

# MANDATUM LIFE INSURANCE BALTIC SE

## INTERIM REPORT 1-4Q/2015

Business name: MANDATUM LIFE INSURANCE BALTIC SE

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Beginning of reporting period: 01.01.2015

End of reporting period: 31.12.2015

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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## I. Management report in the 1-4Q 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 year 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 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 31.12.2015, the Company serviced a total of 31,857 (as at 31.12.2014, 32,646) life insurance contracts. The biggest share of total insurance contracts, 72% of all the insurance contracts in force at the end of the fourth quarter of 2015 consisted of unit-linked insurance contracts (total of 22,970 (23,355) contracts). As at 31.12.2015, the Company had 40,660 (37,396) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 33,599 (40,457) thousand euros in 2015.

As at 31.12.2015, the Company's client assets under management (AUM) amounted to 173,113 (170,051) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 159,089 (152,913) thousand euros and 90% (90%) of clients' total AUM as at 31.12.2015.

The Company's total sum at risk valid as at 31.12.2015 was 634,144 (575,754) thousand euros.

The Company's market share (based on contractual payments received) as at 31.12.2015 was 8.2% (10.7%).

The Company's market share (based on contractual payments received from unit-linked investment contracts) as at 31.12.2015 was 12.8% (17.5%). As at 31.12.2015, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 14.1% (26.7%), in Latvia 14.4% (22.9%) and in Lithuania 12.1% (14.3%).

In 2015 the Company paid claims in the amount of 26,900 (28,132) 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 2015 was positive, totalling to 460 (910) thousand euros. Investment income of the Company's own capital portfolio in 2015 was 181 (333) thousand euros.

As at 31.12.2015, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) was 26,719 (26,869) thousand euros. At the end of 2015, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds.

As at 31.12.2015, owner's equity was 10,529 (10,756) thousand euros, of which 3,516 (3,516) thousand euros was formed by share capital.

As at 31.12.2015 the total amount of assets included in the available solvency margin was 9,748 (10,066) thousand euros, the required solvency margin was 2,731 (2,638) thousand euros and the solvency surplus was 7,017 (7,429) thousand euros.

The Company's contract acquisition expenses and administrative expenses amounted 6,154 (5,775) thousand euros in 2015. Acquisition expenses accounted for 60% (62%) of all operational expenses in 2015 in the Baltic countries.

In 2015, Mandatum Life Insurance Baltic SE's loss for the period amounted to -227 (184) 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 185,017 (181,586) thousand euros as at 31.12.2015. Technical provisions from insurance contracts amounted to 13,433 (13,428) thousand euros at the end of the year 2015; financial liabilities from unit-linked insurance contracts and investment contracts were 156,089 (152,913) thousand euros and financial liabilities from insurance contracts formed 3,591 (3,710) thousand euros.

### *3. Personnel of the Company*

As at 31.12.2015 there were 96 (96) employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 3,351 (3,134) 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 370 (281) thousand euros.

### *4. Sales and development activities*

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

In April 2015 the Company launched a unit linked group insurance medical solution in Latvia. In July 2015, the Company started cooperation with a new insurance agent in Estonia in selling term life insurance contracts. In November 2015 the Company introduced a new mobile responsive web tool to its wealthy customers in the Baltic's unit linked wealth management, which helps them follow the current status of their invested assets on a daily basis.

