MANDATUM

Mandatum Life's Solvency and Financial Condition Report 2022

Report in accordance with European Commission Delegated Regulation 2015/35
Helsinki, 7th April 2023

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Summary

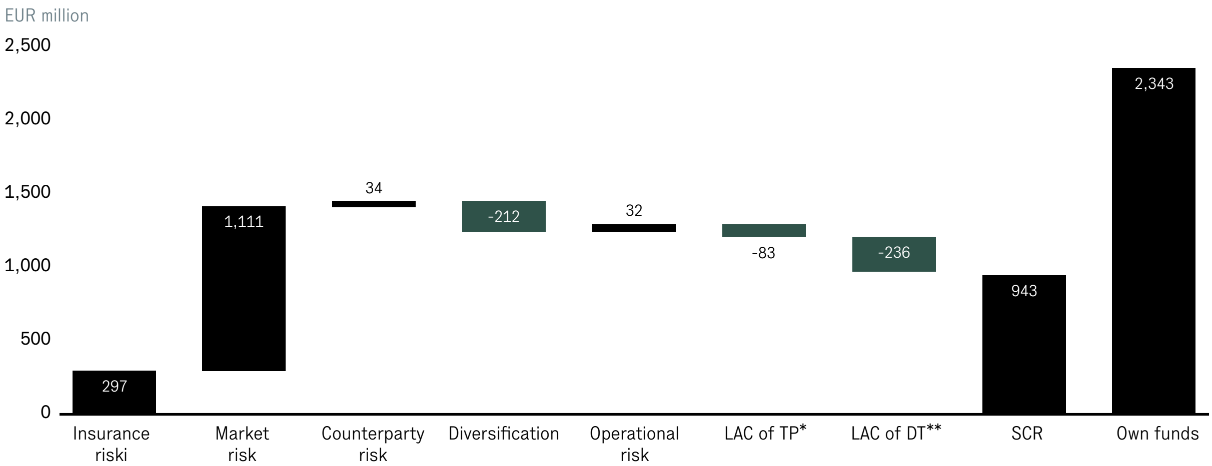
Mandatum Life Insurance Company Limited (hereinafter Mandatum Life) is a solvent and respected Finnish financial services provider. It is part of the Sampo Group. Mandatum Life operates in Finland and provides savings and pension insurance, as well as insurance to cover mortality, morbidity and disability risks. Mandatum Life is Finland's leading pension insurer in the corporate business segment, which is a cornerstone of Mandatum Life's customer strategy.

Mandatum Life is part of Mandatum Group, whose parent company is Mandatum Holding Ltd. Mandatum Life reports its result as part of Mandatum Group's IFRS financial statements. In 2022, Mandatum Group's IFRS-compliant result before taxes amounted to EUR 202 million (247), of which the segments related to Mandatum Life accounted for EUR 201 million before group eliminations. Comprehensive income after taxes, taking into account changes in market values, decreased to EUR -267 million (303).

Mandatum Life prepares its own financial statements in accordance with the Finnish Accounting Standards (FAS), and the result before taxes for 2022 according to them was EUR 127 million (253). Mandatum Life's expense result in 2022 was EUR 19 million (27). The risk result was EUR 32 million (43). Premiums written on the Company's own account increased to EUR 1,390 million (1,367). Premiums written on unit-linked insurance grew to EUR 1,294 million (1,279).

Taking into account the transitional measure applied to technical provisions, Mandatum Life's own funds according to the Insurance Companies Act amounted to EUR 2,343 million (2,564) on 31 December 2022. The Company's solvency capital requirement (SCR) according to the Insurance Companies Act was EUR 943 million (1,352) and the minimum capital requirement (MCR) was EUR 236 million (338). Mandatum Life meets the solvency requirements imposed on it by legislation.

Solvency capital requirement (SCR) by risk component, taking the transitional measure into account



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

In terms of capital requirements, the Company's most significant risks take the form of balance sheet market risks, as well as longevity and lapse risks, which are included in insurance risks. In addition, operational and business risks are inherent in terms of the Company's operations and continuity.

A. Business and performance

A.1 Business

Mandatum Life Insurance Company Limited (hereinafter Mandatum Life or the Company) is a solvent and respected Finnish financial services provider. It is part of the Sampo Group (Mandatum Life is wholly owned by Sampo plc). Sampo plc's address is Fabianinkatu 27, 00100 Helsinki.

Sampo Group's corporate structure is presented on Sampo plc's website: https://www.sampo.com/about-us/group-structure/

Mandatum Life operates in Finland and provides savings and pension insurance, as well as insurance to cover mortality, morbidity and disability risks. Mandatum Life is a leading pension insurer in the corporate business segment, which is a cornerstone of Mandatum Life's customer strategy. The management and personnel of these companies hold considerable wealth management and other private customer potential in terms of other key business areas, e.g. related to asset management and unit-linked insurance business, as well as life and other risk insurance business.

Mandatum Life Insurance Company Limited's subsidiaries are Mandatum Life Services Ltd, Mandatum Incentives Ltd and 19 (19) housing and property companies.

The Company's core area is unit-linked insurance. The Company also has a significant with-profit insurance portfolio, which is not subject to active new sales. The Company's with-profit insurance portfolio is divided into two different parts as follows:

- The group pension portfolio and related receivables that were transferred from Suomi Mutual have been segregated ("segregated group pension portfolio" or "segregated assets") from the rest of Mandatum Life's balance sheet. The segregated portfolio has its own regulations concerning the distribution of profit, as well as its own investment policy and Asset-Liability Committee.
- The with-profit liabilities that are not part of the liabilities related to the segregated group pension portfolio shall be referred to hereinafter as the "original" with-profit liabilities.

On 1 July 2022, the Company completed the sale of the 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.

The Company's domicile is in Finland and the Company is subject to supervision by the Finnish Financial Supervisory Authority (Financial Supervisory Authority, Snellmaninkatu 6, P.O. Box 103, FI-00101 Helsinki). The group supervisor for the Sampo Group is also the Finnish Financial Supervisory Authority.

The Company's external auditor is the accounting firm Deloitte Oy, Salmisaarenaukio 2, 00180 Helsinki.

A.2 Underwriting performance

Mandatum Group's result before taxes according to the Finnish Accounting Standards (FAS) amounted to EUR 127 million (253) in 2022. During the financial year, investments' valuation differences fell from EUR 857 million to EUR 309 million and, at fair values, the Company's result was negative. The return on equity (RoE) was -29.4 per cent (23.6). The net return on investment assets amounted to EUR -434 million (487), excluding the return related to unit-linked insurance. Income from unit-linked insurance amounted to EUR -1,003 million (1,448).

Mandatum Life's expense result fell in 2022 and was EUR 19 million (27). The risk result was EUR 32 million (43). The table below presents the Company's result by component.

EUR million	2022	2021
Interest rate result	**80**	190
Expense result	**19**	27
Risk result	**32**	43
Other result	**-3**	-8
Mandatum Life's total result, before taxes	**127**	253
Change in valuation differences	**-548**	159
Result at fair value	**-421**	411

Premiums written on Mandatum Life's own account increased to EUR 1,390 million (1,367). Premiums written on unit-linked insurance grew to EUR 1,294 million (1,279).

A.3 Investment performance

Mandatum Life's investment objective is to achieve the highest possible return at an acceptable level of risk. Successful investments provide policyholders with good nominal returns and accrue solvency capital while also meeting shareholders' return expectations. In 2022, the net investment return on Mandatum Life's investment assets covering the original with-profit technical provisions was -9.0 per cent (10.2). The total return on the segregated group pension portfolio was -6.9 per cent (2.9).

At year end, the fair value of Mandatum Life's investment portfolio was EUR 4.3 billion (5.2), excluding the EUR 9.9 billion (10.7) in assets covering unit-linked technical provisions. That amount consisted of EUR 3.6 billion (4.4) in assets covering the original with-profit technical provisions, and EUR 0.7 billion (0.8) in assets covering the segregated group pension portfolio.

