

# MANDATUM LIFE INSURANCE BALTIC SE

## INTERIM REPORT 1-2Q/2014

Business name: MANDATUM LIFE INSURANCE BALTIC SE

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Beginning of reporting period: 01.01.2014

End of reporting period: 30.06.2014

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

## Table of Contents

<b>I. MANAGEMENT REPORT IN 1-2Q 2014 .....</b>	<b>3</b>
1. MANAGEMENT OF THE COMPANY .....	3
2. BUSINESS RESULTS OF THE COMPANY .....	3
3. PERSONNEL OF THE COMPANY .....	4
4. SALES AND DEVELOPMENT ACTIVITIES .....	4
5. OTHER ACTIVITIES .....	4
<b>II. SIGNATURES OF THE MANAGEMENT BOARD .....</b>	<b>6</b>
<b>III. STATEMENT OF FINANCIAL POSITION .....</b>	<b>7</b>
<b>IV. STATEMENT OF COMPREHENSIVE INCOME.....</b>	<b>8</b>
<b>V. QUARTERLY STATEMENT OF COMPREHENSIVE INCOME .....</b>	<b>9</b>
<b>VI. STATEMENT OF CASH FLOWS.....</b>	<b>10</b>
<b>VII. STATEMENT OF CHANGES IN OWNER'S EQUITY .....</b>	<b>11</b>
<b>VIII. NOTES .....</b>	<b>12</b>
1. BASIS OF PREPARATION .....	12
2. PROPERTY, PLANT AND EQUIPMENT .....	12
3. INTANGIBLE ASSETS.....	12
4. RELATED PARTY DISCLOSURES .....	13

## I. Management report in 1-2Q 2014

Mandatum Life Insurance Baltic SE (hereinafter referred to as the Company) belongs to a Finnish financial group Sampo Group. The Company is a fully owned subsidiary of Mandatum Life Insurance Company Ltd.

The Company is domiciled within Estonia with its headquarters in Tallinn and it operates through branches in Latvia and Lithuania.

The Company's core activities include offering investment, wealth management and life insurance solutions through unit-linked life insurance to private and corporate customers in the Baltic states.

### 1. Management of the Company

The Company's Management Board had five members at the end of the second quarter of 2014. The chairman of the Management Board and the CEO is Imre Madison. Other members of the Management Board are Erkki Sadam, responsible for the Company's legal and procurement matters; Ilona Stare, responsible for Latvian Sales and Latvian Branch Manager; Rasa Kasperaviciute, responsible for policy administration, IT management, risk management, product development, financial management and insurance technical matters; and Timo Pursiala, responsible for business control matters and investment management.

The Lithuanian country manager is Dormantas Zajancauskas. The Company's Chief Actuary is Rasa Povilaviciute. The Company's Internal Auditor is Arlet Rebane.

The Company's Supervisory Board had three members at the end of the second quarter of 2014. Timo Laitinen, the Senior Vice President of Mandatum Life Insurance Company Ltd. is the acting Chairman of the Supervisory Board. The other members of the Supervisory Board are Jukka Pirskanen, the Executive Vice President of Mandatum Life Insurance Company Ltd. and Paula Salonen, the CEO of Kaleva, a Finnish life insurance company.

### 2. Business results of the Company

As at 30.06.2014, the Company serviced a total of 33 603 (35 029) life insurance contracts. The biggest share of total insurance contracts, 70% of all the insurance contracts in force at the end of the second quarter of 2014 consisted of unit-linked insurance contracts, a total of 23 448 (23 629). As at 30.06.2014, the Company had 36 966 (38 173) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 20 339 (15 100) thousand euros in the two first quarters of 2014.

As at 30.06.2014, the Company's client assets under management (AUM) amounted to 170 189 (151 591) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 156 664 (134 133) thousand euros and 92% (88) of clients' total AUM as at 30.06.2014.

The Company's market share (based on contractual payments received) of the first six months of 2014 was 11.6% (10.4). The market share by countries based on contractual payments received for the first six months of 2014 in Estonia was 15.2% (10.8), in Latvia 7.2% (7.8) and in Lithuania 11.7% (11.1). Since 2006, the Company no longer concludes new savings insurance contracts with guaranteed interest nor does it provide the opportunity for the clients of second pension pillar to make annuity payments.

The Company's market share (based on contractual payments received from unit-linked investment contracts) of the first six months of 2014 was 20.3% (17.6). The Company's market share by countries based on contractual payments received from unit-linked investment contracts for the first six months of 2014 in Estonia was 31.0% (21.6), in Latvia 19.9% (22.7) and in Lithuania 17.4% (15.7).

