

# MANDATUM LIFE INSURANCE BAL TIC SE

## INTERIM REPORT 1Q/2016

Business name: MANDATUM LIFE INSURANCE BAL TIC SE

Commercial registry code: 10561490

Address: Viru väljak 2, 10111 Tallinn

Telephone: 6812 300

Fax: 6812 399

E-mail: [info@mandatumlife.ee](mailto:info@mandatumlife.ee)

Website: [www.mandatumlife.ee](http://www.mandatumlife.ee)

Beginning of reporting period: 01.01.2016

End of reporting period: 31.03.2016

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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## I. Management report in the 1Q of 2016

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 2016. 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 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 Lithuanian Branch Manager is Dormantas Zajancauskas.

The Company's Supervisory Board had three members at the end of the first quarter of 2016. 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 31.03.2016, the Company serviced a total of 31,462 (as at 31.03.2015 32,488) 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 2016 consisted of unit-linked insurance contracts total of 22,618 (23,291) contracts. As at 31.03.2016, the Company had 40,732 (37,378) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 4,135 (5,763) thousand euros in the first quarter of 2016.

As at 31.03.2016, the Company's client assets under management (AUM) decreased to 163,234 (as at 31.12.2015 173,112) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 146,137 (156,089) thousand euros and 90% (90%) of clients' total AUM as at 31.03.2016.

The Company's total sum at risk valid as at 31.03.2016 was 634,515 (634,144) thousand euros.

The Company's market share (based on contractual payments received) of the first quarter of 2016 was 4.7% (6.5%). As at 31.03.2016, the market share by countries based on contractual payments received in Estonia was 4.3% (7.4%), in Latvia 7.2% (3.4%), and in Lithuania 3.9% (7.2%). 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 2016 was 8% (10.6%). As at 31.03.2016, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 7.6% (15.7%), in Latvia 16.9% (7.4%) and in Lithuania 5.6% (10.2%).

In the first quarter of 2016 the Company paid claims in the amount of 8,843(8,861) thousand euros. The majority of payouts from contracts were made from unit-linked AUM.

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 2016 was positive, totalling to 362 (868) thousand euros. Investment income of the Company's own capital portfolio in the first quarter of 2016 was positive, amounting to 27 (196) thousand euros.

As at 31.03.2016, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) was 26,181 (26,719) thousand euros. At the end of the first quarter of 2016, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds and money market instruments.

As at 31.03.2016, owner's equity was 10,218 (10,529) thousand euros, of which 3,516 (3,516) thousand euros was formed by share capital.

As of 1 January 2016 the Company applies Solvency II rules in regulatory solvency calculations. In calculations of solvency requirements and eligible own funds, the standard model was used. As at 31.03.2016 Company's own funds amounted to 17,884 thousand euros and Solvency Capital Requirement (SCR) amounted to 13,855 thousand euros (due to allowed SII simplifications calculated at the year-end 2015). Solvency surplus was 4,029 thousand euros, SCR coverage ratio (own funds in relation to Solvency Capital Requirements for own funds) was 129%. Minimum requirements for solvency capital (MCR) was 3,700 thousand euros, MCR coverage ratio (own funds in relation to minimum requirements for own funds) was 483%.

The Company's total operating expenses (including commissions on reinsurance ceded) amounted to 1,628 (1,608) thousand euros in the first quarter of 2016.

In the first quarter of 2016, Mandatum Life Insurance Baltic SE's loss for the period amounted to 311 (profit 207) thousand euros. The Company's loss in the first quarter of 2016 was affected mainly by low income from investment activities.

The Company's balance sheet volume amounted to 174,170 (185,017) thousand euros as at 31.03.2016. Technical provisions from insurance contracts amounted to 13,509 (13,433) thousand euros at the end of the first quarter of 2016; financial liabilities from unit-linked insurance contracts and investment contracts were 146,137 (156,089) thousand euros and financial liabilities from insurance contracts formed 3,588 (3,590) thousand euros.

