

MANDATUM LIFE INSURANCE BALTIC SE

INTERIM REPORT 1-3Q/2015

Business name: MANDATUM LIFE INSURANCE BALTIC SE

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Beginning of reporting period: 01.01.2015

End of reporting period: 30.09.2015

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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I. Management report in the 1-3Q of 2015

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 main business lines are sales of unit-linked insurance, term life insurance and accident or critical illness related insurance riders to private and business clients in Estonia, Latvia and Lithuania. Other main lines of business include the management of life insurance contracts with guaranteed interest. The Company does not offer annuity insurance solutions to the pension second pillar customers.

1. Management of the Company

The Company's Management Board had five members at the end of the third quarter of 2015. 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, compliance and procurement matters; Ilona Stare, Latvian Branch Manager; Rasa Kasperavičiute, responsible back-office administration and risk management, and Timo Pursiala, responsible for business control matters and investment management.

The Company's Chief Actuary is Rasa Povilavičiute. The Company's Internal Auditor is Arlet Rebane. The Lithuanian Branch Manager is Dormantas Zajancauskas.

The Company's Supervisory Board had three members at the end of the third quarter of 2015. Timo Laitinen, the Senior Vice President of Mandatum Life Finland 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 Finland, and Paula Salonen, the CEO of Kaleva, a Finnish life insurance company.

2. Business results of the Company

As at 30.09.2015, the Company serviced a total of 32,017 (as at 30.09.2014, 32,714) life insurance contracts. The biggest share of total insurance contracts, 72% of all the insurance contracts in force at the end of the third quarter of 2015 consisted of unit-linked insurance contracts (total of 23,060 (23,423) contracts). As at 30.09.2015, the Company had 40,858 (36,830) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 20,191 (29,762) thousand euros at the third quarter of 2015.

As at 30.09.2015, the Company's client assets under management (AUM) amounted to 164,426 (173,140) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 147,259 (159,632) thousand euros and 90% (92%) of clients' total AUM as at 30.09.2015.

The Company's total sum at risk valid as at 30.09.2015 was 620,154 (562,417) thousand euros.

The Company's market share (based on contractual payments received) of the third quarter of 2015 was 7.3% (11.7%). As at 30.09.2015, the market share by countries based on contractual payments received in Estonia was 6.8% (14.1%), in Latvia 7.0% (11.7%), and in Lithuania 7.5% (10.7%). 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 third quarter of 2015 was 11.6% (19.9%). As at 30.09.2015, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 13.3% (29.2%), in Latvia 14.3% (30.3%) and in Lithuania 10.5% (15.4%).

In the first nine months of 2015 the Company paid claims in the amount of 19,923 (18,160) thousand euros. The majority of pay-outs were partial 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 nine months of 2015 was positive, totalling to 242 (734) thousand euros. Investment income of the Company's own capital portfolio in the first half of 2015 was 101 (267) thousand euros.

As at 30.09.2015, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) was 26,574 (26,767) thousand euros. At the end of the third quarter of 2015, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds.

As at 30.09.2015, owner's equity was 10,555 (10,008) thousand euros, of which 3,516 (3,516) thousand euros was formed by share capital.

As at 30.09.2015 the total amount of assets included in the available solvency margin was 9,823 (10,008) thousand euros, the required solvency margin was 2,653 (2,639) thousand euros and the solvency surplus was 7,170 (7,369) thousand euros.

The Company's contract acquisition expenses and administrative expenses amounted 4,519 (4,322) thousand euros in the first nine months of 2015. Acquisition expenses accounted for 61% (62%) of all operational expenses in the first half of 2015 in the Baltic countries.

In the first three quarters of 2015, Mandatum Life Insurance Baltic SE's loss for the period amounted to -201 (128) thousand euros. The Company's loss and the balance sheet volume were affected negatively mainly by the falling investment markets.

The Company's balance sheet volume amounted to 175,698 (184,474) thousand euros as at 30.09.2015. Technical provisions from insurance contracts amounted to 13,540 (13,508) thousand euros at the end of the third quarter of 2015; financial liabilities from unit-linked insurance contracts and investment contracts were 147,259 (152,913) thousand euros and financial liabilities from insurance contracts formed 3,627 (3,710) thousand euros.