In the first six months of 2014 the Company paid claims in the amount of 11 884 (13 297) thousand euros. The majority of pay-outs were expiries, partial surrenders and surrenders of unit-linked insurance contracts.

As for the management of investments (technical provision and the Company's own capital portfolios), the Company cooperates with Sampo plc. Net income from investment activities (net of investment expenses) in the

Baltic countries in the first six months of 2014 was positive, totalling to 623 (136) thousand euros. Investment income of the Company's own capital portfolio in the first six months of 2014 was positive, amounting to 223 (72) thousand euros.

As of 30.06.2014, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) was 27 030 (26 647) thousand euros. At the end of the first six months of 2014, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds.

As at 30.06.2014, owner's equity was 10 749 (10 374) thousand euros, of which 3 516 (3 516) thousand euros was formed by share capital.

As at 30.06.2014 the total amount of assets included in the available solvency margin was 10 020 (9 570) thousand euros, the required solvency margin was 2 606 (2 419) thousand euros and the solvency surplus was 7 414 (7 151) thousand euros.

The Company's acquisition and administrative expenses in the first six months of 2014 amounted to 2 911 (3 110) thousand euros. Acquisition expenses accounted for 63% (58%) of all operational expenses in the first six months of 2014 in the Baltic countries.

In the first six months of 2014, Mandatum Life Insurance Baltic SE's profit for the period amounted to 177 (-709) thousand euros. The Company's profit in the first six months quarter of 2014 was affected positively by increased gross written premiums, positive net income from investment activities and controlled operational expenses.

The Company's balance sheet volume amounted to 181 624 (162 657) thousand euros as at 30.06.2014. Technical provisions from insurance contracts amounted to 13 525 (13 341) thousand euros at the end of the first six months of 2014; financial liabilities from investment contracts were 39 349 (30 315) thousand euros and financial liabilities from insurance contracts formed 117 315 (107 935) thousand euros.

### *3. Personnel of the Company*

As at 30.06.2014 there were 99 (112) employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 1 629 (1 759) thousand euros. The Supervisory Board members were not remunerated. The Company paid remuneration (including taxes) to members of the Management Board for carrying out their tasks which amounted to 155 (205) thousand euros.

### *4. Sales and development activities*

In the first six months of 2014, the Company's main sales channel was its own sales teams and Danske Bank in Estonia and Lithuania. Additionally, sales-related cooperation continued with If P&C and with insurance brokers in all three Baltic countries and with insurance agents in Lithuania.

In the second quarter of 2014, the Company continued active sales of unit-linked and term life insurance products by offering additional discounts for clients in all sales channels.

Since the second quarter of 2014, the Company offers accident and critical illness insurance riders through Danske Bank's sales network in Estonia.

### *5. Other activities*

The Company's external auditor was Ernst & Young Baltic AS.

The Company's reinsurer was Mandatum Life Insurance Company Ltd.

The Company's investment risk and operational risk management is performed regularly via the Company's Baltic risk management committees.

The Company belongs to the Estonian, Latvian and Lithuanian Insurance Associations and is the founding member of the Estonian Service Industry Association.




Imre Madison  
Chairman of the Management Board

In Tallinn, 27 August 2014

## II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1-2Q of 2014 on pages 7-14.

Imre Madison                      Chairman of the Management Board                                            27.08.2014

Erkki Sadam                      Member of the Management Board                                            27.08.2014

### III. Statement of financial position

in thousands of euros	30.06.2014	31.12.2013	Notes
<b>Assets</b>			
Cash and cash equivalents	82	307	
Reinsurers' share of insurance liabilities	58	53	
Financial assets			
- Financial instruments	179 867	168 627	
- Receivables related to insurance activities and other	275	258	
Accrued income and prepaid expenses	483	456	
Deferred tax assets	104	104	
Property, plant and equipment	26	47	VIII.2
Intangible assets	729	761	VIII.3
<b>Total assets</b>	<b>181 624</b>	<b>170 613</b>	
<b>Liabilities and owner's equity</b>			
Insurance payables	188	175	
Accrued expenses and deferred income	498	564	
Financial liabilities for insurance contracts	117 315	112 885	
Financial liabilities for investment contracts	39 349	33 037	
Technical provision for insurance contracts	13 525	13 380	
<b>Total liabilities</b>	<b>170 875</b>	<b>160 041</b>	
Share capital	3 516	3 516	
Share premium	3 509	3 509	
Legal reserve	262	262	
Retained profits	3 462	3 285	
<b>Total owner's equity</b>	<b>10 749</b>	<b>10 572</b>	
<b>Total liabilities and owner's equity</b>	<b>181 624</b>	<b>170 613</b>	