### *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 be 'Imre Madison', written in a cursive style.

Imre Madison  
Chairman of the Management Board

In Tallinn, 17 February 2016

## II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1-4Q of 2015 on pages 7-14.

Imre Madison    Chairman of the Management Board



17.02.2016

Erkki Sadam    Member of the Management Board



17.02.2016

**III. Statement of financial position**

in thousands of euros	31.12.2015	31.12.2014	Notes
<b>Assets</b>			
Cash and cash equivalents	2 290	699	
Reinsurers' share of insurance liabilities	48	52	
Investments other than unit-linked investments	24 926	26 264	
Investments related to unit-linked insurance and investment contracts	156 089	152 913	
Receivables related to insurance activities and other	323	281	
Accrued income and prepaid expenses	479	555	
Deferred tax assets	77	116	
Property, plant and equipment	5	16	VIII.2
Intangible assets	780	690	VIII.3
<b>Total assets</b>	<b>185 017</b>	<b>181 586</b>	
<b>Liabilities and owner's equity</b>			
Insurance and other payables	775	258	
Accrued expenses and deferred income	600	521	
Financial liabilities for insurance contracts	3 591	3 710	
Financial liabilities for unit-linked insurance contracts and investment contracts	156 089	152 913	
Technical provision for insurance contracts	13 433	13 428	
<b>Total liabilities</b>	<b>174 488</b>	<b>170 830</b>	
Share capital	3 516	3 516	
Share premium	3 509	3 509	
Legal reserve	271	262	
Retained profits	3 233	3 469	
<b>Total owner's equity</b>	<b>10 529</b>	<b>10 756</b>	
<b>Total liabilities and owner's equity</b>	<b>185 017</b>	<b>181 586</b>	

**IV. Statement of Comprehensive Income**

in thousands of euros	2015	2014
Gross premiums	3 827	3 708
Premiums ceded to reinsurers	-476	-450
<b>Net premiums</b>	<b>3 351</b>	<b>3 258</b>
Investment income	654	669
Fair value gains and losses	-27	414
Realised gains and losses	-51	-59
Investment expenses	-116	-114
<b>Net income from investments</b>	<b>460</b>	<b>910</b>
Fee income	2 726	2 400
Reinsurance commission income	202	195
Other income	1 267	1 288
<b>Total other revenue</b>	<b>4 195</b>	<b>3 883</b>
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-1 859	-1 833
Increase of insurance technical provisions net of reinsurance	5	-66
<b>Net insurance claims and change of technical provisions</b>	<b>-1 854</b>	<b>-1 899</b>
<b>Change in value of unit-linked financial liabilities and assets</b>	<b>-38</b>	<b>-74</b>
<b>Change in value of financial liabilities from insurance contracts with guaranteed interest</b>	<b>-118</b>	<b>-120</b>
Acquisition expenses	-3 828	-3 701
Administrative expenses	-2 324	-2 074
<b>Total expenses</b>	<b>-6 154</b>	<b>-5 775</b>
<b>Profit/loss before income tax</b>	<b>-158</b>	<b>183</b>
Income tax	-69	1
<b>Profit/loss for the reporting period</b>	<b>-227</b>	<b>184</b>



**V. Quarterly Statement of Comprehensive Income**

in thousands of euros	9-12/2015	9-12/2014
Gross premiums	975	961
Premiums ceded to reinsurers	-122	-113
<b>Net premiums</b>	<b>853</b>	<b>848</b>
Investment income	161	169
Fair value gains and losses	135	45
Realised gains and losses	-50	-10
Investment expenses	-28	-27
<b>Net income from investments</b>	<b>218</b>	<b>177</b>
Fee income	822	665
Reinsurance commission income	48	49
Other income	271	322
<b>Total other revenue</b>	<b>1 141</b>	<b>1 036</b>
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-585	-575
Increase of insurance technical provisions net of reinsurance	103	81
<b>Net insurance claims and change of technical provisions</b>	<b>-482</b>	<b>-494</b>
<b>Change in value of unit-linked financial liabilities and assets</b>	<b>-33</b>	<b>-28</b>
<b>Change in value of financial liabilities from insurance contracts with guaranteed interest</b>	<b>-29</b>	<b>-30</b>
Acquisition expenses	-1 016	-937
Administrative expenses	-618	-517
<b>Total expenses</b>	<b>-1 634</b>	<b>-1 454</b>
<b>Profit before income tax</b>	<b>34</b>	<b>55</b>
Income tax	-59	1
<b>Profit/loss for the reporting period</b>	<b>-25</b>	<b>56</b>