The most significant change in the investment asset allocation in 2022 was the decrease in the share of equity investments. In the assets covering the original with-profit technical provisions, the share of fixed income investments was 62 per cent (57), and the share of equity investments decreased from 27 per cent to 20 per cent. The share of other investments was 17 per cent (14). In the investment assets of the segregated group pension portfolio, the share of listed equity investments was 6 per cent (6), the share of fixed income investments was 89 per cent (88), and the share of other investments was 6 per cent (5).

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

Mandatum Life's net income from investments is presented on pages 39 and 40 of the Annual Report. The table on the following page presents the Company's net income from investments by asset class, calculated according to the key figure formula used in FAS financial statements. This presentation combines both the investments covering the original with-profit technical provisions and the investments of the segregated assets.

EUR million	2022	2021
Fixed income investments	**-4.3%**	3.3%
Equity investments	**-21.1%**	20.5%
Real estate investments	**1.8%**	1.2%
Other investments	**4.8%**	31.4%
Total	**-8.7%**	9.0%

Mandatum Life does not record changes directly in equity in the FAS financial statements.

Mandatum Life does not have investments in securitised investment objects.

In accordance with the Company's Board-approved risk strategy and the risk appetite that is an integral part of it, the Company is prepared to assume risk in its investment operations, because the Company believes that by taking risk it can earn surplus returns in relation to the technical provision requirements. The Company's Board of Directors has approved an investment strategy according to which key targets for the Company's investment operations are to meet the obligations to policyholders, to ensure an adequate solvency and capital position for the Company and to ensure that appropriate compensation for bearing risk can be paid to the Company's shareholders. The Company's technical provision cash flows are very predictable, which means it is possible to bear the normal volatility related to investment assets over time, provided that solvency is appropriately managed at the same time.

When using an asset manager in the management of investment assets, the corresponding principles have been included in asset management agreements where applicable, and as a rule the Company uses the asset manager only within a single asset class and has not outsourced allocation selection except for Mandatum Asset Mandatum Asset Management Ltd. The Company uses Mandatum Asset Management Ltd as the asset manager for investments covering the Company's with-profit portfolio and own funds. The Company uses Mandatum Asset Management Ltd and Danske Bank A/S, Finnish Branch, as the asset manager for the Company's investment baskets covering unit-linked policies. Below is a description of the key content of these asset management agreements:

Mandatum Asset Management Ltd

- Duration of the agreement: Long-term co-operation agreement
- Principles of corporate governance: Published engagement principles that are in line with Mandatum Life's engagement principles.
- Remuneration and duration of liabilities: Regarding the with-profit portfolio, remuneration is based on pricing based on the amount of assets, and the Company has set limits for the duration. In unit-linked insurance, the customer selects the investment object.
- Supervision of asset management operations: Operations are regularly monitored using the Group's internal methods (cf. Section B 3.2).

Danske Bank A/S Finnish branch

- Duration of the agreement: Long-term co-operation agreement
- Principles of corporate governance: The asset manager has published its own principles of corporate governance on its website.
- Remuneration and duration of liabilities: In unit-linked insurance, the customer selects the investment object.
- Supervision of asset management operations: Operations are regularly supervised by a separate co-operation group.

In addition to investment baskets managed by asset managers, the investment objects of unit-linked insurance also include a number of different funds, for which the policyholder also selects the investment object. Correspondingly, the Company uses a number of different funds to cover the investments of the with-profit insurance portfolio. For funds, customers and the Company have access to key fund information, descriptions and rules.

A.4 Performance of other activities

The total earnings of Mandatum Life's subsidiaries (excl. real estate companies) in 2022 amounted to EUR 0.1 million (-0.8).

Mandatum Life does not have significant leasing agreements.

A.5 Other information

There is no other material information to report.

B. System of governance

B.1 General information on the system of governance

B.1.1 Board of Directors and management

Supreme authority in the Company is exercised by the General Meeting of Shareholders. The Board of Directors decides on, among other things, key strategic policies, the investment plan and the most important individual investments, makes proposals on the distribution of profit to the Annual General Meeting and appoints the CEO. The operations of the Board of Directors are regulated by, in addition to valid legislation and regulations, the charter of the Board of Directors.

Mandatum Life's CEO holds overall responsibility for Mandatum Life Group's operative functions. To support the CEO, the Group has established, inter alia, a Steering Group and a Business Management Group. Neither of these groups is a decision-making body; instead, decision-making authority at meetings lies with Mandatum Life's CEO or with the director in charge of the matter.

Mandatum Life Group's Steering Group convenes monthly. The Steering Group addresses and monitors, among other things, Group-level projects and their progress and prioritisation, plans of units (target, implementation and outcome), new products and distribution channels, result and solvency and other strategic issues.

Mandatum Life's Business Management Group convenes every two weeks. The core task of the Business Management Group is to address new internal development projects of units and those covering the entire Group (for example new products, distribution channels, sales models, process developments, marketing, campaigns) and to agree on their prioritisation and to ensure sufficient internal communication on them and making the most effective use possible of the various internal plans of units at the company level. In addition, the Business Management Group addresses all company-level guidelines. In addition, the business units have their own internal executive management groups which address the key issues for the units and ensure that decisions made in higher-level management groups are implemented in practice and ensure the flow of information.

The business units must ensure the risk management and internal control of their processes. The units must report deviations in accordance with the given guidelines.

No changes took place in the Company's Board of Directors during the reporting period. There were no changes in the Company's senior management during 2022. The Company has not had any material transactions with persons belonging to the Board of Directors or senior management.

No material changes took place in the Company's system of governance during the reporting period.

B.1.2 Key functions

The Insurance Companies Act requires that the Company's Board of Directors defines the Company's key functions. The key functions at Mandatum Life are the actuarial, compliance and risk management functions, and internal audit. A separate person responsible has been appointed for each of these key functions. Each function reports regularly to the CEO and Board of Directors.

B.1.3 Remuneration

Mandatum Life's remuneration policy is reviewed annually and approved by the Company's Board of Directors. The remuneration policy specifies the principles on which compensation at Mandatum Life is based on. Remuneration in the Company consists of a fixed monthly salary, sales bonuses and a short-term incentive programme. In addition, senior management is included in Sampo plc's long-term incentive programme, which is described in greater detail on Sampo plc's website.

Mandatum Life follows an active annual pay policy, based on which it pays a competitive basic and total salary consistent with the financial sector wage market. Our remuneration principle is to reward our personnel for both excellent performance that supports the business targets and for Mandatum Life's business success. The pay policy is also defined by the collective agreement of the insurance sector. Sales bonuses are based on annually adjusted bonus rules, which specify the bonuses paid to employees for Mandatum Life's insurance and other products and services they have sold and managed on behalf of Mandatum Life.

The short-term incentive programme, i.e. annual performance bonus, is defined in accordance with the annually confirmed company targets and personal targets. The performance bonus principles are specified in the annually revised performance bonus rule. The performance bonus applies mainly to the entire personnel of the Company and its maximum bonus corresponds to 1–12 months' fixed salary. The programme also includes group pension arrangements and a personnel fund portion. Regulations applying to the financial sector are applied when paying performance bonuses and, e.g., if the person holds a key position in the Company, payment of at least 40 per cent of the performance bonus is deferred for three years.

B.2 Fit & proper requirements

Mandatum Life's fitness and propriety requirements are based on the Group's Fit & Proper guidelines. The guidelines additionally specify the requirements concerning the professional qualifications and good reputation of those participating in insurance distribution.

The following are subject to the fit & proper assessment:

i. members of the Company's bodies, and their deputies,
ii. the management of key functions and
iii. other designated personnel groups, such as persons with trading rights who participate in investment activities.

The guidelines take into account the legal provisions concerning the Fit & Proper assessment that applies to insurance companies, the national and the European Union's official guidelines laid down on the basis of such legal provisions, and Sampo plc's guidelines.