### *3. Personnel of the Company*

As at 31.03.2016 there were 103 (93) employees working in the Company. Number of employees was increasing after Company established in Q1 contact centre services for its Estonian, Lithuanian and Finnish customers and hired a team of phone sales professionals. Salaries and wages (including payroll taxes) for the period amounted to 999 (952) 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 75 (149) thousand euros.

### *4. Sales and development activities*

In the first quarter of 2016, the Company's main sales channels were its own sales team, tied agents and insurance brokers. Additionally, sales-related cooperation was continued with If P&C and Danske Bank in Estonia and in Lithuania.

Company established contact centre services in Tallinn in order to support own sales teams in Estonia and in Lithuania. Contact centre provides services also to Mandatum Life Finland customers.

## 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, 30 May 2016

## II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1Q of 2016 on pages 7-13.

Imre Madison Chairman of the Management Board



31.05.2016

Erkki Sadam Member of the Management Board



31.05.2016

### III. Statement of Comprehensive Income

in thousands of euros	1-3/ 2016	1-3/2015
Insurance premiums	860	846
Fee income	561	585
Net income from investments	361	868
Other income	2	0
Claims incurred	-386	-384
Change in value of financial liabilities from insurance contracts with guaranteed interest	-26	-34
Change in value of unit-linked financial liabilities and assets	0	2
Change in life insurance provision	-55	-68
Staff costs	-999	-952
Other operating expenses	-629	-656
<b>Profit/loss before income tax</b>	<b>-311</b>	<b>207</b>
Income tax	0	0
<b>Profit/loss for the reporting period</b>	<b>-311</b>	<b>207</b>
<b>Total comprehensive income/loss for the reporting period</b>	<b>-311</b>	<b>207</b>

## IV. Statement of financial position

in thousands of euros	31.03.2016	31.12.2015	Notes
<b>Assets</b>			
Property, plant and equipment	3	5	VII.2
Intangible assets	794	780	VII.3
Deferred tax assets	77	77	
Financial assets	25,265	24,926	
Investments related to unit-linked insurance and investment contracts	146,137	156,089	
Reinsurers' share of insurance liabilities	61	48	
Other assets	721	802	
Cash and cash equivalents	1,112	2,290	
<b>Total assets</b>	<b>174,170</b>	<b>185,017</b>	
<b>Liabilities</b>			
Financial liabilities for with-profit insurance contracts	3,588	3,591	
Financial liabilities for unit-linked insurance and investment contracts	146,137	156,089	
Technical provision for insurance contracts	13,509	13,433	
Other liabilities	718	1,375	
<b>Total liabilities</b>	<b>163,952</b>	<b>174,488</b>	
Share capital	3,516	3,516	
Share premium	3,509	3,509	
Legal reserve	271	271	
Retained earnings	2,922	3,233	
<b>Total equity</b>	<b>10,218</b>	<b>10,529</b>	
<b>Total equity and liabilities</b>	<b>174,170</b>	<b>185,017</b>	



## V. Statement of cash flows

in thousands of euros	1-3/2016	1-3/2015	Notes
<b>Cash flow from operating activities</b>			
Gross premiums received	974	959	
Fees received	3	0	
Financial liability inflow	2,632	6,321	
Paid claims and claims handling expenses related to pay-outs	-423	-366	
Financial liability outflow	-8,453	-8,527	
Inflow from reinsurance	73	53	
Expenses	-1,740	-1,718	
Other income	-22	0	
Purchases of investments	-4,920	-8,147	
Proceeds from the sale of investments	10,230	12,429	
Interest received	249	249	
Received fee income	283	363	
<b>Net cash provided by operating activities</b>	<b>-1,114</b>	<b>1,616</b>	
<b>Cash flow from investing activities</b>			
Purchases of tangible and intangible assets	-64	-4	VII.2VII.3
<b>Net cash provided by investing activities</b>	<b>-64</b>	<b>-4</b>	
<b>TOTAL CASH FLOW, net</b>	<b>-1,178</b>	<b>1,612</b>	
Cash and cash equivalents at the beginning of the period	2,290	699	
Change in cash and cash equivalents	-1,178	1,612	
Cash and cash equivalents at the end of the period	1,112	2,311	

