

Mandatum Group

January- September 2023 result

8th November 2023

Disclaimer

This presentation may contain forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Mandatum believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

Important factors that may cause such a difference for Mandatum include but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment, (iv) developments in capital markets and (v) change in interest rate levels.

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Jan-Sep 2023 Highlights

Continued solid performance and successful listing of Mandatum

Strong Client AuM growth due to €544 million net flows and positive market movements

Stable fee result and good net finance result supported by increased discount rate

Organic capital generation of €233 million

Pro forma Solvency II ratio improved further from June

Successful partial demerger from Sampo, Mandatum listed on Nasdaq Helsinki since 2 October

Institutional and WM –segment driving growth

INSTITUTIONAL AND WEALTH MANAGEMENT CUSTOMERS

- The segment has been the core of growth during the year 2023, despite the challenging operating environment.
- At the end of September, the net inflows of the segment are already at a higher level than any full year before. Inflow growth has been driven by fixed income products.
- International institutional customers and UHNWI customers have shown strong growth in both absolute and relative terms.

CORPORATE CUSTOMERS

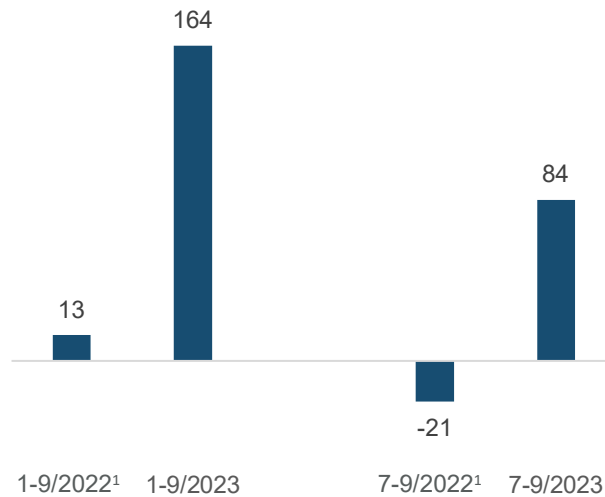
- The challenges in the economic environment have not significantly affected the success of corporate customers, and the business area continued a stable growth path.
- The corporate customer segment kept feeding Institutional and Wealth management segment inflows at a growing pace. The improving results of the cooperation between corporate and wealth management sales has contributed especially HNWI and UHNWI inflows.

RETAIL CUSTOMERS

- On 15th September, Mandatum and Danske Bank announced yet another 5-year continuation of their cooperation.
- The continuation of the cooperation gives good possibilities to further develop the cooperation and the services offered to Danske Bank customers
- In September, it was announced that Mandatum will transfer risk insurance portfolio of approx. 50,000 agreements to If Livförsikring Ab. The portfolio consists of agreements sold and managed by If, and the transfer is expected to happen during autumn 2024.

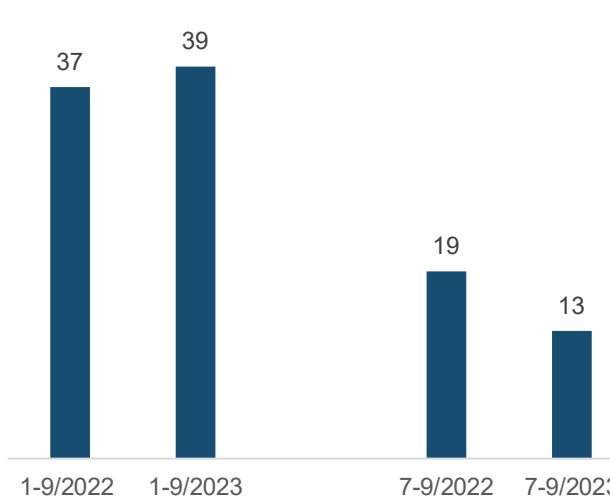
Strong growth on comparable result

PROFIT BEFORE TAXES



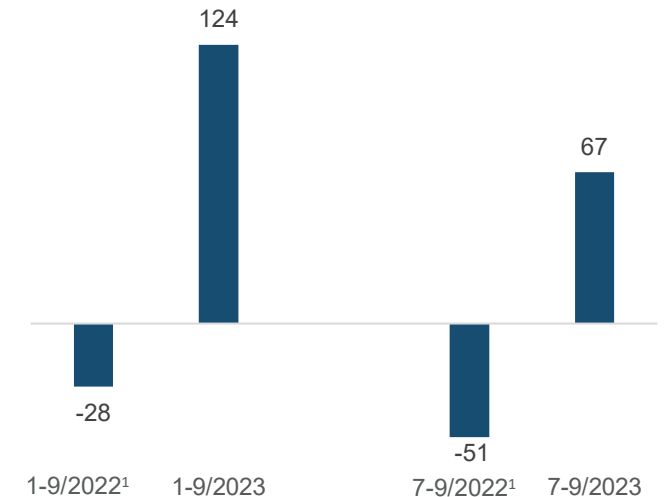
- Comparable profit before taxes increased by €151m
- Growth driven mainly by increased net finance result

FEE RESULT



- 7-9/2022 fee result included €8.5m performance fee
- Positive effect of €8.5m largely offset by accounting effects in 1-9/2022
- Fee result growth well in line with average AuMs between 2022 and 2023

NET FINANCE RESULT



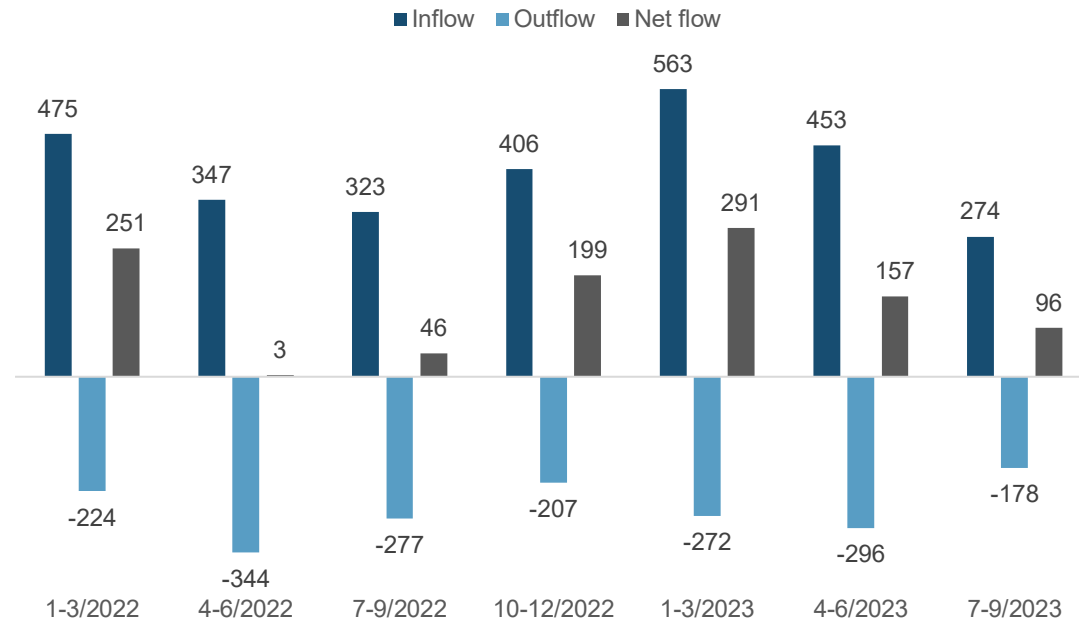
- YTD investment return for original portfolio 3.6%, clearly exceeding cost of liabilities
- Increased discount rate of with-profit liabilities supported the good net finance result

Note: (1) Year 2022 adjusted for IFRS 9

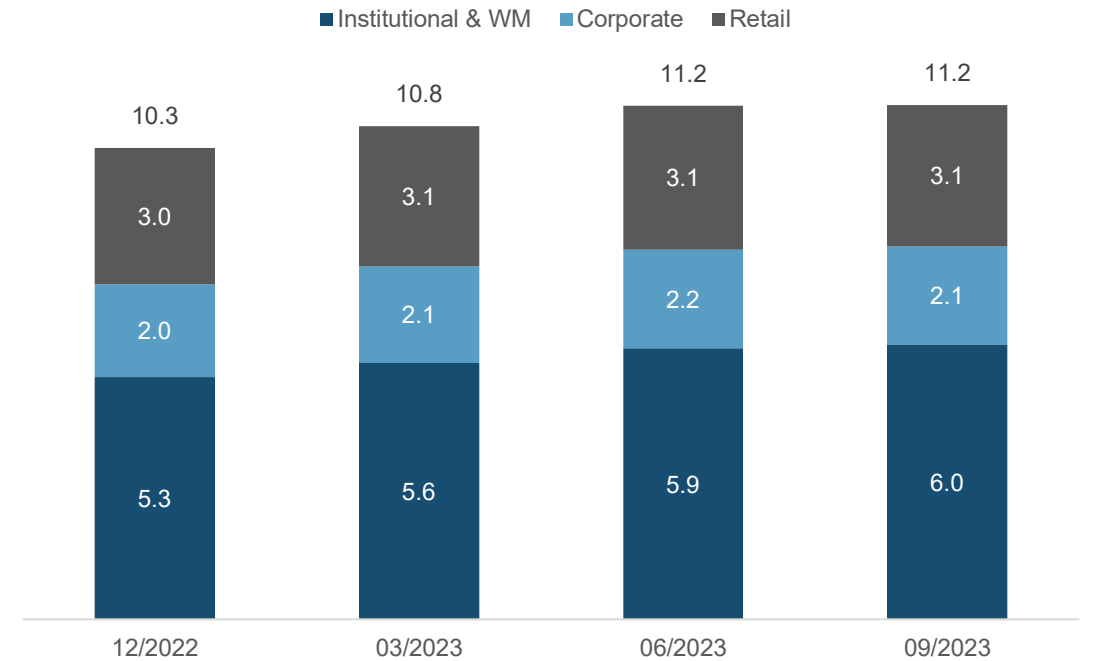
Net flow exceeding target

Both net flow and client AuM progressed according to plan

NET FLOW (€M)



CLIENT ASSETS UNDER MANAGEMENT (€BN)



- YTD net flow + €544m (+ €300m)
- Net flows at a record high level, with 93% of the net flow coming from the Institutional and Wealth Management segment
- Q3 net flow below Q1 and Q2 due to holiday season, as normal

- YTD AuM + €935m and in Q3 + €14m
- All-time high AuM €11.2M
- Majority of growth comes from the Institutional and Wealth Management segment and fixed income assets

Financial performance

Overview of the 7-9/2023 results

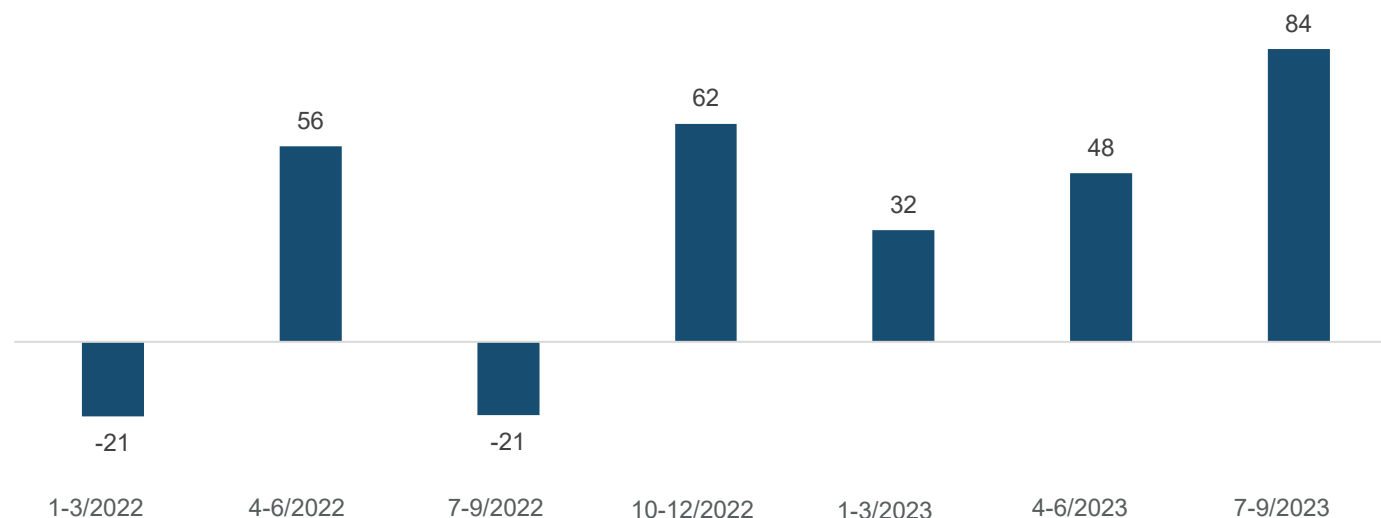
Significant result improvement due to strong net finance result

€m	RESULTS					
	7-9 / 2023	7-9 / 2022	Change	1-9 / 2023	1-9 / 2022	Change
Fee result	13	19	-6	39	37	2
Insurance service result	7	2	5	23	6	17
Fee result from from investment and asset management services	6	17	-11	17	31	-15
Net finance result¹	67	-51	118	124	-28	151
Investment return	28	-129	157	148	-514	662
Unwinding and discounting of liabilities	39	78	-39	-25	486	-511
Result related to risk policies	7	0	8	10	4	6
CSM and RA release	10	4	6	19	10	8
Other insurance service result	-2	-4	2	-9	-6	-2
Other result	-3	11	-14	-9	-0	-9
Total PBT¹	84	-21	105	164	13	151

Note (1): Year 2022 net finance result also with fair values i.e. is comparable with year 2023 result.