The purpose of the Fit & Proper guidelines is to ensure that Mandatum Life Group companies are managed and governed professionally, according to sound and cautious business principles, and according to the principles of reliable governance. Furthermore, ensuring the continuity of the operations of the companies' management system is an integral part of the companies' operational risk management and continuity planning.

The Fit & Proper assessment in compliance with the Fit & Proper guidelines consists of an assessment of the person's fitness, including professional qualifications, skills and experience and an assessment of the person's propriety, including probity and financial soundness. Fitness and propriety are assessed independently for each assessment subject, taking into account all factors influencing the assessment. When assessing members of the Company's Board of Directors, it must additionally be ensured that the Board has the appropriate overall professional qualifications, experience and skills, taking into account the requirements set by the Finnish act on insurance companies and EU regulation. Correspondingly, when assessing the CEO of the insurance company, attention must be paid to the above-mentioned areas. In addition, the insurance company's CEO is required to have general knowledge of the insurance business.

A Fit & Proper assessment is carried out in a Mandatum Life Group company in the following situations:

1. A new person is appointed to a task, based on which the person belongs to the group of assessment subjects;
2. An assessment subject is appointed to a task, based on which the person would also belong to the group of assessment subjects;
3. When a notification of the assessment subject must be given to the supervisory authority; or
4. If doubts about the fitness and propriety of the assessment subject arise.

Assessments of the fitness and propriety of assessment subjects are conducted continuously by acquiring a report necessary for making a Fit & Proper assessment of the assessment subjects belonging to this group at least every three years; the report contains the establishment of the financial soundness and probity of the subjects based on registers, as well as the subject's account of changes they are aware of in their information.

B.3 Risk management system, including Own Risk and Solvency Assessment

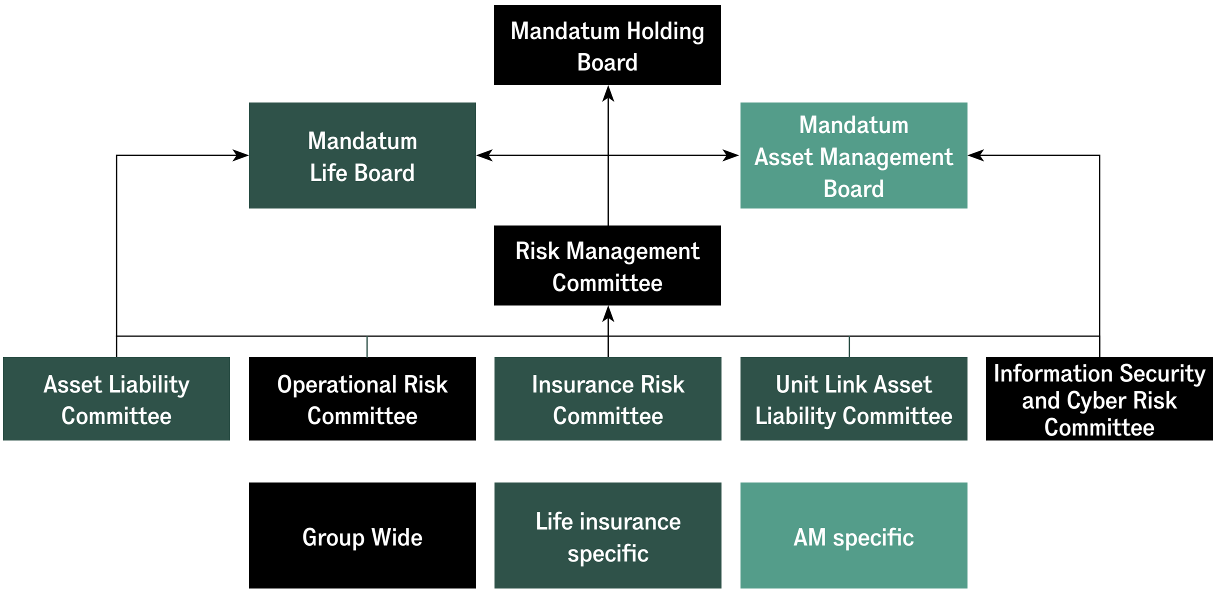
B.3.1 General risk management principles

A key principle of insurance operations is the transfer of risk from the policyholder to the insurance company. Risk is therefore an essential and inherent element of Mandatum Life's business activities and operating environment. The purpose of the risk management process is to identify the different risks affecting the business. The risk management process also ensures that different risks can be assessed, limited and controlled.

The most important goals of risk management are to ensure the sufficiency of capital in relation to the business risks and to limit fluctuations in financial performance, ensure efficient and continuous business processes in all circumstances and to limit the risks to the level approved by the Board of Directors on the part of all operations.

B.3.2 Organisation of risk management

The Board of Directors is responsible for the adequacy of the Company's risk management and internal control. The Board annually approves the Risk Management Policy, Investment Policy and Internal Control Policy, according to which risk management and internal control are arranged as part of the Company's business.



The CEO has the overall responsibility for the implementation of risk management in accordance with the Board's guidance. The responsibilities of the Chief Risk Officer are to ensure that risk management is organised appropriately and that the scope is adequate with respect to the Company's operations in general. The business units are responsible for the identification, assessment, control and management of their operational risks.

Overall risk management in Mandatum Group is monitored according to a separate risk management structure, which is pictured above. 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 the Asset-Liability Committee (ALCO) is to monitor and control the market risks related to the Company's with-profit insurance portfolio and to ensure that investment operations are managed within the limits set in the Investment Policy approved by the 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 and reports to the Risk Management Committee. The ALCO Chair regularly reports on the Company's asset and liability management to the Board of Directors. In practice, the Company has two Asset-Liability Committees, one of which controls the balance sheet of the operationally 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 insurance portfolio and the Company's own equity assets.

The Insurance Risk Committee monitors the comprehensiveness and appropriateness of the Company's insurance risk management. A key task is to control compliance with the Company's Underwriting Policy and to maintain the policy in question. 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 the 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. The Board approves the insurance policy pricing 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 ALCO is to monitor and control the investment risks related to the Company'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 the Board of Directors. The unit-linked 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 Group. A key task is to ensure that Mandatum Group has efficient procedures for monitoring and reporting realised operational risks. Significant observations are reported to the Risk Management Committee and to the Board of Directors. 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 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.

There is no specific committee for business and reputational risks. Those risks are managed as part of the Group's and the Company's strategic planning and management of daily operations. At Mandatum Life, due to the nature of these risks, the CEO is directly responsible for them, and they are reviewed on a regular basis by the Risk Management Committee.

B.3.3 Risk management function

Responsibility for Mandatum Life's risk management function lies with the Chief Risk Officer, and Mandatum Group has a separate steering group for the risk management function. The steering group meets regularly and its main role is to develop risk management at the Group level, agree on common principles and coordinate operational matters related to risk management.

B.3.4 Own Risk and Solvency Assessment (ORSA)

The purpose of ORSA is to produce information for the Board of Directors on the Company's solvency position and sufficiency of capital in various scenarios. The scenarios take into account the most significant risks. A further purpose of ORSA is to ensure continuous compliance with the confirmed capital requirements. It is thus part of the Company's risk and capital management.

The Company's ORSA policy is approved by the Board and forms the basis for regular, usually annual, implementation of ORSA. Conclusions are drawn on the basis of the ORSA calculations, and an ORSA report is prepared for the Company's management. The results of the risk and solvency assessment are processed by both the Asset-Liability Committee and the Board of Directors. The ORSA report is also distributed to the relevant authorities.

If major changes occur in the operating environment, risk profile or operating conditions, the ORSA must be carried out separately to reflect the new situation. Based on the Chief Risk Officer's presentation, the CEO decides when a new risk assessment should be carried out.

Annual planning takes into account possible changes in the risk profile, the quantity and quality of own funds and the distribution of own funds across various asset classes when analysing capital requirements.

The ORSA results are taken into account in product development and product design such that the capital requirements for new products do not compromise capital adequacy.

