

# MANDATUM LIFE INSURANCE BALTIC SE

## INTERIM REPORT 1Q/2015

Business name: MANDATUM LIFE INSURANCE BALTIC SE

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Beginning of reporting period: 01.01.2015

End of reporting period: 31.03.2015

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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## I. Management report in the 1Q 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 unit-linked insurance, term life insurance and accident or critical illness related insurance riders. Other main lines of business include the management of life insurance contracts with guaranteed interest.

### 1. Management of the Company

The Company's Management Board had five members at the end of the first 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; Iiona Stare, Latvian Branch Manager; Rasa Kasperaviciute, 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 Povilaviciute. The Company's Internal Auditor is Arlet Rebane.

The Company's Supervisory Board had three members at the end of the first 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 31.03.2015, the Company serviced a total of 32,488 (as at 31.03.2014 33,048) life insurance contracts. The biggest share of total insurance contracts, 72% of all the insurance contracts in force at the end of the first quarter of 2015 consisted of unit-linked insurance contracts (total of 23,291 (23,529) contracts). As at 31.03.2015, the Company had 37,378 (37,781) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 5,763 (8,247) thousand euros in the first quarter of 2015.

As at 31.03.2015, the Company's client assets under management (AUM) amounted to 175,641 (159,055) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 158,369 (145,685) thousand euros and 90% (92%) of clients' total AUM as at 31.03.2015.

The Company's total sum at risk valid as at 31.03.2015 was 597,432 (547,348) thousand euros.

The Company's market share (based on contractual payments received) of the first quarter of 2015 was 6.5% (10.4%). As at 31.03.2015, the market share by countries based on contractual payments received in Estonia was 7.4% (14.1%), in Latvia 3.4% (8.8%), and in Lithuania 7.2% (9.2%). 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 quarter of 2015 was 10.6% (17.9%). As at 31.03.2015, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 15.7% (29.5%), in Latvia 7.4% (25.2%) and in Lithuania 10.2% (13.3%).

In the first quarter of 2015 the Company paid claims in the amount of 8,861 (7,726) 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 quarter of 2015 was positive, totalling to 537 (314) thousand euros. Investment income of the Company's own capital portfolio in the first quarter of 2015 was positive, amounting to 196 (113) thousand euros.

As at 31.03.2015, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) was 27,235 (26,694) thousand euros. At the end of the first quarter of 2015, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds.

As at 31.03.2015, owner's equity was 10,963 (10,665) thousand euros, of which 3,516 (3,516) thousand euros was formed by share capital.

As at 31.03.2015 the total amount of assets included in the available solvency margin was 10,307 (9,935) thousand euros, the required solvency margin was 2,707 (2,498) thousand euros and the solvency surplus was 7,600 (7,437) thousand euros.

The Company's contract acquisition expenses and administrative expenses amounted to 1,622 (1,465) thousand euros in the first quarter of 2015. Acquisition expenses accounted for 60% (61%) of all operational expenses in the first quarter of 2015 in the Baltic countries.

In the first quarter of 2015, Mandatum Life Insurance Baltic SE's profit for the period amounted to 207 (93) thousand euros. The Company's profit in the first quarter of 2015 was affected positively by positive net income from investment activities and controlled operational expenses.

The Company's balance sheet volume amounted to 188,789 (170,544) thousand euros as at 31.03.2015. Technical provisions from insurance contracts amounted to 13,576 (13,370) thousand euros at the end of the first quarter of 2015; financial liabilities from unit-linked insurance contracts and investment contracts were 158,369 (141,921) thousand euros and financial liabilities from insurance contracts formed 3,696 (3,764) thousand euros.

### *3. Personnel of the Company*

As at 31.03.2015 there were 93 (104) employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 952 (817) 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 149 (74) thousand euros.

### *4. Sales and development activities*

In the first quarter of 2015, the Company's main sales channels were its own sales team, and Danske Bank in Estonia and Lithuania. Additionally, sales-related cooperation was continued with If P&C and with insurance brokers in all three Baltic countries, and with the sales network of Lithuanian insurance agents.

In the first quarter of 2015, the Company developed its group insurance products in Latvia in order to offer these solutions to corporate clients operating in Latvia starting from the second quarter of 2015.

### *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, 25 May 2015

## II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1Q of 2015 on pages 7-12.

Imre Madison    Chairman of the Management Board



27.05.2015

Erkki Sadam    Member of the Management Board



27.05.2015

### III. Statement of financial position

in thousands of euros	31.03.2015	31.12.2014	Notes
<b>Assets</b>			
Cash and cash equivalents	2 311	699	
Reinsurers' share of insurance liabilities	67	52	
Investments other than unit-linked investments	26 484	26 264	
Investments related to unit-linked insurance and investment contracts	158 369	152 913	
Receivables related to insurance activities and other	191	281	
Accrued income and prepaid expenses	519	456	
Deferred tax assets	583	555	
Property, plant and equipment	12	16	VII.2
Intangible assets	656	690	VII.3
<b>Total assets</b>	<b>188 789</b>	<b>181 586</b>	
<b>Liabilities and owner's equity</b>			
Insurance payables	1 694	258	
Accrued expenses and deferred income	491	521	
Financial liabilities for insurance contracts	3 696	3 710	
Financial liabilities for unit-linked insurance contracts and investment contracts	158 369	152 913	
Technical provision for insurance contracts	13 576	13 428	
<b>Total liabilities</b>	<b>177 826</b>	<b>170 830</b>	
Share capital	3 516	3 516	
Share premium	3 509	3 509	
Legal reserve	271	262	
Retained profits	3 667	3 469	
<b>Total owner's equity</b>	<b>10 963</b>	<b>10 756</b>	
<b>Total liabilities and owner's equity</b>	<b>188 789</b>	<b>181 586</b>	