Strong Q3 supported by increased discount rate

PBT BY QUARTERS



Q3 COMMENTS

- Net finance result increased by €118m from €-51m to + €67m
- Q3 good investment result due to positive asset return of 0.5% and especially due to increased discount rate.
- Q3 fee result in line with Q1 and Q2; Q3 2022 includes one off item €8.5m

€m	1-3/22	4-6/22	7-9/22	10-12/22	1-3/23	4-6/23	7-9/23
Fee result	10	8	18.7 ¹	6	14	12	13
Net finance result	-24	47	-51	78	13	43	67

Note (1): Includes one off item €8.5m

Result by segments

Expected transfer of IF portfolio supported retail segment result by €3 million

RESULTS 1-9/2023							
€m	Institutional	Corporate	Retail	With Profit	Other	Total	1-12/2022
Fee result	15	10	14	0	0	39	43
Insurance service result	0	11	11	0	0	23	10
Fee result from investment and asset management services	15	-2	3	0	0	17	33
Net finance result¹	0	0	0	119	5	124	50
Investment return				143	5	148	-433
Unwinding and discounting of liabilities				-25		-25	484
Result related to risk policies	0	3	7	0	0	10	9
CSM and RA release	0	10	8	0	0	19	14
Other insurance service result	0	-8	-1	0	0	-9	-5
Other result	0	-5	-2	11	-13	-9	-27
Total PBT	15	8	19	129	-8	164	76

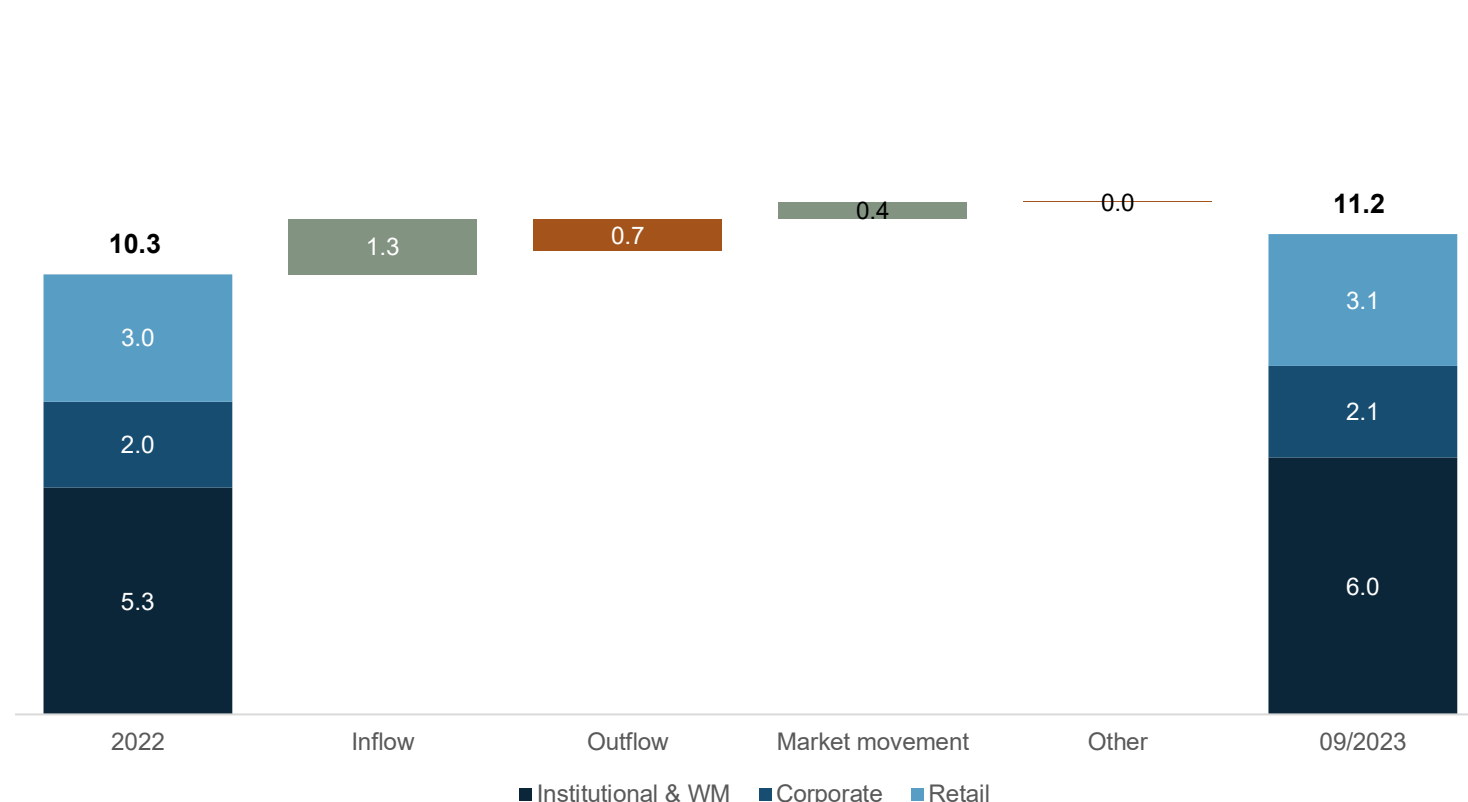
Note: (1): Year 2022 net finance result with fair values i.e. is comparable with year 2023 result.

Capital-light segments

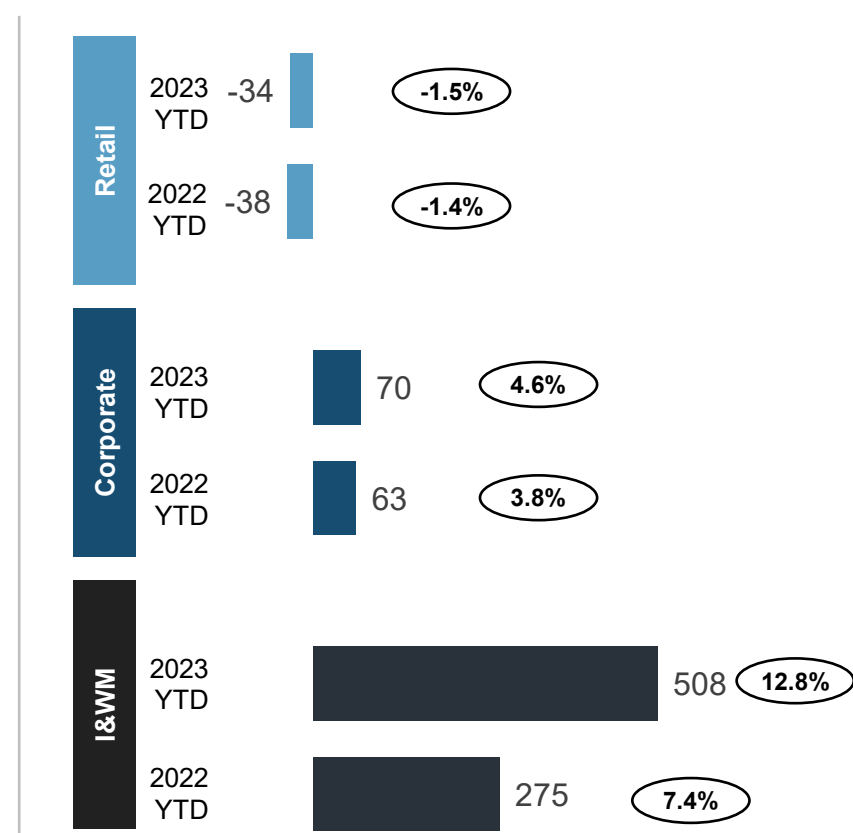
Development of total client assets under management

Growth driven by Institutional and Wealth management customers – Stable growth in Corporate customers

DEVELOPMENT OF CLIENT ASSETS UNDER MANAGEMENT (€BN)



NET FLOWS DEVELOPMENT (€M)



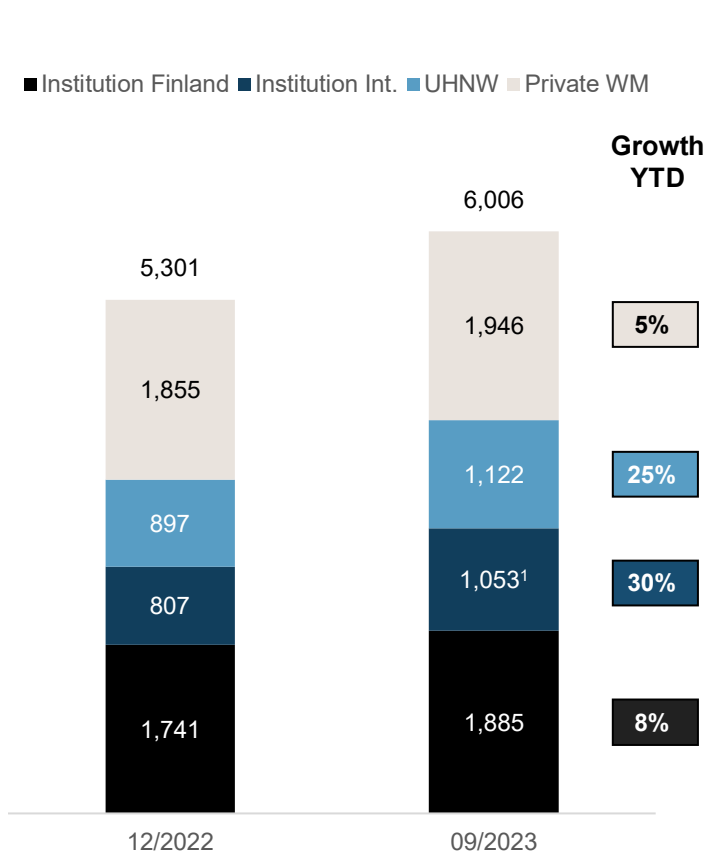
Note: (1) Based on annualized 1-9/2023 and 1-9/2022 net flows

○ Net flows / BoP AuM ¹

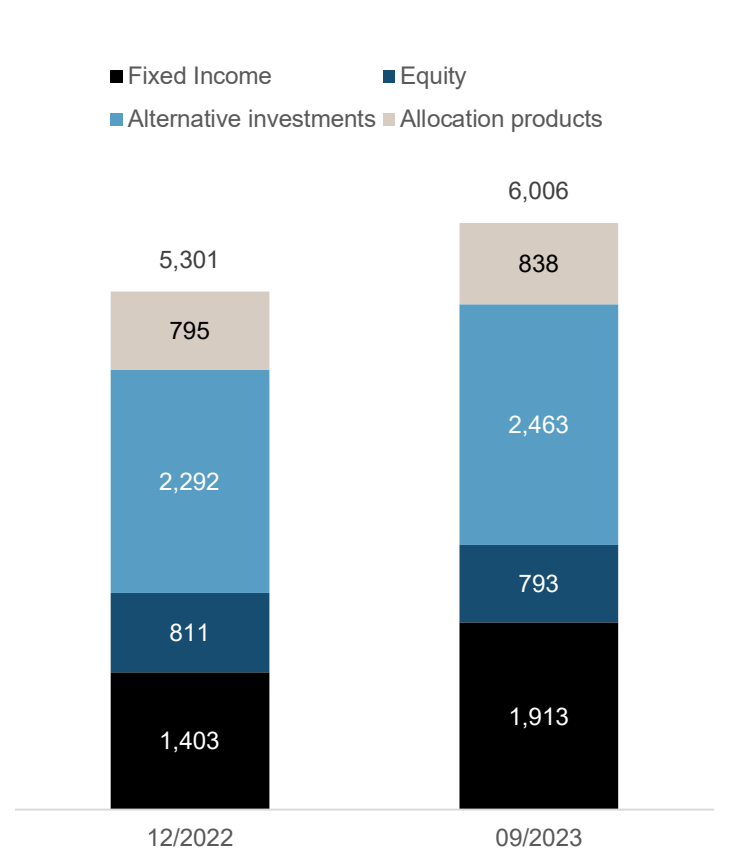
Institutional & wealth management as the core of growth