B.3.5 Solvency targets

The solvency capital requirement sets the level of capital at which the Company can practice its business without the authorities intervening. The regulatory capital requirement reflects a 99.5 per cent confidence level, i.e. roughly the same probability of default as a BBB credit rating from major credit rating agencies.

There is a need for a capital buffer between the actual amount of capital and lower limit of capital set by the Company, because the risk positions and results develop continuously over time and sometimes in stress situations, the capital may quickly contract. A sufficient capital buffer gives the Company time to adjust its risks and the amount of its capital during stress periods and maintain a balance between risks and capital. Having a sufficient capital buffer increases the supervisory authorities' and counterparties' trust in the Company, and this is another reason to maintain a buffer.

Mandatum Life governs its own risk-taking in line with a separate risk-bearing-capacity model that is approved by the Company's Board of Directors. The main aspects of the risk-bearing-capacity model in question are described later in section C.

B.3.6 Other aspects of risk management

The Company's risk management is described in greater detail in the Annual Report, on pages 9–15 and 26–37.

B.4 Internal control system

Mandatum Life's processes always include internal controls. This ensures flawless operations and a high level of customer satisfaction. Mandatum Life's Board of Directors has approved a separate Internal Control Policy.

The head of each unit is responsible for ensuring that the unit's operational risks are identified and that internal control is arranged appropriately, taking into account the risks.

Control measures include sufficient guidelines, result and deviation reports, including monitoring of compliance with risk limits, an approval and authorisation system, assurances and controls. Situations in which internal control has failed and operational risks have materialised are always brought to the attention of the Operational Risk Management Committee. The Operational Risk Management Committee must also be notified of so-called near-miss situations. The notification must also include the corrective measures that have been made to processes to ensure that a similar incident is not repeated.

Mandatum Life has several guidelines related to sales, marketing, administration, products, decision-making, communication, etc. These guidelines are continuously available to personnel on the intranet.

The principle is that all guidelines issued by Sampo plc are approved by Board of Directors of Mandatum Life, just like all of Mandatum Group's own policies and operating principles. Additionally, the business units draw up their own guidelines based on their operations' needs.

The efficiency and adequacy of internal control is assessed in connection with a self-assessment of risks, which is carried out regularly.

B.5 Compliance function

Mandatum Life has its own compliance function. The Group's Head of Compliance is responsible for the compliance function.

Each of the Company's employees are responsible for the compliance of their actions. The unit supervisors are responsible for ensuring personnel's compliance with the guidelines. Significant deviations must be immediately reported to the supervisor's own supervisor, the Compliance function and the Company's CEO. It is the Compliance function's task to support personnel in understanding the requirements and complying with them. The Compliance function must be independent of the actions it supervises. To ensure independence, the Compliance function does not make operative decisions. The persons working in the Compliance function are only paid a fixed salary to support the independence of the activities.

The Compliance function annually draws up a risk-based action plan, which is approved by the Board of Directors.

The Compliance function reports on matters pertaining to its area of responsibility to the management, the Board and Sampo's Audit Committee quarterly.

B.6 Internal audit function

B.6.1 Organisation

The internal audit is a function, independent of the business units, which evaluates the efficiency, effectiveness and maturity of the internal control system. The function supports the organisation on achieving its targets by providing a systematic approach to the evaluation and development of risk management, control and governance processes. The function has been organised and the person responsible for it has been appointed based on a decision of the Board of Directors.

The internal audit conducts its work in compliance with the internal audit policy (Sampo Group Internal Audit Policy) approved by the Board of Directors. The Internal Audit Policy determines the internal audit's purpose, responsibilities, responsible area and right to receive information. The function conforms with the professional standards and ethical rules maintained by The Institute of Internal Auditors.

The internal audit establishes an annual risk-based activity plan. The plan includes short- and long-term audits of both business and the system of governance. The plan is approved by the Board of Directors.

The internal audit function reports to the Company's Board of Directors and Sampo plc's Audit Committee. Severe internal control deficiencies are reported to the CEO and the Board of Directors without delay.

B.6.2 Independence and objectivity

The internal audit's organisational position ensures the independence of the function. In addition, the persons in the internal audit function do not have other positions in order to ensure objectivity and independence. The Board of Directors monitors the implementation of independence and objectivity.

B.7 Actuarial function

At Mandatum Life, the actuarial function is organised as part of the Actuarial unit, which is headed by the Company's Chief Actuary. The Chief Actuary is responsible for the actuarial function's operations, resources and competence. The Actuarial function is tasked with implementing the statutory tasks set for actuarial operations in the Finnish act on insurance companies. The Actuarial function is also tasked with regularly analysing the risk result. The risk result measures the effectiveness of the risk selection and the sufficiency of pricing by collecting information on actual claims in the product and risk area. The Board of Directors decides on changes that are more significant than minor changes made to pricing or technical provision calculation bases, as proposed by the Chief Actuary.

The Company must have a Chief Actuary who meets the eligibility criteria stipulated in the Finnish act on insurance companies. The Chief Actuary is tasked with, among other things, ensuring the appropriateness of the actuarial methods to be applied in the Company and that the amount of and method for defining the Company's insurance premiums and technical provisions meet the requirements of the regulations issued pursuant to the Finnish Insurance Companies Act and the regulations issued by the Finnish Financial Supervisory Authority.

The Chief Actuary is additionally responsible for coordinating the calculation of the technical provisions, for ensuring the appropriateness of the technical provision calculation methods and models, and assumptions, and for reporting on these to the Board of Directors. The Chief Actuary additionally submits a statement to the Board of Directors on the insurance policy and the appropriateness of the reinsurance arrangements, and at least once a year draws up a written report for the Board on the tasks carried out by the Actuarial function.

The Chief Actuary also participates in the risk and solvency assessment and the Company's risk management.

B.8 Outsourcing

Some of Mandatum Life's functions are outsourced. Despite outsourcing, the Company still bears responsibility for ensuring that the purchased service meets the criteria set for insurance companies. Mandatum Life has its own Procurement and Outsourcing Policies, which the units must comply with.

Mandatum Life's most significant outsourced functions are the outsourcing of IT access services to Tieto Oyj, the outsourcing of machine capacity services to AWS and O365 services to Microsoft. In addition, the Company has outsourced the management of investment activities within Mandatum Group to Mandatum Asset Management Ltd.

B.9 Other information

Based on the 2021 result, Mandatum Life paid a dividend of EUR 160 million to Mandatum Holding Ltd in December 2022. Based on the 2022 result, Mandatum Life paid a dividend of EUR 150 million to Mandatum Holding Ltd in March 2023.

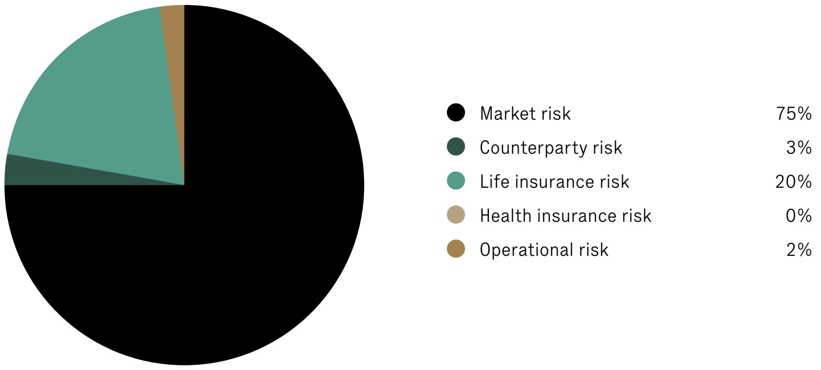
The Company has evaluated its governance system to be appropriate and effective, taking into account the nature, extent and complexity of its business risks.

C. Risk profile

In terms of capital requirements, the Company's most significant risks take the form of balance sheet market risks, as well as longevity and lapse risks, which are included in insurance risks (see section E.2). In addition, operational risks and business risks are key risks in terms of business operations and continuity.