## VI. Statement of changes in equity

in thousands of euros	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
As at 31.12.2014	3,516	3,509	262	3,469	10,756
Loss for the year 2015	0	0	0	-227	-227
<b>Total comprehensive loss for the year 2015</b>	0	0	0	-227	-227
Increase of legal reserve	0	0	9	-9	0
As at 31.12.2015	3,516	3,509	271	3,233	10,529
Loss for the reporting period	0	0	0	-311	-311
<b>Total comprehensive loss for the reporting period</b>	0	0	0	-311	-311
As at 31.03.2016	3,516	3,509	271	2,922	10,218

## VII. Notes

### 1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1st Quarter 2016 is prepared in accordance with IAS 34 "Interim Financial Reporting".

The Company's Annual Accounts for 2015 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 2015. 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
<b>As at 31.12.2014</b>	357	-341	16
Write-offs	-97	97	0
Depreciation charges	0	-11	-11
<b>As at 31.12.2015</b>	260	-255	5
Depreciation charges	0	-2	-2
<b>As at 31.03.2016</b>	<b>260</b>	<b>-257</b>	<b>3</b>

Equipment comprises of office equipment and furniture.

### 3. Intangible assets

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
<b>As at 31.12.2014</b>	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>	2,043	-1,263	780
Additions	64	0	64
Depreciation charges	0	-50	-50
<b>As at 31.03.2016</b>	<b>2,107</b>	<b>-1,313</b>	<b>794</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 31.03.2016, Sampo plc held approximately 21.2% of the share capital of Nordea, therefore Nordea Bank is considered as an associated company to Sampo plc.

Members of the Management Board received a total of 75 (149) thousand euros in the 1Q 2016 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

<b>ASSETS in thousands of euros</b>	<b>31.03.2016</b>	<b>31.12.2015</b>
<b>Financial assets designated at fair value through profit or loss</b>		
Mandatum Life Insurance Company Limited (parent company)	76,332	83,481
<b>Other receivables</b>		
Mandatum Life Insurance Company Limited (parent company)	37	28
<b>Accrued income and prepaid expenses</b>		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	26	15
Mandatum Life Insurance Company Limited (parent company)	192	130
<b>Reinsurers' share of insurance liabilities and receivables</b>		
Mandatum Life Insurance Company Limited (parent company)	118	280
<b>Cash and cash equivalents</b>		
Nordea Bank Finland Plc (associated company to Sampo plc)	2,006	2,248
<b>LIABILITIES in thousands of euros</b>	<b>31.03.2016</b>	<b>31.12.2015</b>
<b>Insurance and other payables</b>		
Mandatum Life Insurance Company Limited (parent company)	123	159
<b>Accrued expenses and deferred income</b>		
Sampo plc (ultimate parent company)	13	13
<b>STATEMENT OF COMPREHENSIVE INCOME in thousands of euros</b>	<b>1-3/2016</b>	<b>1-3/2015</b>
<b>Premiums ceded to reinsurers</b>		
Mandatum Life Insurance Company Limited (parent company)	123	116
<b>Fee income</b>		
Mandatum Life Insurance Company Limited (parent company)	136	144
<b>Reinsurers' share in claims paid and in the change of provisions</b>		
Mandatum Life Insurance Company Limited (parent company)	24	19
<b>Other income</b>		
Mandatum Life Insurance Company Limited (parent company)	2	0
<b>Operating expenses</b>		
<b>Direct insurance commissions</b>		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	2	0
<b>Commissions on reinsurance ceded</b>		
Mandatum Life Insurance Company Limited (parent company)	-46	-59
<b>Transport expenses</b>		

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If P&C Insurance Company Ltd (subsidiary of Sampo plc)	2	2
Nordea Bank Finland Plc (associated company to Sampo plc)	3	3
<b>Other expenses</b>		
Mandatum Life Insurance Company Ltd (parent company)	20	18
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	8	7
Nordea Bank Finland Plc (associated company to Sampo plc)	6	4
Sampo plc (ultimate parent company)	13	17
<b>Change in financial assets designated at fair value through profit or loss</b>		
Mandatum Life Insurance Company Ltd (parent company)	-3,662	2,730