Net flow growth driven especially by UHNWI and International Institutional customer groups

AUM BY CUSTOMER GROUP (€M)



AUM BY PRODUCT (€M)



COMMENTS

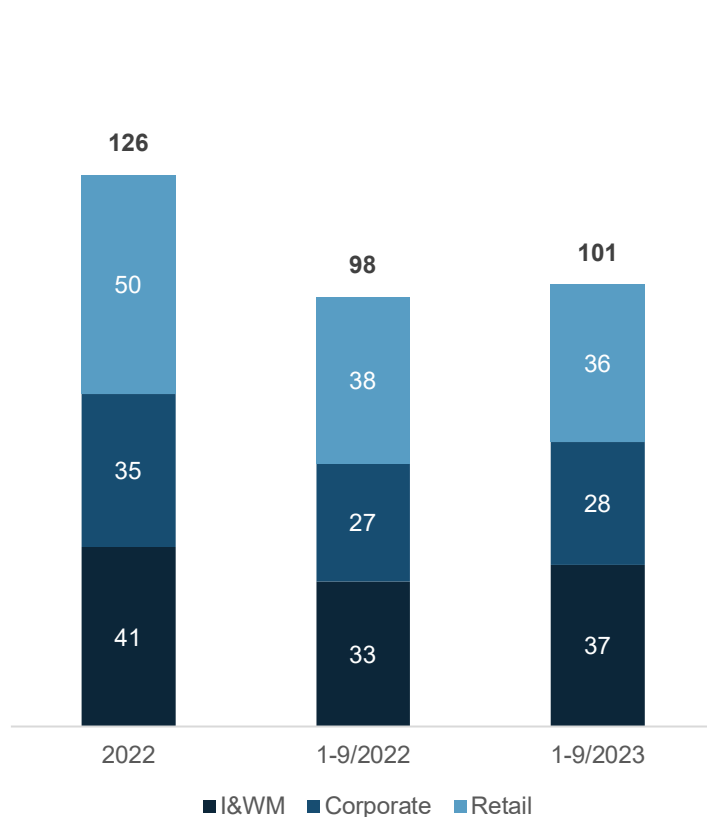
- Net inflows continued at record pace, even considering the typically slow July and August
- UHNWI and international institutional customer groups were driving inflow growth
- Credit funds performed well and collected over €100m new inflow combined in Q3.
- As proof of good market positioning and product mix, our allocation products also continued to collect inflows during Q3

Note: (1) excluding EUR 490 million fee-generating uncalled commitments

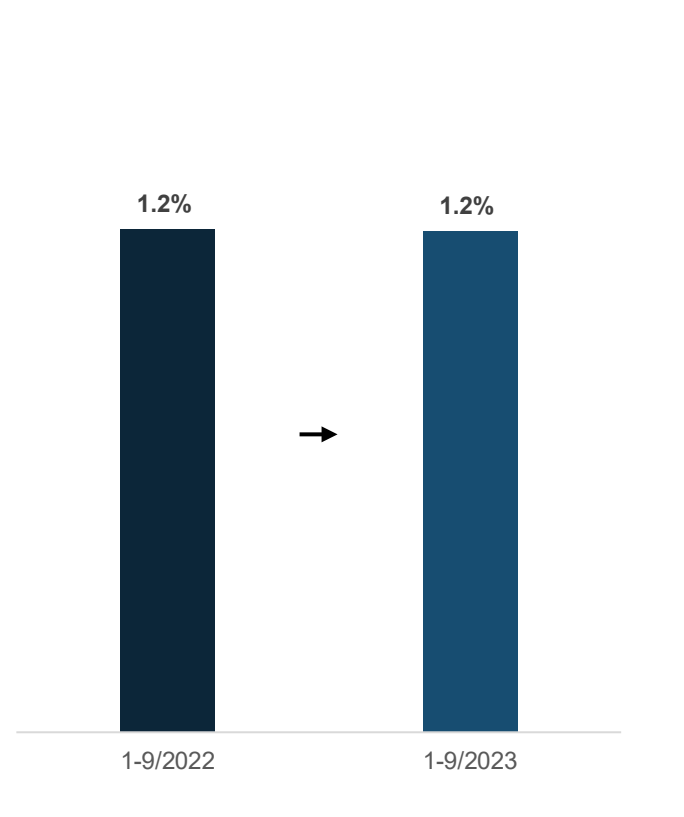
Fee income development and composition

Stable fee margin and fee income growth in line with AuM

FEE INCOME DEVELOPMENT (€M)¹



STABLE FEE INCOME MARGIN (%)²



COMMENTS

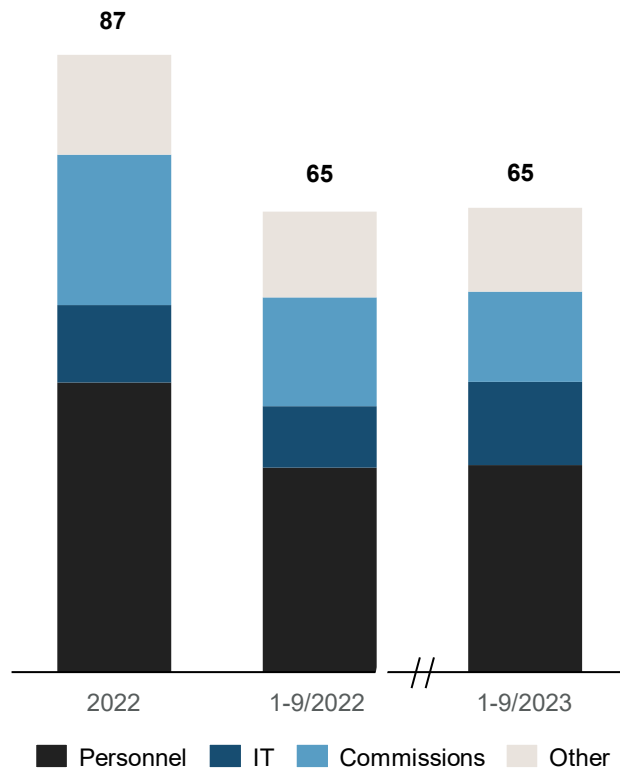
- Stable 1.2% fee margin.
- Average AuM in 1-9/2023 around 3% higher than in 1-9/2022 → fee margin development in line.
- New sales and growth mainly in fixed income assets

Note: (1) Related to Client AuM, i.e. excluding AuM from With-profit and Large Mandates. Excluding one-off items and intra-group eliminations. (2) Based on average AuM and annualized fee income.

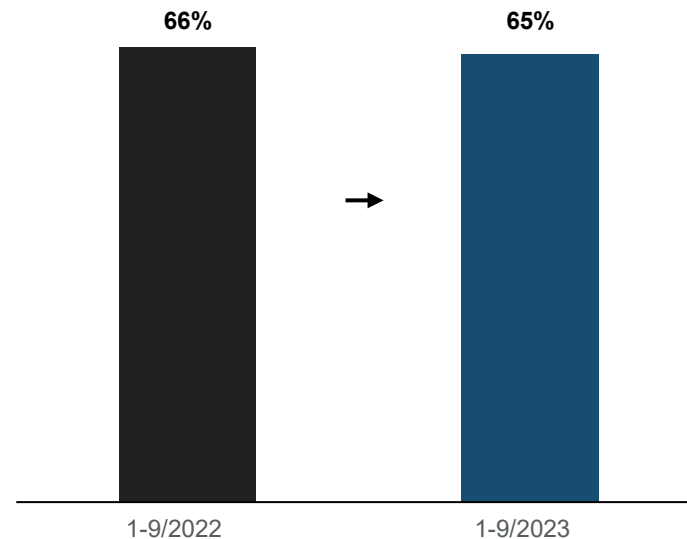
Cost development and structure

Stable cost development but growth on fixed costs

COST DEVELOPMENT (€M)



STABLE OVERALL C/I RATIO (%)¹



COMMENTS

- Total costs stable, but fixed type costs increased which is offset by lowering variable costs.
- IT-expenses + €3.4m driven by inflation and development costs
- Commissions, mainly related to Danske portfolio, down by €2.6m mainly due to lower retail segment AuM
- Within personnel expenses, increase of €3.9m due to FTE growth.

Note: (1) C/I ratio in investment and asset mgmt. services 75%

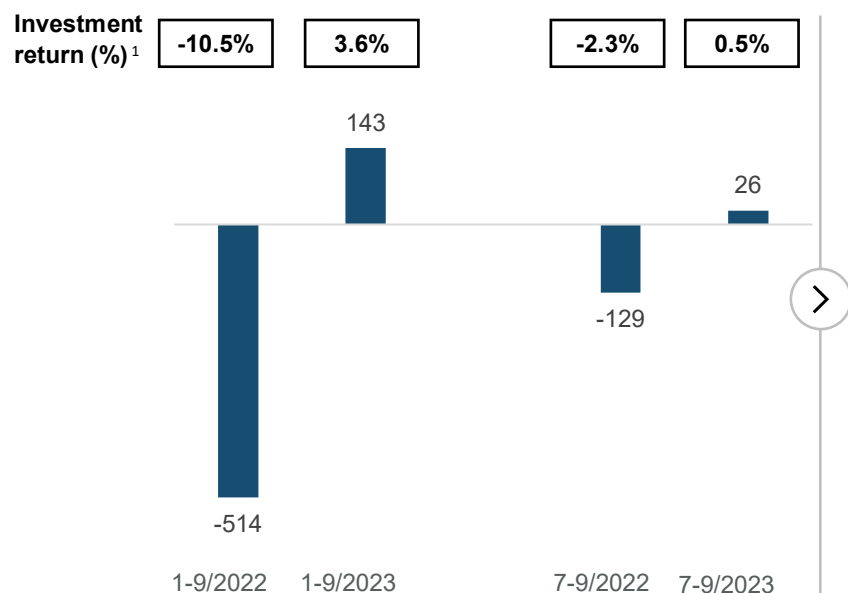
With-profit segment

Assets and liabilities

Net finance result development

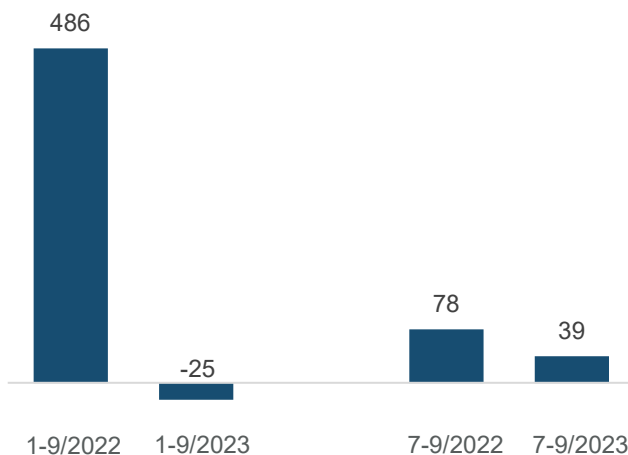
Strong quarter thanks to positive asset return and especially due to an increased discount rate

INVESTMENT RETURNS (€M)



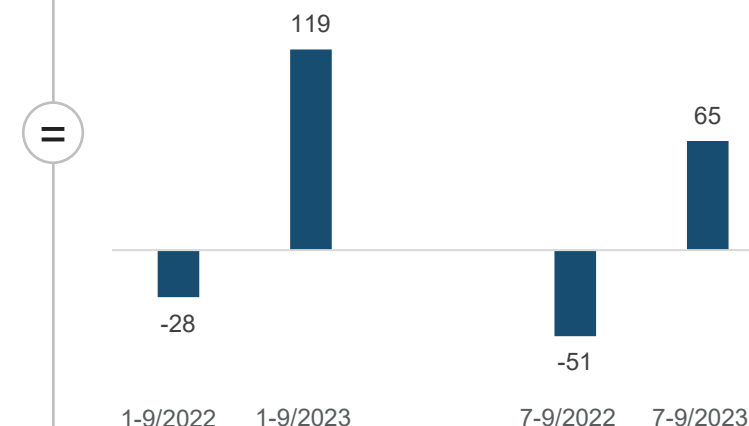
- Good 3.6% investment return supported by a strong return from fixed income assets.