Of the Company's solvency capital requirement, 75 per cent is made up of the capital requirement for market risks and 20 per cent is made up of the capital requirement for the life insurance risk. The capital requirement for operational risks is 2 per cent of the total solvency capital requirement, and the capital requirement for the counterparty risk represents around 2 per cent.

Distribution of solvency capital requirement



Solvency II also creates a framework for the internal monitoring of the solvency position. The company-level solvency position monitoring model, 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. The table below presents the applicable monitoring limits and the key guiding principles for different zones.

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

When the risk-bearing capacity is above the upper monitoring limit, the Company'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 the company-level risk-bearing-capacity model, the segregated group pension portfolio has its own risk-bearing-capacity monitoring in place. The risk-bearing-capacity of the segregated group pension portfolio is based on the buffering effect of the provision for future bonuses 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.

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

C.1 Insurance risk

C.1.1 Qualitative description of insurance risks

The insurance risks of life insurance operations include biometric risks, as well as other life insurance operations risks, such as the surrender risk (lapse risk) and the expense risk. The risk related to the discount rate on technical provisions is part of market risks, but it is also centrally linked to insurance products.

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 policyholders for a longer time (longevity risk) than expected when pricing the policies. Catastrophe risk refers to cases where a single incident or a series of incidents with a major impact cause a significant difference between actual claims paid and expected claims.

The longevity risk is the most significant of biometric risks. The with-profit group pension portfolio represents most of the longevity risk. With-profit group pensions have, for the most part, been closed to new members for several years, which is why the average age of the members is relatively high, at close to 70. 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 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 is responsible for maintaining the Underwriting Policy and monitoring the functioning of the risk selection and claims processes.

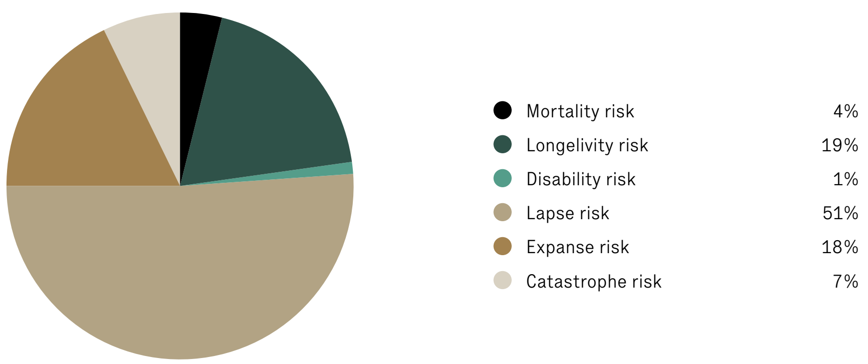
Risk selection is a part of the day-to-day business routines in the Company. The Company's Underwriting Policy sets principles for risk selection and limits for insured sums. The Board of Directors approves the Underwriting Policy, pricing guidelines and the central principles for the calculation of 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.

C.1.2 Quantitative description of insurance risks

Lapse risk is the most significant life insurance risk measured by the capital requirement, representing 51 per cent of the total capital requirement for life insurance risk. The capital requirement resulting from the longevity risk is 19 per cent of the capital requirement for the life insurance risk, and the capital requirement for the operating expense risk is roughly 18 per cent. The amount of the solvency capital requirement for insurance risk is described later, in section E.

Distribution of life insurance risk



From the solvency capital requirement perspective, the greatest lapse risk results from the unit-linked insurance portfolio (approx. 55 per cent of lapse risk) and risk insurance (approx. 45 per cent). Of the risk capital requirement for the operating expense risk, around 65 per cent is made up of the unit-linked portfolio and the remaining approx. 35 per cent of the with-profit insurance portfolio and risk insurance portfolio.

C.1.3 Risk concentrations related to insurance activities

The Company does not have significant risk concentrations for insurance risks. Within insurance risks, the greatest risk concentrations result from group life insurance, where the policyholder is a company.

C.2 Market risk

C.2.1 Qualitative description of market risks

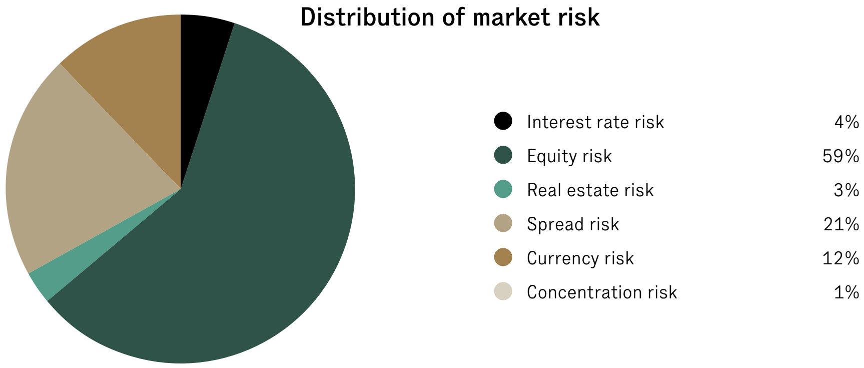
Market risks refer to impacts on the Company's result or solvency caused by changes in the market values of financial assets & liabilities and technical provisions. Market risks are examined from both an Asset and Liability Management (ALM) as well as an investment portfolio risk perspective. The Company's 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 the portfolio are relatively predictable, as policy surrenders or supplementary additional investments are limited in the majority of with-profit insurance policies.

The Company's with-profit technical provisions are entirely made up of euro-denominated commitments. For that reason, the Company is exposed to foreign exchange risk when investing outside the euro zone. The Company's currency strategy is based on active management of the currency position. The objective is to achieve, within the limits of the investment policy, a return in relation to a situation where the foreign exchange risk is fully hedged.

C.2.2 Quantitative description of market risks

As illustrated above, the most significant of Mandatum Life's risks is the market risk related to the investment assets covering the with-profit technical provisions. The equity risk is the largest market risk, and its share of the market risk capital requirement is 59 per cent. The risk linked to the fixed income portfolio's credit risk margin (spread risk) is the second highest market risk, at 21 per cent, and currency risk is the third highest, at 12 per cent. The sharp rise in interest rates in 2022 increased the Company's interest rate risk, as, going forward, a relative decrease in interest rates will have a larger impact than before. On the other hand, in the short term, the refinancing risk has decreased year-on-year. The amount of the solvency capital requirement for the market risk is described later, in section E.



C.2.3 Risk concentrations related to investment activities

Risk concentrations related to investment activities are actively monitored and managed. The investment policy approved by the Board of Directors defines 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 limit structure.

A separate capital requirement (concentration risk) is calculated for risk concentrations arising from investment activities and, after the impacts of diversification, its impact on market risks was minimal.

C.2.4 Prudent person principle

The Finnish Insurance Companies Act defines the prudent person principle, which the Company must follow in its investment operations. Pursuant to the act, the Company can make investments from among its entire investment assets only in assets and instruments that entail risks that the company in question can identify, measure, monitor, manage and control as required. In addition, the assets, in particular assets covering the minimum capital requirement and solvency capital requirement, shall be invested so that they ensure the portfolio's security, quality, liquidity and profitability. Also assets intended to cover technical provisions must be invested appropriately in terms of the nature and duration of the technical provision and the assets must be invested in the best interests of all policyholders and beneficiaries, taking into account all published targets.

