
Total assets		**722,636,325.17**	**713,080,244.86**
Liabilities			
Equity	4		
Share capital		5,000,000.00	5,000,000.00
Invested unrestricted equity fund		533,514,537.44	533,514,537.44
Retained earnings		24,561,397.42	
Profit for the period		**159,551,493.31**	**174,561,397.42**
		722,627,428.17	**713,075,934.86**
Liabilities			
Current liabilities			
Other liabilities	5	8,897.00	4,310.00
		8,897.00	**4,310.00**
Total liabilities		**722,636,325.17**	**713,080,244.86**

STATEMENT OF CASH FLOWS

EUR million	1 Jan–31 Dec 2022	15 Feb–31 Dec 2021
Operating activities (A)		
Profit (loss) before extraordinary items	159,551,493.31	174,419,597.76
Adjustments:		
Financial income and expenses	143,495.23	287,994.83
Cash flow before changes in working capital	159,694,988.54	174,707,592.59
Changes in working capital		
Increase in receivables	-17,294.31	-12,415.50
Increase in payables	4,587.00	4,310.00
Cash flow from operating activities before financial items and taxes	159,682,281.23	174,699,487.09
Interest and other financial expenses paid	-143,495.23	-287,994.83
Direct taxes paid	0.00	-72.5
Cash flow before extraordinary items	159,538,786.00	174,411,419.76
Operating activities (A)	159,538,786.00	174,411,419.76
Investing activities (B)		
Investments in subsidiary shares	11,000.00	-70,020,124.68
Investments in other investments	0.00	0.00
Investing activities (B)	11,000.00	-70,020,124.68

EUR million	1 Jan–31 Dec 2022	15 Feb–31 Dec 2021
Financing activities (C)		
Invested unrestricted equity fund	0.00	55,000,000.00
Dividends paid	-150,000,000.00	
Financing activities (C)	-150,000,000.00	55,000,000.00
Net increase (+)/decrease (−) in cash and cash equivalents (A+B+C)	9,549,786.00	159,391,295.08
Cash and cash equivalents at 1 January	**159,391,295.08**	**0.00**
Cash and cash equivalents at 31 December	**168,941,081.08**	**159,391,295.08**

Summary of Significant Accounting Policies

The establishment contract of Mandatum Holding Ltd, business ID 3191242-4, was signed on 15 February 2021. The company was founded in 2021 and its first accounting period, from 15 February to 31 December 2021, was exceptional, which in 2022 should be taken into account as the incomparability of comparative data.

During 2022, Mandatum Vara Oy, 100% owned by Mandatum Holding, was dissolved as the result of a settlement procedure and final settlement.

Mandatum Holding Ltd's financial statements, including notes, have been prepared in accordance with the Finnish Accounting Act and Decree. The company's shareholdings are recorded at cost. The acquisition cost includes purchase-related variable costs.

Notes to the parent company's Income Statement

1. Other Operating Expenses

EUR million	2022	2021
Service charges	-127,769.00	-84,812.98
External production services	-175,761.80	-65,722.27
Total	**-303,530.80**	**-150,535.25**

2. Financial income and expenses

EUR million	2022	2021
Dividend income received	160,000,000.00	175,000,000.00
Loss on realisation of investments	-1,480.66	0.00
Interest income	117,582.16	0.00
Interest expenses	-261,077.39	-287,994.83
Total	**159,855,024.11**	**174,712,005.17**

3. Auditors' fees

EUR million	2022	2021
Auditing fees	**-37 365,00**	**-49 500,00**

Audit firm Deloitte Ltd

4. Receivables from Group companies

EUR million	2022	2021
Closing net carrying amount at 31 Dec 2021	**29,709.81**	**12,415.50**

5. Parent company's Statement of Changes in Equity

EUR million	Share capital	Invested unrestricted equity fund	Retained earnings	Total
Carrying amount at 15 Feb 2021	**5,000,000.00**	**533,514,537.44**		**538,514,537.44**
Dividends				0.00
Profit for the period			174,561,397.42	174,561,397.42
Carrying amount at 31 Dec 2021	**5,000,000.00**	**533,514,537.44**	**174,561,397.42**	**713,075,934.86**
Dividends			-150,000,000.00	-150,000,000.00
Profit for the period			159,551,493.31	159,551,493.31
Carrying amount at 31 Dec 2022	**5,000,000.00**	**533,514,537.44**	**184,112,890.73**	**722,627,428.17**

6. Other liabilities

EUR million	2022	2021
Other liabilities	8,897.00	4,310.00

7. Shareholdings at 31 December 2022

Group companies	Interest held	Carrying amount of shares
Life insurance operations		
Mandatum Life Insurance Company Limited	100%	483,514,537.44
Asset management		
Mandatum Asset Management Ltd	100%	70,009,124.68

Appendix 37 Investments in Subsidiaries lists all Mandatum Group's subsidiaries.

SIGNATURES OF THE FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

Helsinki, 3 March 2023

Mandatum Holding Ltd
Board of Directors

Patrick Lapveteläinen Chairman of the Board of Directors	**Anne Teitto**	**Ricard Wennerklint**

Petri Niemisvirta
CEO

Audit statement

The auditor's report has been issued today.

Helsinki, 3 March 2023

Deloitte Ltd, Authorised Public Accountant Firm

Reeta Virolainen
Deloitte Ltd, Authorised Public Accountant Firm

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AUDITOR'S REPORT

(TRANSLATION OF THE FINNISH ORIGINAL)

AUDITOR'S REPORT

To the Annual General Meeting of Mandatum Holding Oy

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Mandatum Holding Oy (business identity code 3191242-4) for the year ended 31 December, 2022. The financial statements comprise the consolidated balance sheet, the statement of comprehensive income, statement of changes in equity, cash flow statements and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities in the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other reporting requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 3 March 2023

Deloitte Oy
Audit Firm

Reeta Virolainen
APA

MANDATUM

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