COST OF LIABILITIES I.E. UNWINDING & DISCOUNT (€M)



- Increased discount rate decreased liabilities by €51m in Q3
- Unwinding cost is around €17m per quarter

NET FINANCE RESULT (€M)



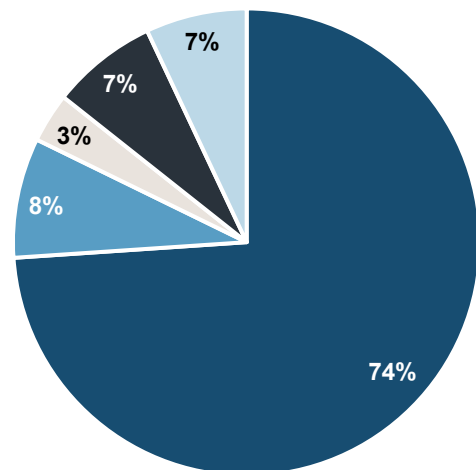
- Q3 net finance result driven by the increased discount rate
- Year 2022 negative and volatile due to significant market movements and more risky asset allocation

Note: (1) YTD return % related to the original portfolio and comments also related to original portfolio

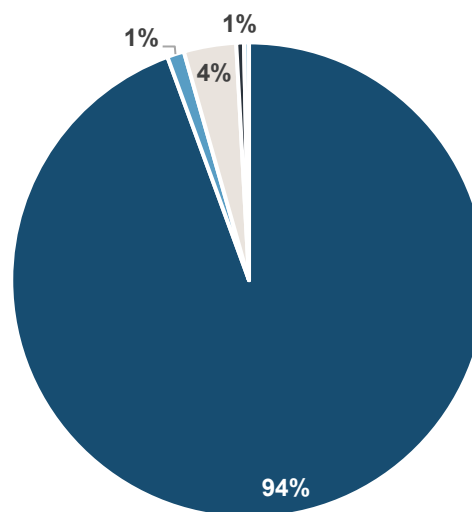
With-profit investment portfolio by asset class

Stable allocation and higher MtoM-yield

ORIGINAL PORTFOLIO €3,467M



SEGREGATED PORTFOLIO, €680M



■ Fixed income ■ Listed Equity ■ Real Estate ■ Private Equity ■ Private Credit

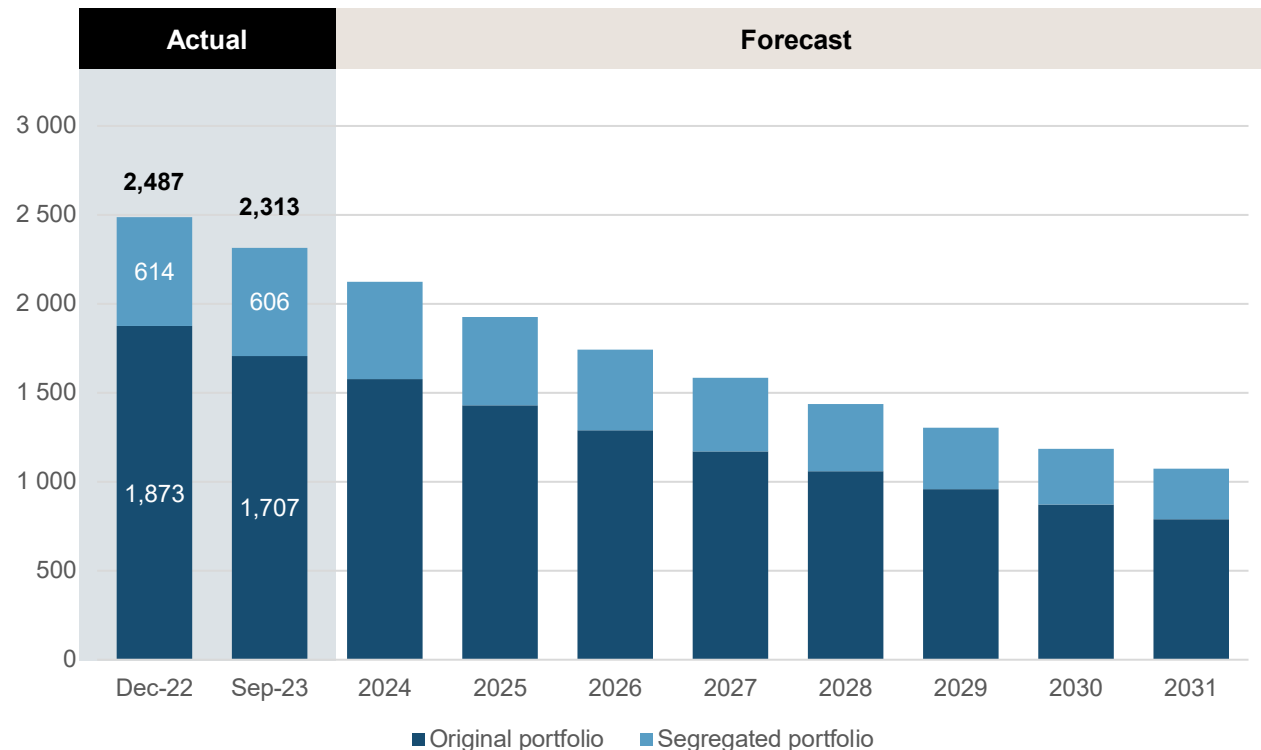
COMMENTS

- Original Portfolio
 - No material changes in asset allocation in Q3.
 - Hedging plan completed in Q3 → in total, 66% of liability interest rate risk covered with fixed income assets and swaps
 - Money market dropped from 16% to 11% due to repayment of €100m RT1 loan
 - Fixed income asset mark-to-market yield 6.2% (June 2023 5.9%)
- Segregated Portfolio
 - No material changes in asset allocation in Q3
 - Mark-to-market Yield 5.7% (June 2023 5.7%)

With-profit liability run-off profile

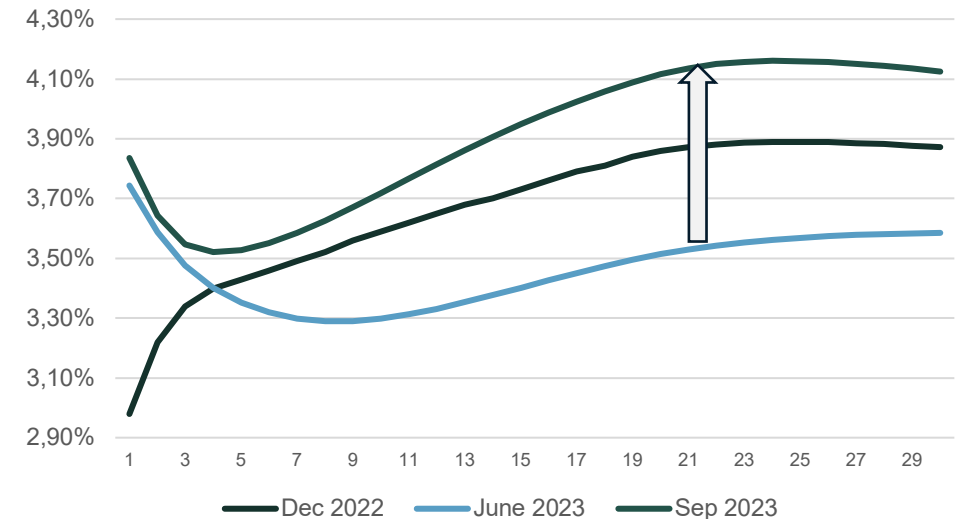
With-profit portfolio continued to decrease as planned

DEVELOPMENT IN WITH-PROFIT LIABILITES (€M)



IFRS 17 DISCOUNT CURVE

- Discount curve increased materially in Q3 which decreased with-profit liabilities by €51 million since June

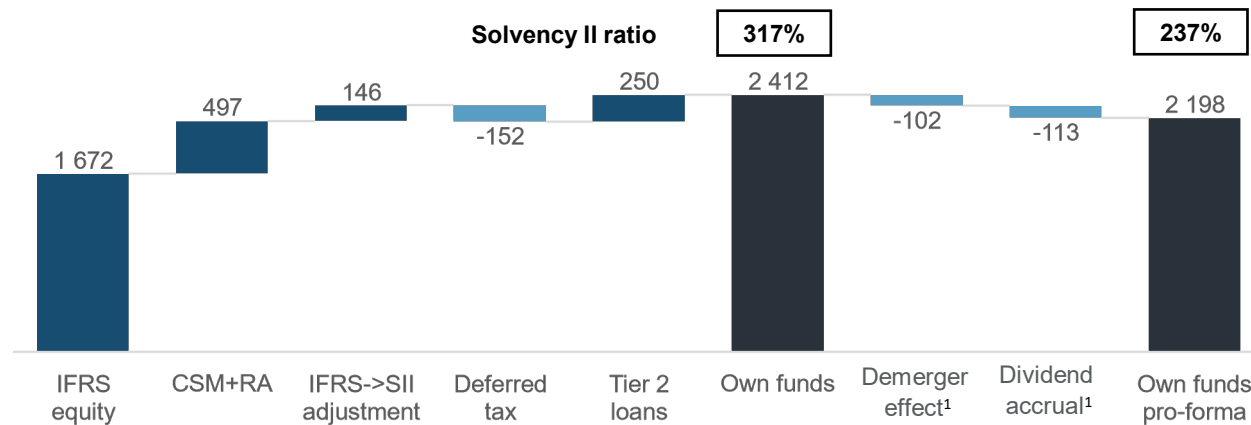


Solvency and capital generation

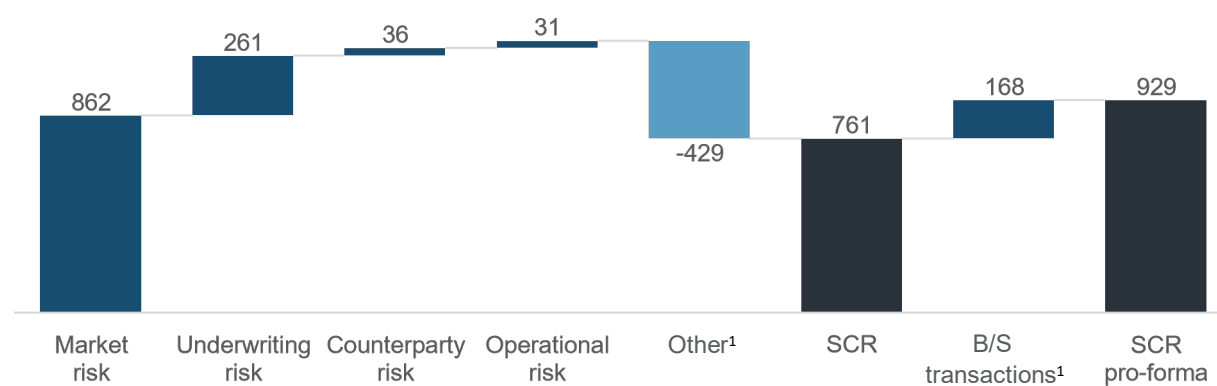
Solvency II position

High-quality capital position with resilient Solvency II ratio across market shock scenarios