## IV. Statement of Comprehensive Income

in thousands of euros	1-3/2015	1-3/2014
Gross premiums	962	910
Premiums ceded to reinsurers	-116	-111
<b>Net premiums</b>	<b>846</b>	<b>799</b>
Investment income	164	170
Fair value gains and losses	404	174
Investment expenses	-31	-30
<b>Net income from investments</b>	<b>537</b>	<b>314</b>
Fee income	585	571
Reinsurance commission income	59	46
Other income	319	314
<b>Total other revenue</b>	<b>963</b>	<b>931</b>
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-362	-455
Increase of insurance technical provisions net of reinsurance	-122	8
<b>Net insurance claims and change of technical provisions</b>	<b>-484</b>	<b>-447</b>
<b>Change in value of unit-linked financial liabilities and assets</b>	<b>1</b>	<b>-11</b>
<b>Change in value of financial liabilities from insurance contracts with guaranteed interest</b>	<b>-34</b>	<b>-28</b>
Acquisition expenses	-996	-925
Administrative expenses	-626	-540
<b>Total expenses</b>	<b>-1 622</b>	<b>-1 465</b>
<b>Profit before income tax</b>	<b>207</b>	<b>93</b>
Income tax	0	0
<b>Profit/loss for the financial year</b>	<b>207</b>	<b>93</b>
<b>Total comprehensive income for the financial year</b>	<b>207</b>	<b>93</b>



## V. Statement of cash flows

in thousands of euros	1-3/2015	1-3/2014	Notes
Cash flow from operating activities			
Premiums received	959	914	
Financial liability inflow	6 320	7 556	
Paid claims and claims handling expenses related to pay-outs	-366	-477	
Financial liability outflow	-8 527	-7 277	
Reinsurance payments	53	82	
Expenses	-1 687	-1 575	
Other revenue and other expenses	363	288	
Purchases of shares and investment fund units	-6 048	-11 462	
Proceeds from the sale of shares and investment fund units	10 230	11 849	
Purchases of bonds and other fixed income securities	-2 099	-2 295	
Proceeds from the sale of bonds and other fixed income securities	2 200	2 900	
Interest received	249	241	
Investment expenses	-31	-30	
<b>Net cash provided by operating activities</b>	<b>1 616</b>	<b>714</b>	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-4	-8	VII.2VII.3
<b>Net cash provided by investing activities</b>	<b>-4</b>	<b>-8</b>	
<b>TOTAL CASH FLOW</b>	<b>1 612</b>	<b>706</b>	
Cash and cash equivalents at the beginning of the period	699	307	
Change in cash and cash equivalents	1 612	706	
Cash and cash equivalents at the end of the period	2 311	1 013	

## VI. 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>
Increase of legal reserve	0	0	9	-9	0
<b>As at 31.12.2014</b>	<b>3 516</b>	<b>3 509</b>	<b>271</b>	<b>3 460</b>	<b>10 756</b>
Profit for the financial year	0	0	0	207	207
<b>Total comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>207</b>	<b>207</b>
<b>As at 31.03.2015</b>	<b>3 516</b>	<b>3 509</b>	<b>271</b>	<b>3 667</b>	<b>10 963</b>

## VII. Notes

### 1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1st Quarter 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
Depreciation charges	0	-4	-4
<b>As at 31.03.2015</b>	<b>357</b>	<b>-345</b>	<b>12</b>

Equipment comprises of IT, office equipment and furniture.

### 3. Intangible assets

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2013	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	4	0	4
Depreciation charges	0	-38	-38
<b>As at 31.03.2015</b>	<b>1 808</b>	<b>-1 152</b>	<b>656</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 31.03.2015, 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 149 (74) thousand euros in the 1Q 2015 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

<b>ASSETS</b> in thousands of euros	31.03.2015	31.12.2014
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	1 287	31
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Limited (parent company)	130	258
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Limited (parent company)	80 147	79 797
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	6	38
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	20	15
Mandatum Life Insurance Company Limited (parent company)	209	201
<b>LIABILITIES</b> in thousands of euros	31.03.2015	31.12.2014
Insurance payables		
Mandatum Life Insurance Company Limited (parent company)	116	153
Accrued expenses and deferred income		
Sampo plc (parent company)	14	13
If P&C Insurance Company Ltd (a consolidation group enterprise)	0	4
<b>INCOME STATEMENT</b> in thousands of euros	1-3/2015	1-3/2014
Ceded premiums		
Mandatum Life Insurance Company Limited (parent company)	116	111
Reinsurance commissions		
Mandatum Life Insurance Company Limited (parent company)	59	46
Other income		
Mandatum Life Insurance Company Limited (parent company)	144	149
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Limited (parent company)	19	21
Expenses		
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	3	3
Nordea Bank Finland Plc (associated company to Sampo plc)	3	5
Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	17	17
If P&C Insurance Company Ltd (a consolidation group enterprise)	7	7