Alongside limits and risk-bearing capacity, a key principle of Mandatum Life's decision-making in investment operations is the duty of care and the requirement of having thorough knowledge of each individual investment and its riskiness. The Company invests in instruments whose risks, according to the Company's assessment, are sufficiently transparent and comprehensible, and on which risks it is possible to conduct an independent assessment and which risks can be monitored. The technical provisions are pension-insurance-weighted and thus very predictable. The Company must have assets in money market instruments that are at least equal to the liquidity reserve, and these assets are used to secure the payment of compensation for the following six months, also in a situation where the investments' liquidity has weakened for some reason. In addition, the majority of the investments should be in instruments in which liquidity is good in a normal situation. The investment policy limits are applied to ensure sufficient diversification between different investment classes and investments. Additionally, the limits are used to secure the profitability of investment operations in the long run by enabling, within investment operations, favorable investment risk-taking in relation to risk-bearing capacity and the prevailing market situation. Internal risk-bearing-capacity monitoring is used to ensure that the balance sheet market risks do not grow too large in relation to the Company's risk-bearing capacity.

In unit-linked policies, the investment risk is borne by the policyholder. In these policies, the Company invests the assets, as a rule, in investments that are linked one-to-one with the performance of insurance policies.

C.3 Credit risk

Credit risks are related to possible losses or a weakening of financial position due to changes occurring in the creditworthiness of securities issuers, derivative contract counterparties or other debtors. Credit risks arise from investments as well as insurance and reinsurance contracts.

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

The capital requirement for counterparty risk at the end of 2022 was EUR 34 million, some 52 per cent of which consisted of Type 1 counterparty risk and roughly 48 per cent of Type 2 counterparty risk. Type 1 counterparty risk consists of receivables related to bank accounts and derivative counterparty risk. The most significant risks in Type 2 counterparty risk components are formed by bilateral loans made by the Company and purchase price claims.

C.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 percentage (around 5%) of with-profit life technical provisions can be surrendered, thus making it possible to reliably forecast short-term claims payments. In addition, the assets are liquid and thus, liquidity risk is currently not significant to the Company.

The total amount of expected profit included in future pension premiums was EUR 394 million (493) at the end of 2022, and the impact on the Company's own funds, after the deduction of deferred tax liability, was EUR 315 million (394).

C.5 Operational risk

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 risks but does not include risks resulting from strategic decisions. Risks can materialise due to the following events:

- internal misconduct;
- external misconduct;
- insufficient human resources management;
- insufficiencies in operating policies as far as customers, products or business activities are concerned;
- damage to physical property;
- interruption of activities and system failures; and
- defects in the operating process.

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

During the period under review, no significant changes took place in terms of operational risks or their management.

The capital requirement for operational risk was EUR 32 million at the end of 2022. Operational risks and the related risk management are described in more detail on pages 14–15 of the Annual Report.

C.6 Other material risks

In addition to the risks presented above, the Company's operations are also centrally exposed to business and reputation risks. Business risk is the risk of loss due to changes in the competitive environment and/or internal operational inflexibility, while reputation risk is the risk of founded or unfounded unfavorable publicity concerning the Company's business operations or relations weakening confidence in the Company. Due to the nature of the risks in question, they are the direct responsibility of the CEO and are regularly addressed by the Risk Management Committee, and these risks are managed as part of the Company's strategic planning and operative management.

C.7 Other information

There is no other material information concerning the Company's risk profile.

D. Valuation for solvency purposes

D.1 Assets

In solvency calculations (Solvency II balance sheet), Mandatum Life's assets are usually valued at market value. This means, in practice, that the values of the assets used in solvency calculations correspond to the values in the IFRS balance sheet. There are two exceptions to this, of which the more significant one is the valuation of real estate and less significantly the valuation of intangible assets. In Mandatum Life's IFRS balance, real estate is valued using the cost model, but in solvency calculations also real estate is valued at market value. Intangible assets are valued at zero in the Solvency II balance sheet. The assets are classified in the Solvency II balance sheet in accordance with the CIC codes defined by EIOPA.

The differences between the IFRS balance sheet and the Solvency II balance sheet assets are the following:

	IFRS balance sheet	Solvency II balance sheet
Real estate	66.3 (69.0)	111.2 (109.6)
Intangible assets	3.1 (1.5)	0 (0)

The Solvency II balance sheet is presented in the attached table S.02.01.02 Solvency II balance sheet. The real estate above also includes the real estate for the Company's own activities.

The valuation of the Company's assets in accordance with the IFRS standard is presented in greater detail in Mandatum Group's Annual Report (pages 41–57). The Annual Report also contains a more precise description of the value of the Company's financial assets by asset class (pages 87–97).

D.2 Technical provisions

D.2.1 Technical provisions in general

In calculating the technical provisions for solvency reviews, Mandatum Life applies, within the framework of valid legislation, both the so-called transitional measure for technical provisions and a volatility adjustment for calculating the best estimate. The transitional measure for technical provisions is applied to 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 financial statements' insurance liabilities are calculated based on the policies' calculation bases, using the technical rate of interest and the mortality conforming to the bases as the discount rate for these policies' insurance liabilities. In addition, the reserve for decreased discount rates and mortality reserve made to these insurance portfolios are taken into account in the accounting technical provisions.

The Solvency II technical provisions are calculated as the sum of the best estimate and risk margin. The best estimate for technical provisions is defined as the expected value of future net cash flows discounted using a Solvency-II-compliant term structure that includes a volatility adjustment, taking into account contractual limits. Cash flows required for liability calculation are formed by using risk-neutral market-consistent economic scenarios together with parameters and assumptions acquired from the main markets and based on history. The market-consistent value of financial guarantees and contractual options included in the insurance portfolio, including the current value of future discretionary benefits, can be attained in this manner. The risk margin is calculated based on the assumed cost of capital (6%) and the sum of future projections (as applicable) of capital requirements and capital requirements discounted to current value.

The most significant differences between the accounting insurance liabilities and Solvency II technical provisions are thus

- the used discount rate and the valuation of contractual options and financial guarantees' market-consistent value in Solvency II
- applicable contractual limits applied in Solvency II calculations
- Solvency II calculations take into account future profit/loss for the risk result and operating expense result and
- the nature of the assumptions (conservative assumptions vs. separate risk margin).

Determination of the accounting insurance liabilities is based on conservative assumptions, while the best estimate of the Solvency II technical provisions attempts to represent the best estimate of the technical provisions, i.e. the real assumed value, without the safety margins added to the assumptions used to obtain it. Instead, in Solvency II, in order to determine the total amount of technical provisions, an explicit item, the risk margin, is added to the best estimate liability, which the financial statements' insurance liabilities do not include.

Below are the differences between technical provisions in solvency calculation (Solvency II) and financial statements' (IFRS) insurance liabilities.

EUR million	IFRS balance sheet	Solvency II value	Difference
Technical provisions – life insurance (excl. 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	

Uncertainty linked to the amount of technical provisions stems from the assumptions used in future cash flow projections in relation to their future outcomes, of which the most significant are:

- mortality/longevity assumption,
- morbidity/disability assumptions,
- operating expense assumptions,
- surrender assumptions and
- premium behaviour assumptions.

The sensitivity of technical provisions for the first four of these is naturally assessed in the calculation of the sub-risk module of the life insurance risk module.

For future discretionary benefits, uncertainties could result from the bonus rule used in client bonus policy modelling or the used future scenarios for the financial environment. The validation of financial environment scenarios applies standard methods on which the Company releases a separate quarterly report. The modelled bonus rule is seen to correspond well enough with actual client bonus decisions.

The above-mentioned transitional measure applied to the technical provisions reduced the technical provisions by EUR 376 million at the end of the reporting period. The volatility adjustment lowered the technical provisions by EUR 9 million.

D.2.2 Unit-linked insurance

For unit-linked insurance, the financial statements' insurance liabilities correspond in practice with the insurance savings amount.

The Solvency II best estimate technical provisions, on the other hand, correspond with the sum of the current value of unit-linked savings and the future surplus resulting from unit-linked insurance. The future surplus is formed from the risk result and expense result (interest rate result for unit-linked insurance is zero). If unit-linked insurance is priced profitably, the assumed value of future surpluses is positive and the surpluses reduce the Solvency II technical provisions of unit-linked insurance compared to the financial statements' insurance liabilities. On the other hand, the risk margin calculated on unit-linked insurance increases the Solvency II technical provisions in relation to the financial statements' insurance liabilities.