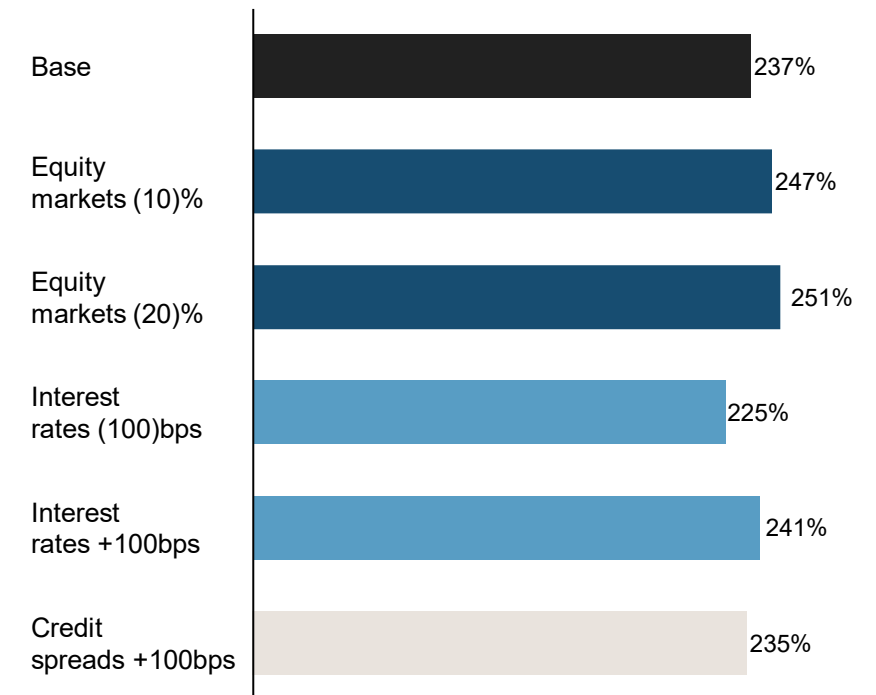
BREAKDOWN OF OWN FUNDS (7-9/2023; €M)



BREAKDOWN OF SCR (7-9/2023; €M)



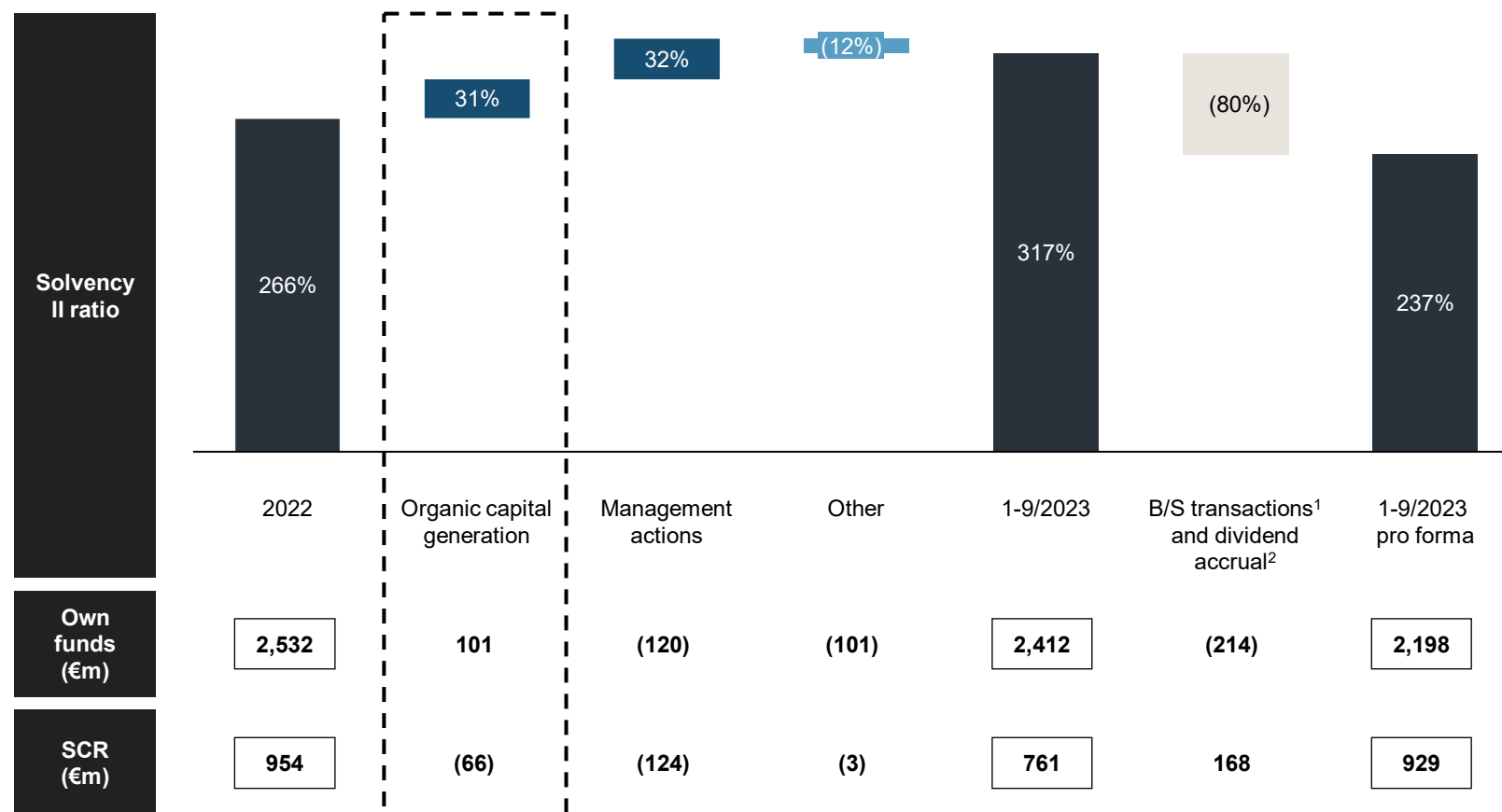
SOLVENCY II RATIO SENSITIVITY (7-9/2023 PRO FORMA¹)



Note (1): Pro forma figures include (i) debts (€102m) transferred from Sampo (lii) B/S transactions which are still pending (Saxo Bank A/S, Enento Group Plc and Kaleva Mutual (iii) dividend on accrual basis based on year's 2022 dividend (€150m). Other item on SCR includes loss absorbing capacity of technical provisions, loss absorbing capacity of deferred taxes, SCR attributable to other financial institutions and diversification benefits.

Key drivers of capital generation

Organic capital generation and WP investment portfolio de-risking driving Solvency II ratio development



KEY DRIVERS

Organic capital generation

- Stable growth of fee result and strong net finance result
- Predictable, continuous run-off of with-profit liabilities

Management actions

- Repayment of €100m restricted tier 1 instrument and effect of agreed If-portfolio transfer
- Significant de-risking of with-profit investment portfolio slightly offset by already executed B/S transactions¹

Other

- Changes in contract boundaries and recalculation of transitional measure

B/S transactions¹ and dividend accrual²

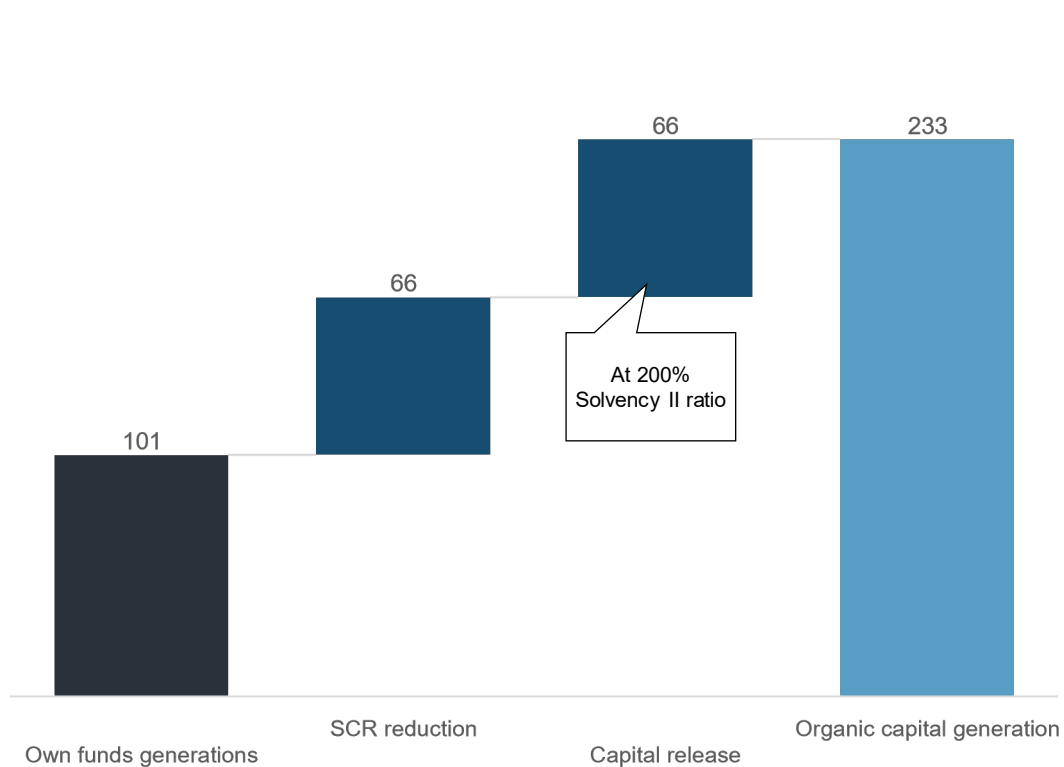
- Pending B/S transactions (mainly Saxo Bank A/S and Enento Group Plc)
- Demerger effect on own funds due to debt
- Dividend accrual

Note: (1) Agreed balance sheet transactions between Sampo Plc and Mandatum and demerger effect on own funds (Mandatum Plc's share of general debt of Sampo Plc). (2) Dividend on accrual basis based on year's 2022 dividend level.

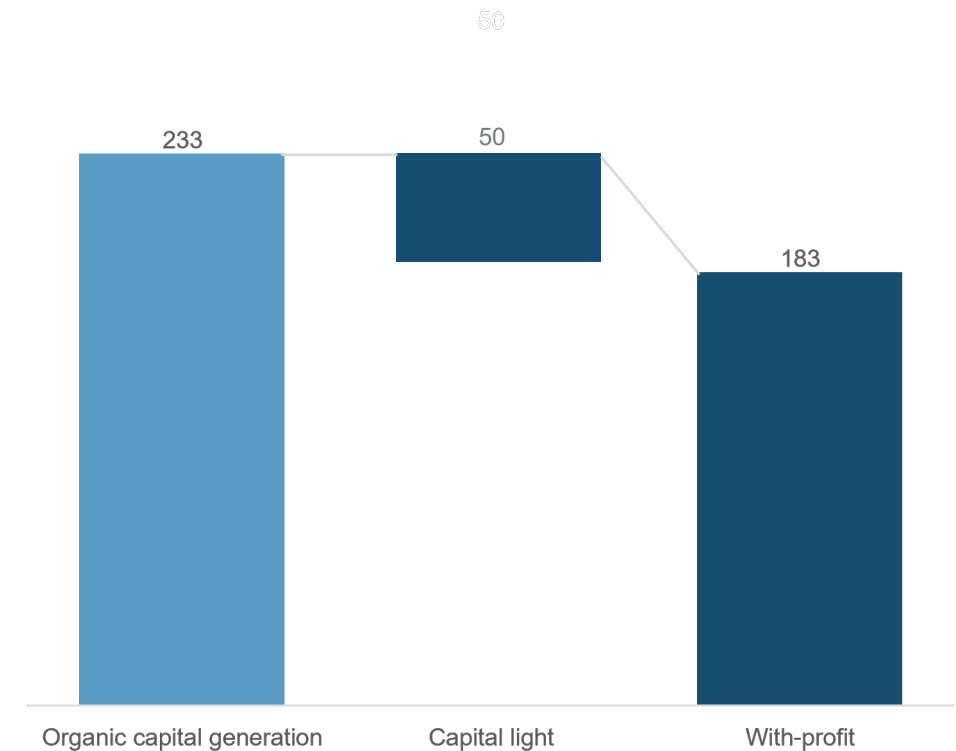
Overview of organic capital generation

Strong generation on own funds due to good net finance result and SCR reduction in line with expectations

COMPONENTS (1-9/2023; €M)



SEGMENTAL CONTRIBUTION (1-9/2023; €M)



Outlook

Outlook for 2023

Mandatum's capital-light business related to client AuM is anticipated to achieve the targeted annual net flows of 5 per cent in 2023. The annual net flows are subject to market conditions and client behaviour. While we have been able to maintain disciplined pricing and stable fee margins within each of our capital-light customer segments during Q3, the fee result for 2023 is also dependent on the developments in capital markets.

With respect to Mandatum's with-profit segment, we remain confident in the long-term trajectory of decreasing the liabilities of the run-off portfolio, although annual volatility may occur.