3. Personnel of the Company

As at 30.09.2015 there were 94 (95) employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 2,526 (2,392) 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 302 (301) thousand euros.

4. Sales and development activities

In the first nine months of 2015, the Company's main sales channels were its own sales team, and insurance brokers and insurance agents.

In July 2015, the Company started cooperation with a new insurance agent in Estonia in selling term life insurance contracts.

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.

A handwritten signature in black ink, appearing to read 'Imre Madison', written in a cursive style.

Imre Madison
Chairman of the Management Board

In Tallinn, 30 November 2015

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1-3Q of 2015 on pages 7-14.

Imre Madison Chairman of the Management Board



30.11.2015

Erkki Sadam Member of the Management Board



30.11.2015

III. Statement of financial position

in thousands of euros	30.09.2015	31.12.2014	Notes
Assets			
Cash and cash equivalents	846	699	
Reinsurers' share of insurance liabilities	48	52	
Investments other than unit-linked investments	25 964	26 264	
Investments related to unit-linked insurance and investment contracts	147 259	152 913	
Receivables related to insurance activities and other	237	281	
Accrued income and prepaid expenses	490	555	
Deferred tax assets	116	116	
Property, plant and equipment	7	16	VIII.2
Intangible assets	731	690	VIII.3
Total assets	175 698	181 586	
Liabilities and owner's equity			
Insurance and other payables	187	258	
Accrued expenses and deferred income	530	521	
Financial liabilities for insurance contracts	3 627	3 710	
Financial liabilities for unit-linked insurance contracts and investment contracts	147 259	152 913	
Technical provision for insurance contracts	13 540	13 428	
Total liabilities	165 143	170 830	
Share capital	3 516	3 516	
Share premium	3 509	3 509	
Legal reserve	271	262	
Retained profits	3 259	3 469	
Total owner's equity	10 555	10 756	
Total liabilities and owner's equity	175 698	181 586	

IV. Statement of Comprehensive Income

in thousands of euros	1-9/2015	1-9/2014
Gross premiums	2 853	2 747
Premiums ceded to reinsurers	-355	-337
Net premiums	2 498	2 410
Investment income	493	500
Fair value gains and losses	-162	369
Realised gains and losses	-1	-48
Investment expenses	-88	-87
Net income from investments	242	734
Fee income	1 904	1 735
Reinsurance commission income	154	145
Other income	996	967
Total other revenue	3 054	2 847
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-1 274	-1 258
Increase of insurance technical provisions net of reinsurance	-98	-147
Net insurance claims and change of technical provisions	-1 372	-1 405
Change in value of unit-linked financial liabilities and assets	-5	-46
Change in value of financial liabilities from insurance contracts with guaranteed interest	-89	-90
Acquisition expenses	-2 813	-2 765
Administrative expenses	-1 706	-1 557
Total expenses	-4 519	-4 322
Profit before income tax	-191	128
Income tax	-10	0
Profit for the reporting period	-201	128

V. Quarterly Statement of Comprehensive Income

in thousands of euros	7-9/2015	7-9/2014
Gross premiums	940	914
Premiums ceded to reinsurers	-120	-113
Net premiums	820	801
Investment income	163	161
Fair value gains and losses	-304	-13
Realised gains and losses	0	-9
Investment expenses	-27	-28
Net income from investments	-168	111
Fee income	584	576
Reinsurance commission income	49	56
Other income	356	331
Total other revenue	989	963
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-439	-445
Increase of insurance technical provisions net of reinsurance	17	2
Net insurance claims and change of technical provisions	-422	-443
Change in value of unit-linked financial liabilities and assets	-3	-38
Change in value of financial liabilities from insurance contracts with guaranteed interest	-28	-32
Acquisition expenses	-904	-888
Administrative expenses	-559	-523
Total expenses	-1 463	-1 411
Profit/loss before income tax	-275	-49
Income tax	0	0
Profit/loss for the reporting period	-275	-49
Total comprehensive income for the reporting period	-275	-49