D.2.3 Risk margin

The Solvency II risk margin includes an explicit risk margin, unlike the financial statements' insurance liabilities. The market-consistent value of technical provisions is attained by adding to the best estimate technical provisions, i.e. the assumed value of the technical provisions, the margin describing the uncertainty of the actual liabilities, i.e. the risk margin. The risk margin is calculated in accordance with Title I, Chapter III, Section 3, Subsection 4 of the Commission Delegated Regulation 2015/35.

The purpose of maintaining the risk margin is to ensure that the value of the calculated insurance liabilities corresponds to a sum of money that the other market party (insurance undertaking) would be expected to demand in order to take on the liabilities in question in full. In Solvency II the risk margin therefore describes, in principle, a bonus, above the technical provision best estimate, that an insurance undertaking would normally be expected to pay on the markets to transfer their liabilities to an independent party.

D.2.4 Receivables from reinsurance contracts and special purpose vehicles (SPV)

Mandatum Life's receivables from reinsurance contracts amounted to EUR 0.1 million (0.4) at the end of 2022. The Company does not use SPVs to manage the insurance risk.

D.3 Other liabilities

Other liabilities are equal in value in the Solvency II balance sheet and the IFRS balance sheet. The exception to this is deferred tax liability, which has been calculated so that a 20% surtax resulting from the higher value of the assets and a surtax of 20% resulting from the lower technical provisions are added to the IFRS balance sheet deferred tax liability.

In 2022, the Company's own funds consisted of both Tier 1 and Tier 2 items, EUR 350 million (i.e. 14.9 per cent) of which consisted of subordinated liabilities at the end of 2022, as presented in the table below. Of the subordinated liabilities, EUR 100 million has been invested in the restricted basic own funds class 1 (Tier 1), based on the transitional measures defined in the Solvency II directive.

Subordinated loan	Nominal value	Book value	Tier	First possible date of maturity
PerpNC10	€ 100 million	€ 100 million	Tier 1	31.12.2012
30NC5	€ 250 million	€ 249.6 million	Tier 2	4.10.2024

D.4 Alternative valuation methods

Mandatum Life does not have items valued using alternative methods.

D.5 Other information

There are no other material factors related to the valuation of assets and liabilities in solvency calculations.

E. Capital management

E.1 Own funds

E.1.1 Capital management in general

At Mandatum Life, solvency management ensures that there is sufficient capital in relation to the risks stemming from business and the operating environment, and capital management ensures the quality of assets that are classified as own funds in relation to capital requirements.

The Company's Board of Directors has approved a separate capital management policy. Capital management policy means ways and procedures by which the Company:

i. monitors the sufficiency of its own funds in relation to the capital requirements,
ii. classifies own funds into different tiers (Tier 1, Tier 2 and Tier 3),
iii. defines ways and methods of capital planning,
iv. implements measures for increasing equity assets, including capital loans and other items classified as own funds in solvency calculations.

The main goal of capital management is to ensure that the amount and quality of own funds remain sufficient in relation to the Company's solvency requirements. The capital requirement is estimated by comparing the available own funds to the risk capital requirement that is needed to cover risks resulting from the current business and the external operating environment.

At Mandatum Life, any possible equity investments that are classified as equity are decided by the General Meeting. The Board of Directors shall make a separate proposal to the General Meeting on addressing, increasing or reducing the equity assets within the framework of the legislation in force. When proposing a possible change, the Company's solvency position and its future development is always a key factor. Future solvency development is evaluated at least annually in connection with the Company's Own Risk and Solvency Assessment (ORSA).

The Company's capitalisation also takes advantage of subordinated loans, and the Company can, also in future, issue subordinated loans to improve the efficiency of its capital structure. When issuing dated own fund items, at least the own fund amounts and maturity dates of the dated items should be taken into account in relation to the capital requirements at the time and in relation to the forecasts of the capital requirements on the maturity date. The issuing or payment of subordinated loans is always decided on by the Board of Directors. The task of the Asset-Liability Committee is to prepare subordinated loan contract terms and conditions, which must be clear in terms of the Tier classification.

E.1.2 Own funds

A review of the solvency position in accordance with the Insurance Companies Act begins with the Solvency II balance sheet. In the Solvency II balance sheet, the Company's technical provisions are calculated on market terms, instead of according to book values, applying the interest rate term structure presented above, in section D.2.1. Taking the transitional measure for technical provisions into account, the Company's own funds at the end of the reporting year amounted to EUR 2,343 million, and without the transitional measure to EUR 2,072 million. The table on the following page presents the structure of the Company's own funds on 31 December 2022, taking into account the transitional measure for 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.

EUR million	SCR	MCR
Share capital	181	181
Reconciliation reserve	1, 812	1,812
Subordinated liabilities	100	100
Tier 1 – total	**2,093**	**2,093**
Subordinated liabilities	250	47
Tier 2 – total	**250**	**47**
Deferred tax assets	0	0
Tier 3 – total	**0**	**0**
Eligible own funds	**2,343**	**2,140**

The impact of the transitional measure for technical provisions on own funds before the change in tax liability is taken into account is EUR 339 million (376), and EUR 271 million (301) after the change in tax liability is taken into account.

In the Company's IFRS financial statements, equity totalled EUR 1,080 million (1,508). In addition to this, subordinated liabilities that are classified as own funds in solvency calculations are classified as part of other liabilities in the financial statements. The main difference between equity according to IFRS standards and own funds according to solvency calculations is the difference in the valuation methods for technical provisions as presented in section D.2.1.

The Company has EUR 0.05 million in deferred tax assets entered in the IFRS balance sheet, but this amount is significantly lower than the tax liabilities (EUR 57 million) entered in the IFRS balance sheet. The amount of tax liability in own funds according to Solvency II is higher than the tax liability entered in the IFRS balance sheet.

E.2 Solvency capital requirement and minimum capital requirement

When calculating the solvency capital requirement, Mandatum Life uses Solvency II's standard formula, taking the equity risk transitional measure into account. The solvency capital requirement on 31 December 2022 was EUR 943 million (1,352). The table below shows the separate capital requirements and diversification benefits of different risk categories and the basic solvency capital requirement formed by these. The table also shows the operational risk capital requirement to be added to the basic solvency capital requirement and risk-mitigating factors to be deducted from the solvency requirement.

EUR million	31.12.2022	31.12.2021
Market risk	**1,111**	1,572
Counterparty risk	**34**	52
Life insurance risk	**295**	403
Health risk	**2**	2
Non-life insurance risk	**0**	0
Diversification benefits	**-212**	-295
Basic solvency capital requirement	**1,229**	1,734
Operational risk	**32**	34
Loss-absorbing capacity of technical provisions	**-83**	-78
Loss-absorbing capacity of deferred taxes	**-236**	-338
Solvency capital requirement	**943**	1,352

The loss-absorbing capacity related to deferred taxes reduces the solvency requirement, and it reduced the solvency requirement by EUR 236 million. A net total of EUR 323 million in deferred tax liabilities, taking into account the impact of the transitional measure for technical provisions, was entered in the Solvency II balance sheet. The Company has internally assessed that in conducting business according to the prevailing business strategy, the Company's operations will produce a surplus also after the stress corresponding to the solvency requirement assumed in the calculations such that the applied loss-absorbing capacity of deferred taxes is justified.

Mandatum Life does not apply a simplified approach to solvency capital requirement calculations nor does the Company apply company-specific parameters instead of the standard formula's parameters. Since 31 December 2021, Mandatum Life has no longer applied the transitional measure in calculating equity risk. The transition period for the transitional measure ended in any case on 1 January 2023.