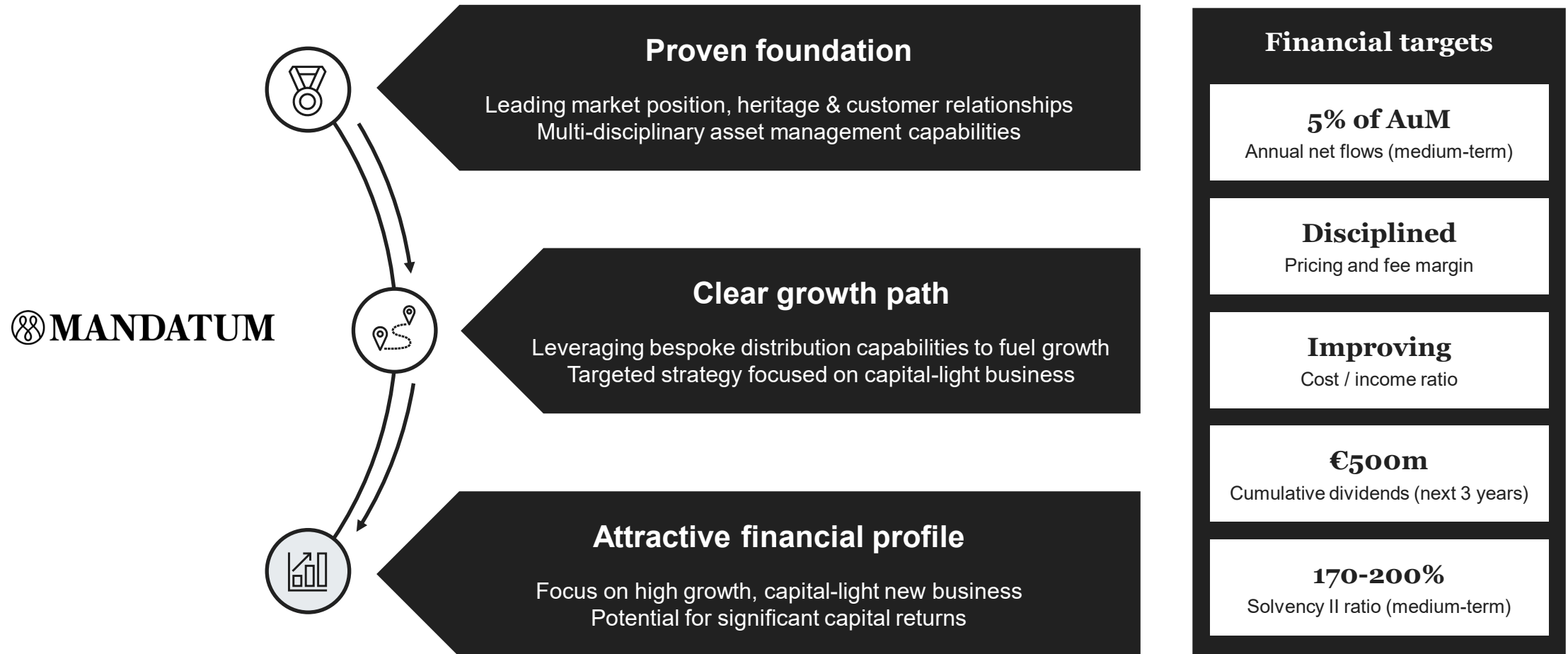
The net finance result will be influenced by capital markets' developments, despite Mandatum having significantly de-risked the with-profit portfolio. In addition, and as typical for the industry, the overall results of Mandatum will be impacted by actuarial assumptions that will be updated from time to time.

Appendix

Supporting materials

One of the leading financial services provider in Finland

Strong growth of capital-light product offering while managing with-profit portfolio for capital release



Sustainability at Mandatum

Sustainability is at the core of Mandatum's business and encompasses three key themes

MONEY AS A DRIVER OF CHANGE

- Mandatum has committed to the UN's Principles for Responsible Investment and monitors its investments on the basis of i.e. the UN Global Compact principles
- Continuous integration of responsibility and sustainability aspects in Mandatum's investment process

IT ALL COMES DOWN TO PEOPLE

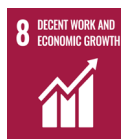
- Through its business operations, Mandatum strives to promote a good working life and improve the financial security of Finns
- Our services help our client companies improve their competitiveness responsibly and ensure that entrepreneurs and employees receive enough income when they retire or face financial challenges

LEADING BY EXAMPLE

- Taking responsibility for personnel and sustainable ways of operating ensures successful business
- Taking care of personnel ensures customer satisfaction and puts the company in an even better position to achieve success

Q3 SUSTAINABILITY HIGHLIGHTS

- ✓ Mandatum's Sustainability Strategy was published



- ✓ Mandatum became participant of the UN Global Compact



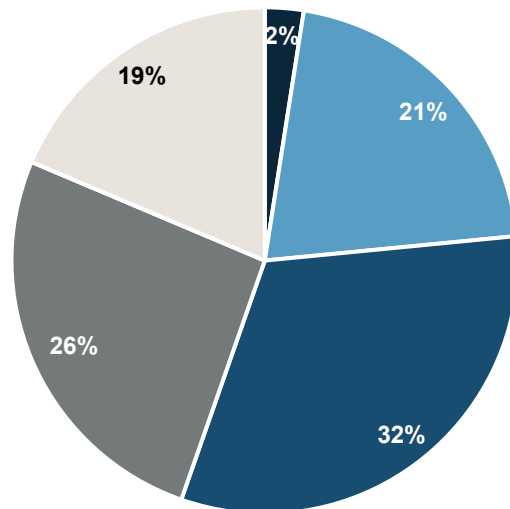
- ✓ Mandatum's direct real estate investments and the special common fund Mandatum AM Finland Properties II earned 4/5 stars in the Global Real Estate Sustainability Benchmark assessment



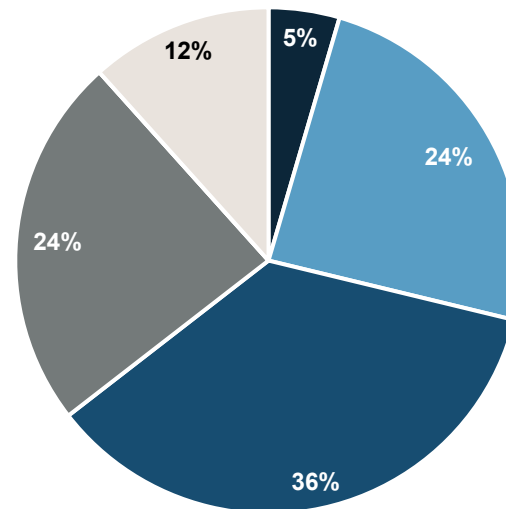
With-profit investment portfolio by credit rating

De-risking continued in fixed income assets in 7-9/2023

ORIGINAL PORTFOLIO



SEGREGATED PORTFOLIO



■ AA+/AA- ■ A+/A- ■ BBB+/BBB- ■ BB+/C ■ D ■ Not rated

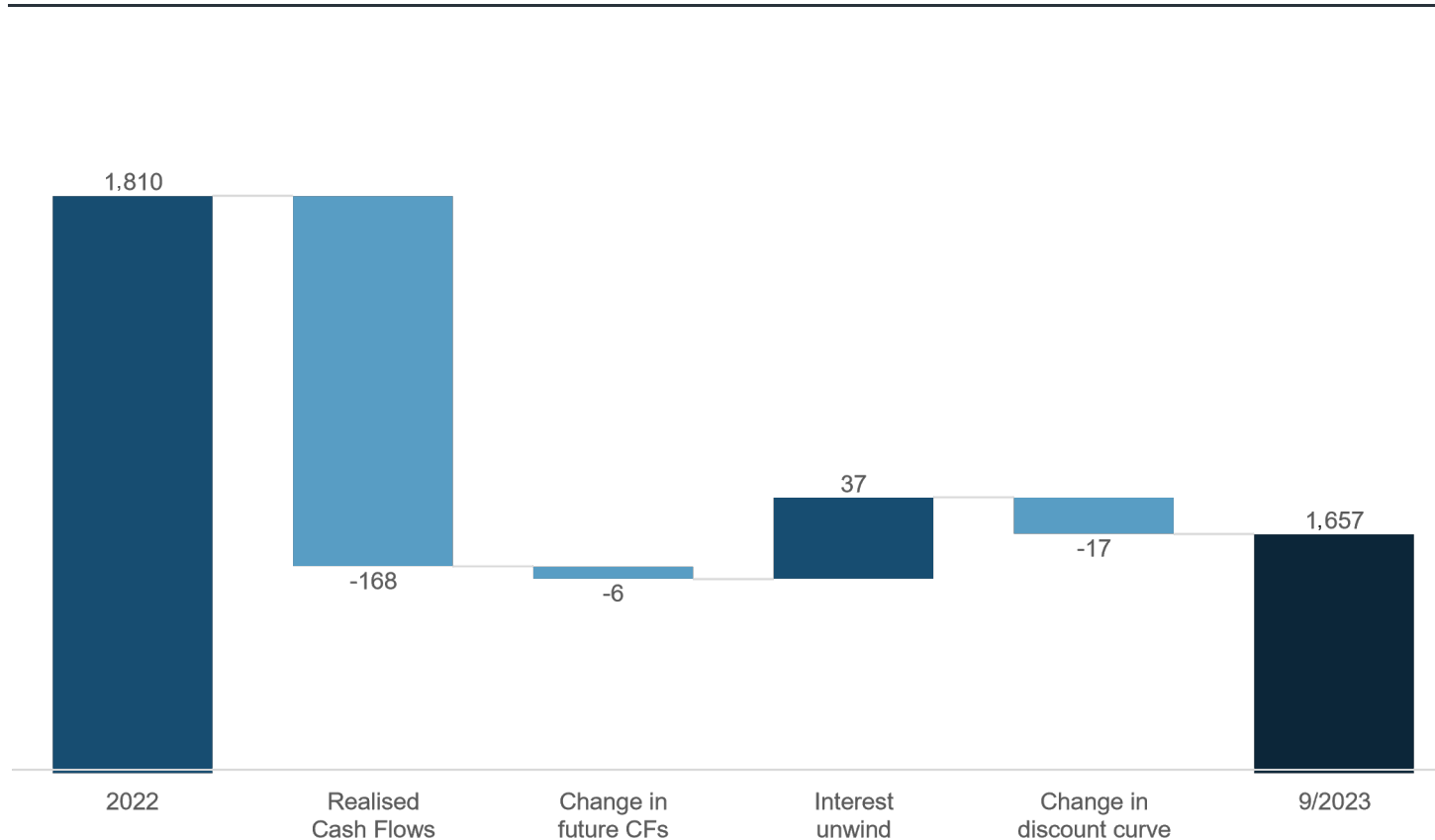
COMMENTS

- New investments mainly made in investment grade bonds
- Original Portfolio
 - Investment grade asset allocation 55% up by 8pp since year end
 - High yield assets 26% down by 4 pp
 - Non-rated assets 19% down by 4 pp
 - 2pp movement from HY/NR to IG in Q3
- Segregated Portfolio
 - 65% invested in IG bonds (61% in 2022)

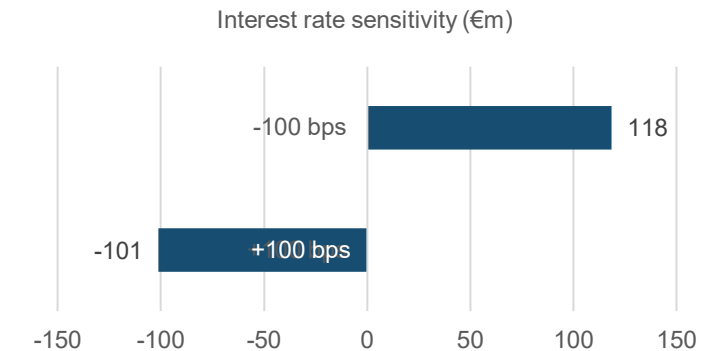
With-profit liabilities 1-9/2023 – Original portfolio

Portfolio decreasing according to expectations

DEVELOPMENT OF PRESENT VALUE OF FUTURE CASH FLOWS



SENSITIVITY (IFRS LIABILITIES)