## IV. Statement of Comprehensive Income

in thousands of euros	1-6/2014	1-6/2013
Gross premiums	1 833	1 810
Premiums ceded to reinsurers	-224	-213
<b>Net premiums</b>	<b>1 609</b>	<b>1 597</b>
Investment income	339	342
Fair value gains and losses	382	-121
Realised gains and losses	-39	-20
Investment expenses	-59	-64
<b>Net income from investments</b>	<b>623</b>	<b>137</b>
Fee income	1 160	1 110
Reinsurance commission income	89	83
Other income	634	631
<b>Total other revenue</b>	<b>1 883</b>	<b>1 824</b>
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-813	-1 238
Increase of insurance technical provisions net of reinsurance	-148	163
<b>Net insurance claims and change of technical provisions</b>	<b>-961</b>	<b>-1 075</b>
<b>Change in value of unit-linked financial liabilities and assets</b>	<b>-8</b>	<b>-15</b>
<b>Change in value of financial liabilities from insurance contracts with guaranteed interest</b>	<b>-58</b>	<b>-67</b>
Acquisition expenses	-1 876	-1 851
Administrative expenses	-1 035	-1 259
<b>Total expenses</b>	<b>-2 911</b>	<b>-3 110</b>
<b>Profit before income tax</b>	<b>177</b>	<b>-709</b>
Income tax	0	0
<b>Profit/loss for the reporting period</b>	<b>177</b>	<b>-709</b>
Other comprehensive income		
Exchange differences	0	0
<b>Total comprehensive income for the reporting period</b>	<b>177</b>	<b>-709</b>



## V. Quarterly Statement of Comprehensive Income

in thousands of euros	4-6/2014	4-6/2013
Gross premiums	923	921
Premiums ceded to reinsurers	-112	-107
<b>Net premiums</b>	<b>811</b>	<b>814</b>
Investment income	169	171
Fair value gains and losses	207	-151
Realised gains and losses	-39	-2
Investment expenses	-29	-32
<b>Net income from investments</b>	<b>308</b>	<b>-14</b>
Fee income	589	573
Reinsurance commission income	43	44
Other income	320	310
<b>Total other revenue</b>	<b>952</b>	<b>927</b>
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-358	-477
Increase of insurance technical provisions net of reinsurance	-157	-79
<b>Net insurance claims and change of technical provisions</b>	<b>-515</b>	<b>-556</b>
<b>Change in value of unit-linked financial liabilities and assets</b>	<b>4</b>	<b>-16</b>
<b>Change in value of financial liabilities from insurance contracts with guaranteed interest</b>	<b>-30</b>	<b>-33</b>
Acquisition expenses	-952	-1 030
Administrative expenses	-494	-625
<b>Total expenses</b>	<b>-1 446</b>	<b>-1 655</b>
<b>Profit before income tax</b>	<b>84</b>	<b>-533</b>
Income tax	0	0
<b>Profit/loss for the reporting period</b>	<b>84</b>	<b>-533</b>
Other comprehensive income		
Exchange differences	0	1
<b>Total comprehensive income for the reporting period</b>	<b>84</b>	<b>-532</b>

## VI. Statement of Cash Flows

in thousands of euros	1-6/2014	1-6/2013	Notes
Cash flow from operating activities			
Premiums received	1 834	1812	
Financial liability inflow	18 474	13 160	
Paid claims and claims handling expenses related to pay-outs	-855	-1 292	
Financial liability outflow	-11 084	-12 155	
Reinsurance payments	19	-3	
Expenses	-2 886	-3 021	
Other revenue and other expenses	633	685	
Purchases of shares and investment fund units	-24 839	-18 403	
Proceeds from the sale of shares and investment fund units	18 319	18 053	
Purchases of bonds and other fixed income securities	-7 286	-4 763	
Proceeds from the sale of bonds and other fixed income securities	7 111	5 464	
Interest received	438	483	
Dividends received	3	3	
Investment expenses	-59	-65	
<b>Net cash provided by operating activities</b>	<b>-178</b>	<b>-42</b>	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-47	-58	VIII.2/VIII.3
<b>Net cash provided by investing activities</b>	<b>-47</b>	<b>-58</b>	
<b>TOTAL CASH FLOW</b>	<b>-225</b>	<b>-100</b>	
Cash and cash equivalents at the beginning of the period	307	306	
Change in cash and cash equivalents	-225	-100	
Cash and cash equivalents at the end of the period	82	206	