Mandatum Life's minimum capital requirement is specified as 25 per cent of its solvency capital requirement. The input data for minimum capital requirement calculations is shown in the table below:

EUR million	31.12.2022	31.12.2021
Amount according to linear function	**132**	184
Solvency capital requirement	**943**	1,352
Upper limit of minimum capital requirement	**424**	608
Lower limit of minimum capital requirement	**236**	338
Combined minimum capital requirement	**236**	338
Absolute minimum level	**3.7**	3.7
Minimum capital requirement	**236**	338

During the financial period, the amount of the solvency capital requirement and the minimum capital requirement decreased. A key factor in this decrease is a decrease in market risks, especially following the decrease in the symmetric adjustment factor for the equity risk and the decrease in the amount of risky assets.

E.3 Use of a duration-based equity risk sub-module in calculating the solvency capital requirement

Mandatum Life does not use a duration-based equity risk sub-module in calculating the solvency capital requirement.

E.4 Differences between the standard formula and the internal model that is used

Mandatum Life uses the standard formula.

E.5 Non-compliance with the minimum capital requirement and solvency capital requirement

Mandatum Life's own funds exceeded both the minimum capital requirement and the solvency capital requirement throughout 2022.

E.6 Other information

There is no other information that would have a material impact on the Company's capital management.

Quantitative reporting templates:

Mandatum Life does not report template S.05.02.01, Premiums, claims and expenses by country, because premiums written from its home country are over 90%.

- S.02.01.02 Solvency II balance sheet
- S.05.01.02 Premiums, claims and expenses by line of business
- S.12.01.02 Technical provisions
- S.22.01.01 Long-term guarantees
- S.23.01.01 Own funds
- S.25.01.21 Solvency capital requirement calculated using the standard formula
- S28.01.01 Minimum capital requirement

Annex I

S.02.01.02

Balance sheet

		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	6,005
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	3,826,256
Property (other than for own use)	**R0080**	107,728
Holdings in related undertakings, including participations	**R0090**	8,867
Equities	**R0100**	437,500
Equities - listed	**R0110**	421,055
Equities - unlisted	**R0120**	16,446
Bonds	**R0130**	2,237,939
Government Bonds	**R0140**	0
Corporate Bonds	**R0150**	2,237,939
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	1,013,758
Derivatives	**R0190**	20,463
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	9,934,278
Loans and mortgages	**R0230**	156,163
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	156,163
Reinsurance recoverables from:	**R0270**	
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	23,585
Reinsurance receivables	**R0370**	119
Receivables (trade, not insurance)	**R0380**	43,370
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	484,415
Any other assets, not elsewhere shown	**R0420**	67,397
Total assets	**R0500**	14,541,587

Annex I
S.02.01.02
Balance sheet

Liabilities		**Solvency II value**
		C0010
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	2,053,373
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	2,053,373
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	1,958,799
Risk margin	**R0680**	94,574
Technical provisions – index-linked and unit-linked	**R0690**	9,505,179
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	9,439,839
Risk margin	**R0720**	65,341
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	322,532
Derivatives	**R0790**	3,213
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	6,113
Reinsurance payables	**R0830**	8,676
Payables (trade, not insurance)	**R0840**	49,720
Subordinated liabilities	**R0850**	349,638
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	349,638
Any other liabilities, not elsewhere shown	**R0880**	100,151
Total liabilities	**R0900**	12,398,596
Excess of assets over liabilities	**R1000**	2,142,991

Annex I

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**		105,351	1,293,974					35	1,399,360
Reinsurers' share	**R1420**		8,952	0					0	8,952
Net	**R1500**		96,399	1,293,974					35	1,390,408
Premiums earned										
Gross	**R1510**		105,351	1,293,974					35	1,399,360
Reinsurers' share	**R1520**		8,952	0					0	8,952
Net	**R1600**		96,399	1,293,974					35	1,390,408
Claims incurred										
Gross	**R1610**		181,176	702,150					64	883,390
Reinsurers' share	**R1620**		653	0					0	653
Net	**R1700**		180,523	702,150					64	882,737
Changes in other technical provisions										
Gross	**R1710**		-51,644	731,459					25	679,840
Reinsurers' share	**R1720**		0	0					0	0
Net	**R1800**		-51,644	731,459					25	679,840
Expenses incurred	**R1900**		61,334	97,140					100	158,574
Other expenses	**R2500**									
Total expenses	**R2600**									158,574

Annex I

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Technical provisions calculated as a whole	**R0010**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**								
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	**R0030**	2,297,590		9,439,839					
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	0							
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	2,297,590		9,439,839					
Risk Margin	**R0100**	94,574	65,341						
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0110**								
Best estimate	**R0120**	-338,791							
Risk margin	**R0130**								
Technical provisions - total	**R0200**	2,053,373	9,505,179						

Annex I

S.12.01.02

Life and Health SLT Technical Provisions

		Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
					Contracts without options and guarantees	Contracts with options or guarantees			
		C0100	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**								
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	**R0030**		11,737,429						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**								
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**		11,737,429						
Risk Margin	**R0100**	0	159,915						
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0110**								
Best estimate	**R0120**		-338,791						
Risk margin	**R0130**								
Technical provisions - total	**R0200**	0	11,558,552						

Annex I

S.22.01.01

Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	11,558,552	338,791	0	39,633	0
Basic own funds	R0020	2,342,629	-271,033	0	-31,707	0
Eligible own funds to meet Solvency Capital Requirement	R0050	2,342,629	-271,033	0	-31,707	0
Solvency Capital Requirement	R0090	942,833	0	0	4,577	0
Eligible own funds to meet Minimum Capital Requirement	R0100	2,140,133	-271,033	0	-31,707	0
Minimum Capital Requirement	R0110	235,708	0	0	1,144	0

Annex I

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	40,365	40,365			
Share premium account related to ordinary share capital	**R0030**	140,161	140,161			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	1,812,465	1,812,465			
Subordinated liabilities	**R0140**	349,638		100,000	249,638	
An amount equal to the value of net deferred tax assets	**R0160**					
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	2,342,629	1,992,991	100,000	249,638	
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					

Annex I

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	R0400	0				
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	2,342,629	1,992,991	100,000	249,638	
Total available own funds to meet the MCR	R0510	2,342,629	1,992,991	100,000	249,638	
Total eligible own funds to meet the SCR	R0540	2,342,629	1,992,991	100,000	249,638	
Total eligible own funds to meet the MCR	R0550	2,140,133	1,992,991	100,000	47,142	
SCR	R0580	942,833				
MCR	R0600	235,708				
Ratio of Eligible own funds to SCR	R0620	2,48				
Ratio of Eligible own funds to MCR	R0640	9,08				

Reconciliation reserve			
Excess of assets over liabilities	R0700	2,142,991	
Own shares (held directly and indirectly)	R0710	0	
Foreseeable dividends, distributions and charges	R0720	150,000	
Other basic own fund items	R0730	180,526	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0	
Reconciliation reserve	R0760	1,812,465	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	393,613	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0	
Total Expected profits included in future premiums (EPIFP)	R0790	393,613	

Annex I

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	1,110,979		
Counterparty default risk	R0020	33,660		
Life underwriting risk	R0030	294,903		
Health underwriting risk	R0040	1,827		
Non-life underwriting risk	R0050	0		
Diversification	R0060	-212,072		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	1,229,296		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	32,192
Loss-absorbing capacity of technical provisions	R0140	-82,947
Loss-absorbing capacity of deferred taxes	R0150	-235,708
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	942,833
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	942,833
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Annex I

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	**R0200**	133,215

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits	**R0210**	1,734,120	
Obligations with profit participation - future discretionary benefits	**R0220**	224,679	
Index-linked and unit-linked insurance obligations	**R0230**	9,439,839	
Other life (re)insurance and health (re)insurance obligations	**R0240**	0	
Total capital at risk for all life (re)insurance obligations	**R0250**		20,939,176

Overall MCR calculation

		C0070
Linear MCR	**R0300**	133,215
SCR	**R0310**	942,833
MCR cap	**R0320**	424,275
MCR floor	**R0330**	235,708
Combined MCR	**R0340**	235,708
Absolute floor of the MCR	**R0350**	3,700
		C0070
Minimum Capital Requirement	**R0400**	235,708