**VI. Statement of cash flows**

in thousands of euros	2015	2014	Notes
<b>Cash flow from operating activities</b>			
Premiums received	3 791	3 703	
Fees received	41	0	
Financial liability inflow	30 316	36 743	
Paid claims and claims handling expenses related to pay-outs	-1 944	-1 905	
Financial liability outflow	-25 066	-26 334	
Reinsurance payments	-210	-155	
Expenses	-5 904	-5 641	
Other revenue and other expenses	1 349	1 207	
Paid income tax	-27	0	
Purchases of shares and investment fund units	-33 408	-47 252	
Proceeds from the sale of shares and investment fund units	31 109	38 960	
Purchases of bonds and other fixed income securities	-6 517	-10 680	
Proceeds from the sale of bonds and other fixed income securities	7 770	11 260	
Interest received	660	681	
Dividends received	3	3	
Investment expenses	-116	-114	
<b>Net cash provided by operating activities</b>	<b>1 847</b>	<b>476</b>	
<b>Cash flow from investing activities</b>			
Purchases of tangible and intangible assets	-256	-84	VIII.2/VIII.3
<b>Net cash provided by investing activities</b>	<b>-256</b>	<b>-84</b>	
<b>TOTAL CASH FLOW</b>	<b>1 591</b>	<b>392</b>	
Cash and cash equivalents at the beginning of the period	699	307	
Change in cash and cash equivalents	1 591	392	
Cash and cash equivalents at the end of the period	2 290	699	

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

in thousands of euros	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
<b>As at 31.12.2013</b>	<b>3 516</b>	<b>3 509</b>	<b>262</b>	<b>3 285</b>	<b>10 572</b>
Profit for the financial year 2014	0	0	0	184	184
<b>Total comprehensive profit for the year 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>184</b>	<b>184</b>
<b>As at 31.12.2014</b>	<b>3 516</b>	<b>3 509</b>	<b>262</b>	<b>3 469</b>	<b>10 756</b>
Loss for the reporting period	0	0	0	-227	-227
<b>Total comprehensive loss for the reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-227</b>	<b>-227</b>
Increase of legal reserve	0	0	9	-9	0
<b>As at 31.12.2015</b>	<b>3 516</b>	<b>3 509</b>	<b>271</b>	<b>3 233</b>	<b>10 529</b>

## VIII. Notes

### 1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1-4Q 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](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 31.12.2013	380	-333	47
Write-offs	-23	21	-2
Depreciation charges	0	-29	-29
As at 31.12.2014	357	-341	16
Write-offs	-97	97	0
Depreciation charges	0	-11	-11
<b>As at 31.12.2015</b>	<b>260</b>	<b>-255</b>	<b>5</b>

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	256	0	256
Write-offs	-17	17	0
Depreciation charges	0	-166	-166
<b>As at 31.12.2015</b>	<b>2 043</b>	<b>-1 263</b>	<b>780</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 31.12.2015, Sampo plc held 21.25% 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 354 (281) thousand euros in the 1-4Q 2015 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

<b>ASSETS</b> in thousands of euros	31.12.2015	31.12.2014
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	2 248	31
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Limited (parent company)	280	258
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Limited (parent company)	83 481	79 797
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	28	38
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	15	15
Mandatum Life Insurance Company Limited (parent company)	130	201
<b>LIABILITIES</b> in thousands of euros	31.12.2015	31.12.2014
Insurance payables		
Mandatum Life Insurance Company Limited (parent company)	159	153
Accrued expenses and deferred income		
Sampo plc (parent company)	13	13
If P&C Insurance Company Ltd (a consolidation group enterprise)	0	4
<b>INCOME STATEMENT</b> in thousands of euros	2015	2014
Ceded premiums		
Mandatum Life Insurance Company Limited (parent company)	476	450
Reinsurance commissions		
Mandatum Life Insurance Company Limited (parent company)	202	195
Other income		
Mandatum Life Insurance Company Limited (parent company)	592	649
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Limited (parent company)	81	71
Expenses		
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	10	11
Nordea Bank Finland Plc (associated company to Sampo plc)	14	19
Commission fees for insurance intermediaries		
If P&C Insurance Company Ltd (a consolidation group enterprise)	4	1

Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	71	69
If P&C Insurance Company Ltd (a consolidation group enterprise)	30	34
Nordea Bank Finland Plc (associated company to Sampo plc)	58	11
Sampo plc (parent company)	65	62
<b>Change in financial assets designated at fair value through profit or loss</b>		
Mandatum Life Insurance Company Ltd (parent company)	-1 829	582