## VII. Statement of changes in owner's equity

in thousands of euros	Share capital	Share premium	Legal reserve	Unrealised foreign exchange rate	Retained earnings	Total equity
<b>As at 31.12.2012</b>	<b>3 516</b>	<b>3 509</b>	<b>217</b>	<b>0</b>	<b>3 841</b>	<b>11 083</b>
Loss for the financial year 2012	0	0	0	0	-511	-511
Total comprehensive loss for the year 2012	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-511</b>	<b>-511</b>
Increase of legal reserve	0	0	45	0	-45	0
<b>As at 31.12.2013</b>	<b>3 516</b>	<b>3 509</b>	<b>262</b>	<b>0</b>	<b>3 285</b>	<b>10 572</b>
Profit for the reporting period	0	0	0	0	177	177
Total comprehensive income for the reporting period	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>177</b>	<b>177</b>
<b>As at 30.06.2014</b>	<b>3 516</b>	<b>3 509</b>	<b>262</b>	<b>0</b>	<b>3 462</b>	<b>10 749</b>

## VIII. Notes

### 1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1-2 Quarters 2014 is prepared in accordance with IAS 34 "Interim Financial Reporting".

The Company's Annual Accounts for 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS). In preparing the interim financial statements, the same accounting policies and management estimates of computation are applied as in the financial statements for 2013. The annual financial statements are available on our website at [www.mandatumlife.ee](http://www.mandatumlife.ee). The accounting principles are therefore not described in this Interim Report.

All amounts in the notes are presented in thousands of euros, unless stated otherwise.

### 2. Property, plant and equipment

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2012	383	-297	86
Additions	4	0	4
Write-offs	-7	7	0
Depreciation charges	0	-43	-43
As at 31.12.2013	380	-333	47
Write-offs	-17	14	-3
Depreciation charges	0	-18	-18
<b>As at 30.06.2014</b>	<b>363</b>	<b>-337</b>	<b>26</b>

Equipment comprises of IT, office equipment and furniture.

### 3. Intangible assets

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2012	1 635	-798	837
Additions	92	0	92
Foreign exchange adjustments	-6	1	-5
Depreciation charges	0	-163	-163
As at 31.12.2013	1 635	-798	837
Additions	46	0	46
Depreciation charges	0	-78	-78
<b>As at 30.06.2014</b>	<b>1 767</b>	<b>-1 038</b>	<b>729</b>

#### 4. *Related party disclosures*

The associated parties are considered to be the parent company Mandatum Life Insurance Company Ltd, other Sampo Group's companies, and members of the Management and the Supervisory Board. As at 30.06.2014, Sampo plc held 21.2% of Nordea Bank's share capital, therefore Nordea Bank is considered as an associated company to Sampo plc.

Members of the Management Board received a total of 155 (205) thousand euros in the 1-2Q 2014 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

<b>ASSETS</b> in thousands of euros	30.06.2014	31.12.2013
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	8	12
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Limited (parent company)	182	244
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Limited (parent company)	87 835	74 412
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	71	25
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	5	6
Mandatum Life Insurance Company Limited (parent company)	155	104
<b>LIABILITIES</b> in thousands of euros	30.06.2014	31.12.2013
Insurance payables		
Mandatum Life Insurance Company Limited (parent company)	154	109
Accrued expenses and deferred income		
Sampo plc (parent company)	16	16
If P&C Insurance Company Ltd (a consolidation group enterprise)	0	2
<b>INCOME STATEMENT</b> in thousands of euros	1-6/2014	1-6/2013
Ceded premiums		
Mandatum Life Insurance Company Limited (parent company)	224	213
Reinsurance commissions		
Mandatum Life Insurance Company Limited (parent company)	89	83
Other income		
Mandatum Life Insurance Company Limited (parent company)	313	270
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Limited (parent company)	48	52
Expenses		
If P&C Insurance Company Ltd (konsolideerimisgrupi ettevõtte)	1	2
Intermediary commissions		
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	6	7
Nordea Bank Finland Plc (associated company to Sampo plc)	10	10

Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	34	36
If P&C Insurance Company Ltd (a consolidation group enterprise)	19	9
Sampo plc (parent company)	31	32
Nordea Bank Finland Plc (associated company to Sampo plc)	3	1