VI. Statement of cash flows

in thousands of euros	1-9/2015	1-9/2014	Notes
Cash flow from operating activities			
Premiums received	2 829	2 748	
Fees received	40	0	
Financial liability inflow	17 346	26 985	
Paid claims and claims handling expenses related to pay-outs	-1 319	-1 315	
Financial liability outflow	-18 692	-16 925	
Reinsurance payments	-133	-80	
Expenses	-4 363	-4 234	
Other revenue and other expenses	1 003	914	
Paid income tax	-22	0	
Purchases of shares and investment fund units	-20 956	-33 749	
Proceeds from the sale of shares and investment fund units	24 028	25 010	
Purchases of bonds and other fixed income securities	-3 848	-9 781	
Proceeds from the sale of bonds and other fixed income securities	3 970	10 160	
Interest received	507	517	
Dividends received	3	3	
Investment expenses	-88	-87	
Net cash provided by operating activities	305	166	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-158	-48	VIII.2/VIII.3
Net cash provided by investing activities	-158	-48	
TOTAL CASH FLOW	147	118	
Cash and cash equivalents at the beginning of the period	699	307	
Change in cash and cash equivalents	147	118	
Cash and cash equivalents at the end of the period	846	425	

VII. Statement of changes in owner's equity

in thousands of euros	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
As at 31.12.2013	3 516	3 509	262	3 285	10 572
Profit for the financial year 2014	0	0	0	184	184
Total comprehensive profit for the year 2014	0	0	0	184	184
Increase of legal reserve	0	0	9	-9	0
As at 31.12.2014	3 516	3 509	271	3 460	10 756
Profit for the reporting period	0	0	0	-201	-201
Total comprehensive income for the reporting period	0	0	0	-201	-201
As at 30.09.2015	3 516	3 509	271	3 259	10 555

VIII. Notes

1. *Basis of preparation*

Mandatum Life Insurance Baltic SE's Interim Report of 1-3Q 2015 is prepared in accordance with IAS 34 "Interim Financial Reporting".

The Company's Annual Accounts for 2014 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 2014. The annual financial statements are available on our website at 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 31.12.2013	380	-333	47
Write-offs	-23	21	-2
Depreciation charges	0	-29	-29
As at 31.12.2014	357	-341	16
Depreciation charges	0	-9	-9
As at 30.09.2015	357	-350	7

Equipment comprises of furniture.

3. *Intangible assets*

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2013	1 721	-960	761
Additions	84	0	84
Write-offs	-1	1	0
Depreciation charges	0	-155	-155
As at 31.12.2014	1 804	-1 114	690
Additions	158	0	158
Depreciation charges	0	-117	-117
As at 30.09.2015	1 962	-1 231	731

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 30.09.2015, 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 302 (301) thousand euros in the 1-3Q 2015 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS in thousands of euros	30.09.2015	31.12.2014
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	986	31
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Limited (parent company)	211	258
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Limited (parent company)	83 368	79 797
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	13	38
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	16	15
Mandatum Life Insurance Company Limited (parent company)	221	201
LIABILITIES in thousands of euros	30.09.2015	31.12.2014
Insurance payables		
Mandatum Life Insurance Company Limited (parent company)	116	153
Accrued expenses and deferred income		
Sampo plc (parent company)	16	13
If P&C Insurance Company Ltd (a consolidation group enterprise)	2	4
INCOME STATEMENT in thousands of euros	1-9/2015	1-9/2014
Ceded premiums		
Mandatum Life Insurance Company Limited (parent company)	355	337
Reinsurance commissions		
Mandatum Life Insurance Company Limited (parent company)	154	145
Other income		
Mandatum Life Insurance Company Limited (parent company)	442	486
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Limited (parent company)	54	54
Expenses		
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	7	8
Nordea Bank Finland Plc (associated company to Sampo plc)	10	14
Commission fees for insurance intermediaries		
If P&C Insurance Company Ltd (a consolidation group enterprise)	3	1

Other expenses

Mandatum Life Insurance Company Ltd (parent company)	53	51
If P&C Insurance Company Ltd (a consolidation group enterprise)	23	27
Nordea Bank Finland Plc (associated company to Sampo plc)	51	4
Sampo plc (parent company)	49	47