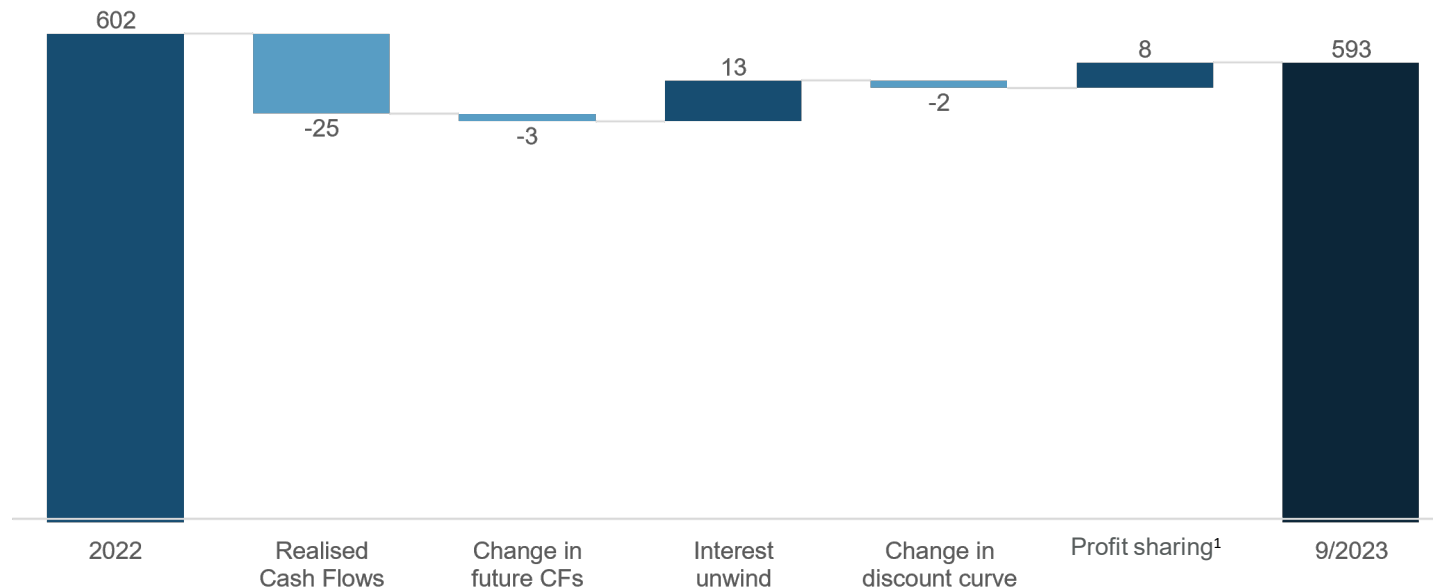
- Liabilities decreased by 8.5% in January-September, of which Q3 share was 5.0%-points due to material upward movement in discount rate
- Net cash flows in line with expectations

Present value of future cash flows i.e. graph above is without Risk adjustment (€17m) and Contractual service margin (€33m).

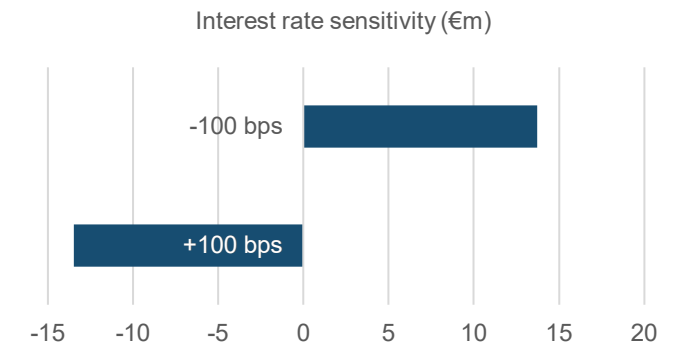
With-profit liabilities 1-9/2023 – Segregated portfolio

IFRS 17, Segregated group pension portfolio

DEVELOPMENT OF PRESENT VALUE OF FUTURE CASH FLOWS



SENSITIVITY (IFRS LIABILITIES)



- Liabilities decreased 1.5% in January-September
- Segregated portfolio's liabilities increased by €8m due to the profit sharing arising from a positive investment return.

Note: (1) Change in future bonuses due to the profit sharing based on actual investment return.

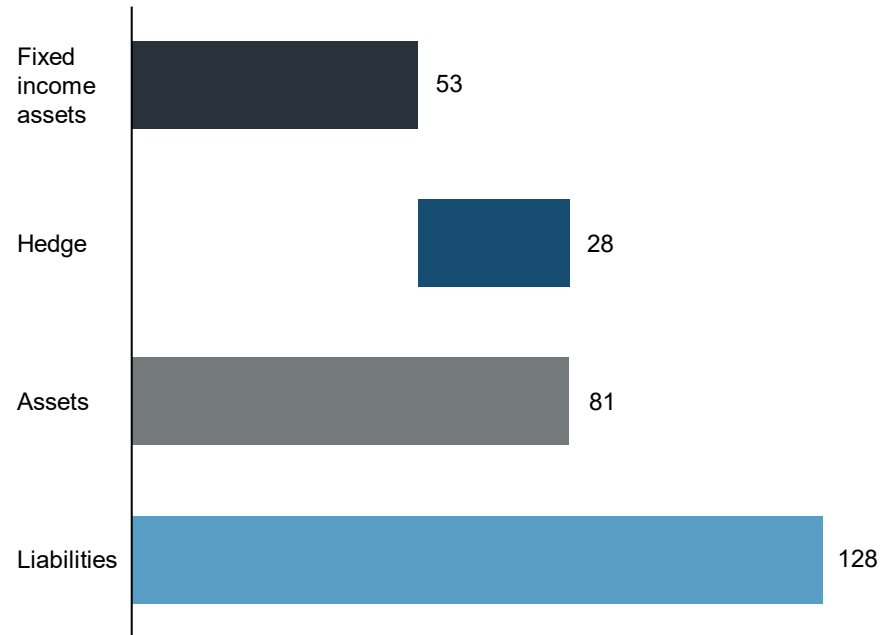
Present value of future cash flows i.e. graph above is without Risk adjustment (€6m) and Contractual service margin (€8m).

With-profit asset and Solvency II liability¹ interest rate sensitivities

Fixed income assets and hedges covering majority of Solvency II liability risk

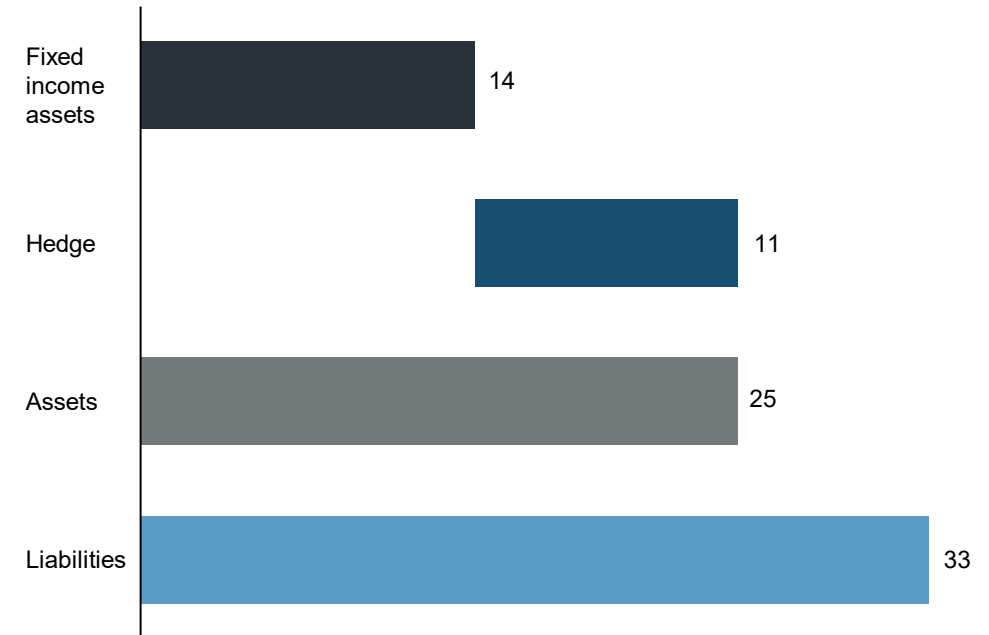
ORIGINAL PORTFOLIO

Change in present value of expected cash flows (€m) for (100)bps parallel shift in interest rates



SEGREGATED PORTFOLIO

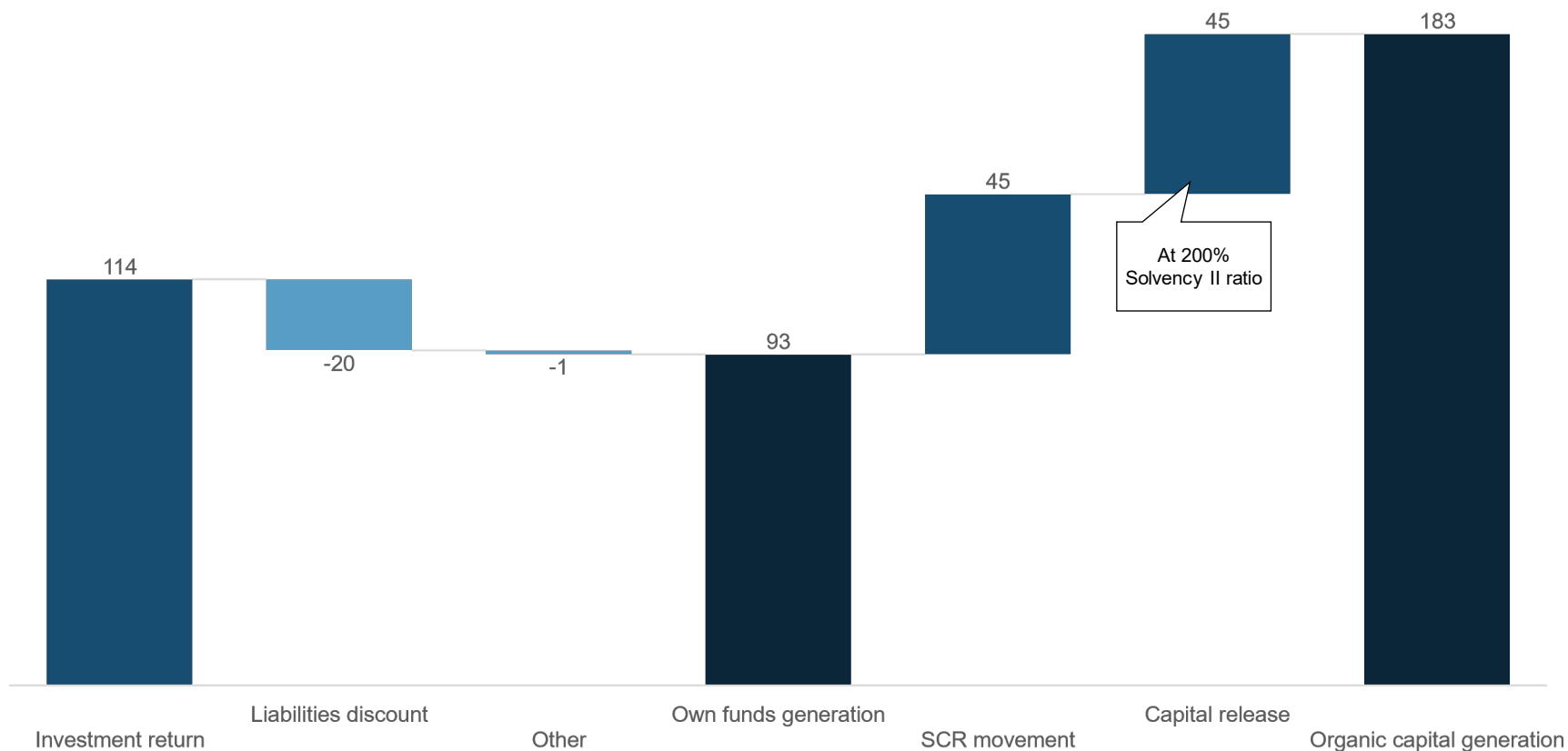
Change in present value of expected cash flows (€m) for (100)bps parallel shift in interest rates



Note (1): Liability based on Solvency II best estimate cash flows w/o changes on expected client bonuses

Capital generation of with-profit (1-9/2023, €m)

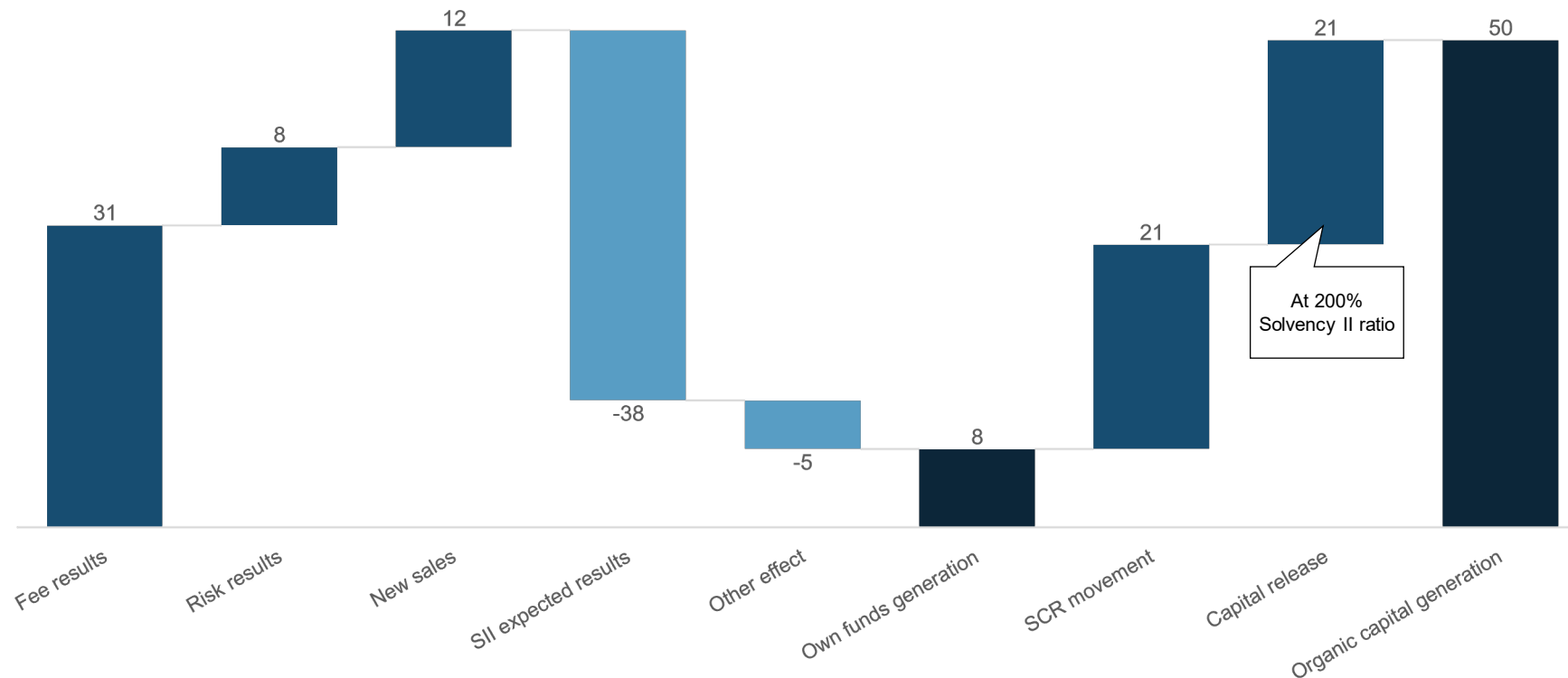
Positive organic capital generation driven by net finance result and SCR release



- Total organic capital generation from with-profit business €183m.
- Own funds generation of €93m driven by positive net finance result arising from asset return exceeding cost of liabilities and from an increased discount rate.
- SCR reduction of €45m from with-profit insurance savings development. Capital generation of €90m by applying target solvency ratio of 200%.

Capital generation of capital-light business (1-9/2023, €m)

Capital generation driven by SCR release

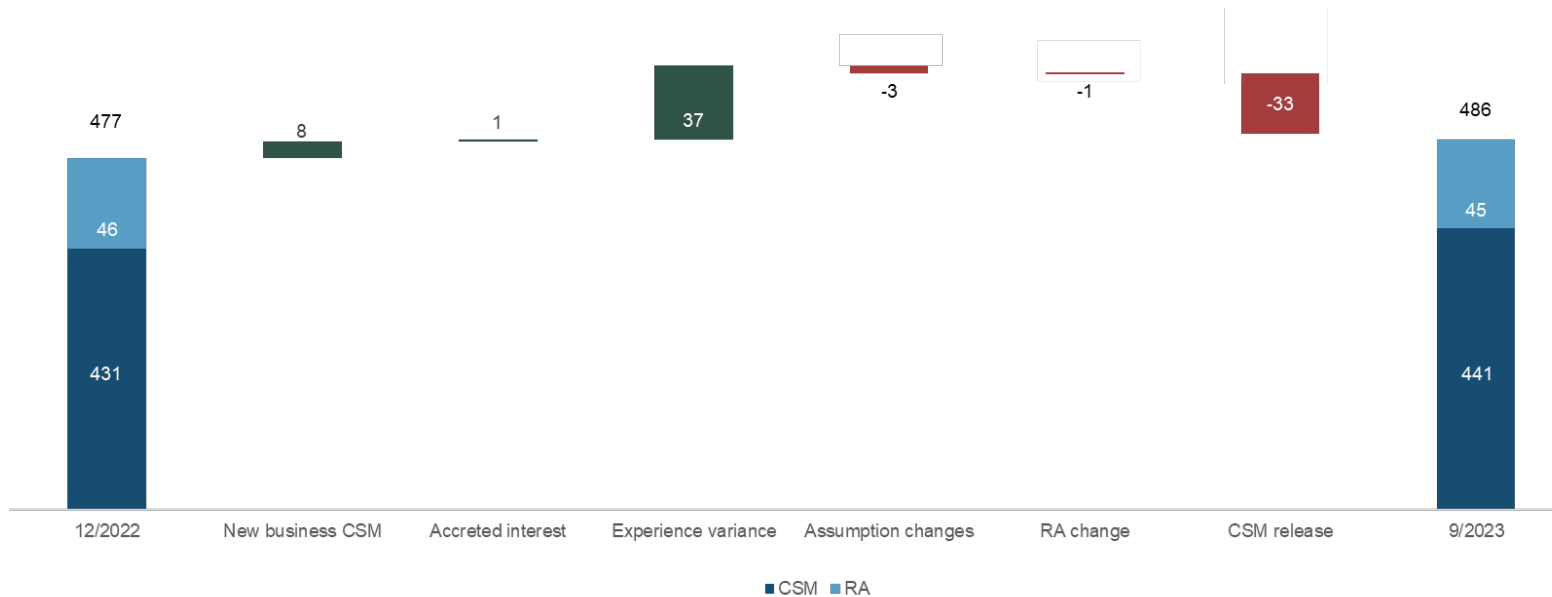


- Total organic capital generation from capital-light business €50m.
- Own funds generation of €8m driven mainly by new sales.
- SCR reduction of €21m as new sales requires less capital than is released from existing portfolio. Capital generation of €42m by applying target solvency ratio of 200%.

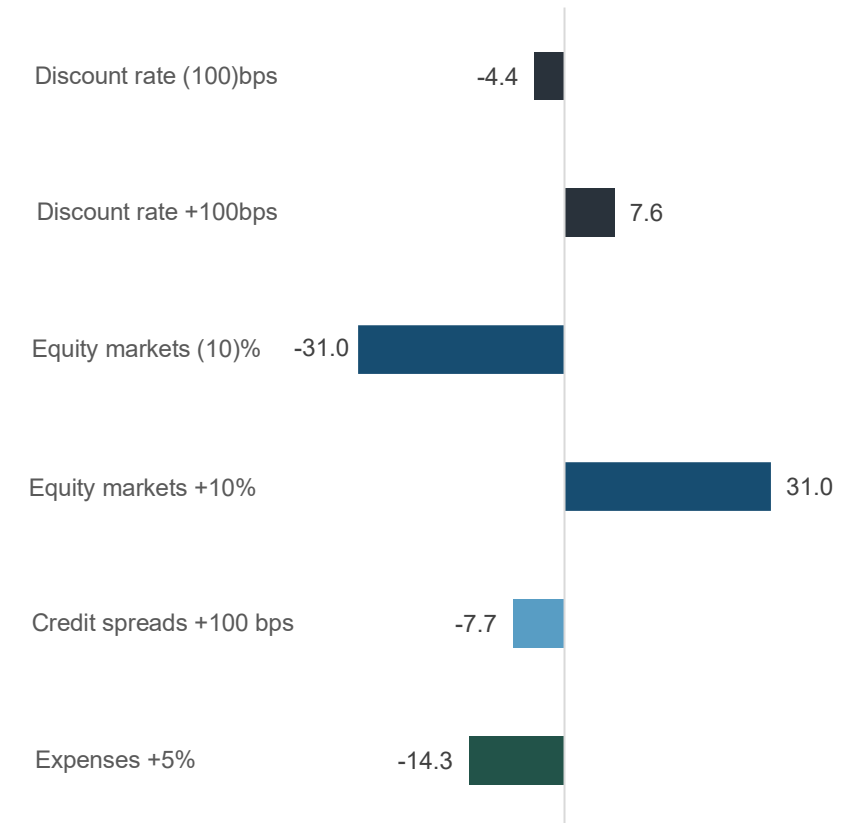
CSM development – Q3 2023

CSM development and CSM sensitivities

CSM AND RA DEVELOPMENT (1-9/2023; €M)



CSM SENSITIVITY (1-9/2023; €M)

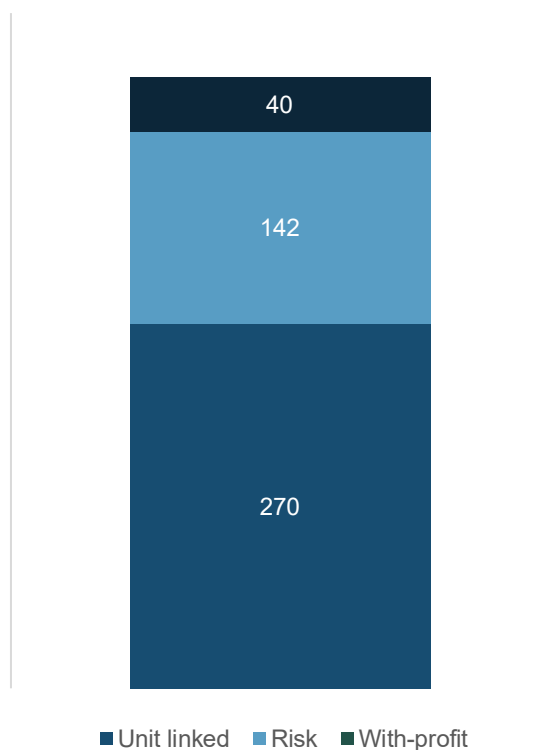


- **Positive CSM development due to higher than expected AUM growth.**
- **Figures without individual risk policies sold by If; related CSM €10m and RA €0,3m.**
- **New business CSM related entirely to risk policies**
 - New unit-linked business after 01 January 2023 recognized as IFRS 9 contracts

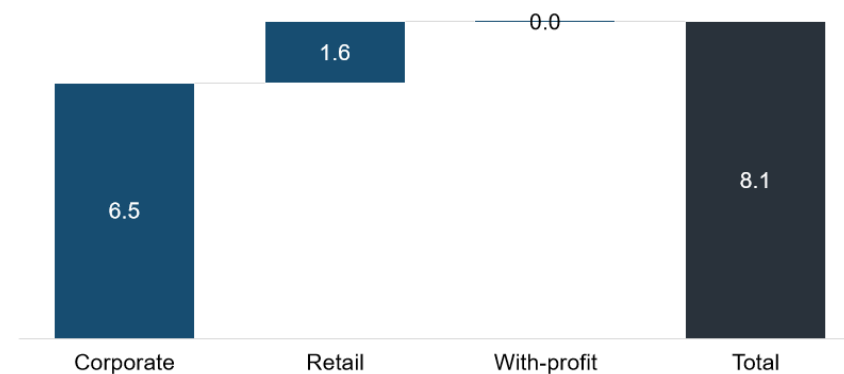
CSM breakdown

IFRS 17 CSM by product type, and new business CSM by segment

CSM BY SEGMENT (9/2023; €M)



NEW BUSINESS CSM (1-9/2023; €M)



CSM RELEASE (1-9/2023; €M)

