MANDATUM LIFE

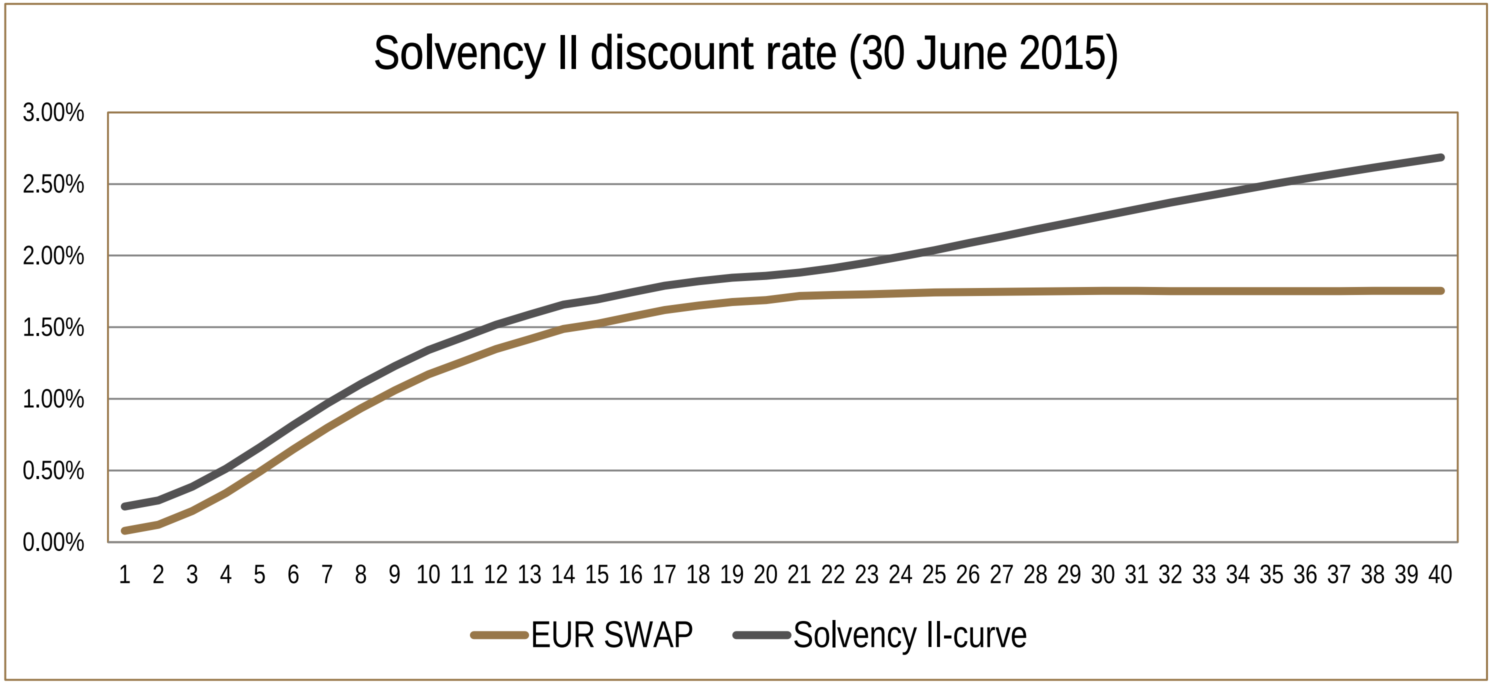
Solvency II and Mandatum Life

Sampo Group, Capital Markets Day

11 September 2015

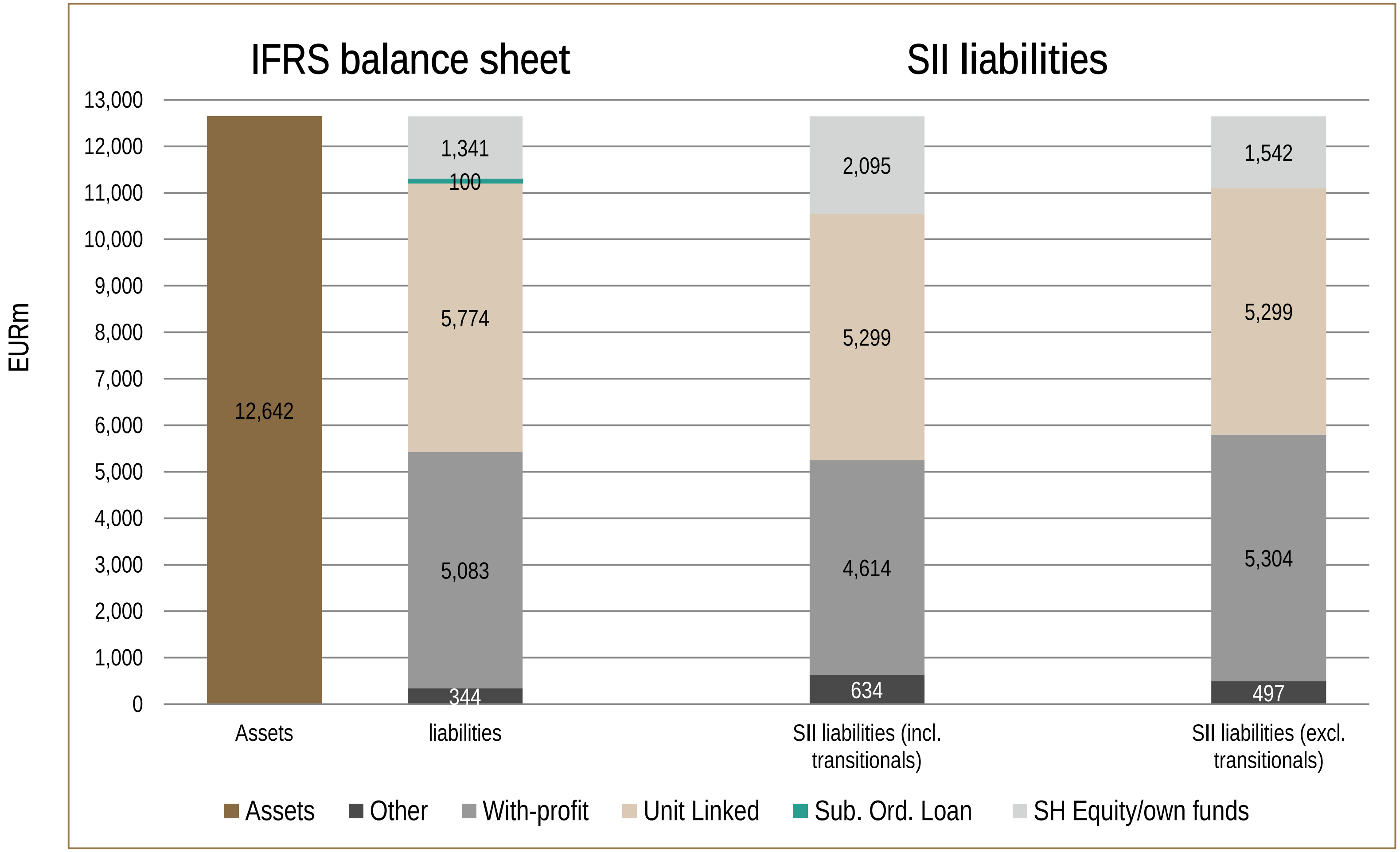
Solvency II in a Nutshell

- New EU-level solvency framework → In force 1 January 2016
- Risks are measured in a market consistent way and set Solvency Capital Requirements (SCR) are based on 99.5% confidence level (1 year horizon)
- Own Funds (Available Capital) is based on Solvency II balance sheet
    - Solvency II Liability = Best Estimate Liabilities (BEL) + Risk Margin (RM)
    - Discounted by Solvency II curve i.e. swap curve adjusted with credit risk and volatility adjustments and ultimate forward rate
    - Transitional measure on technical provisions: Book value of liabilities can be used instead of S2 Liability



Solvency II Own Funds (30 June 2015)

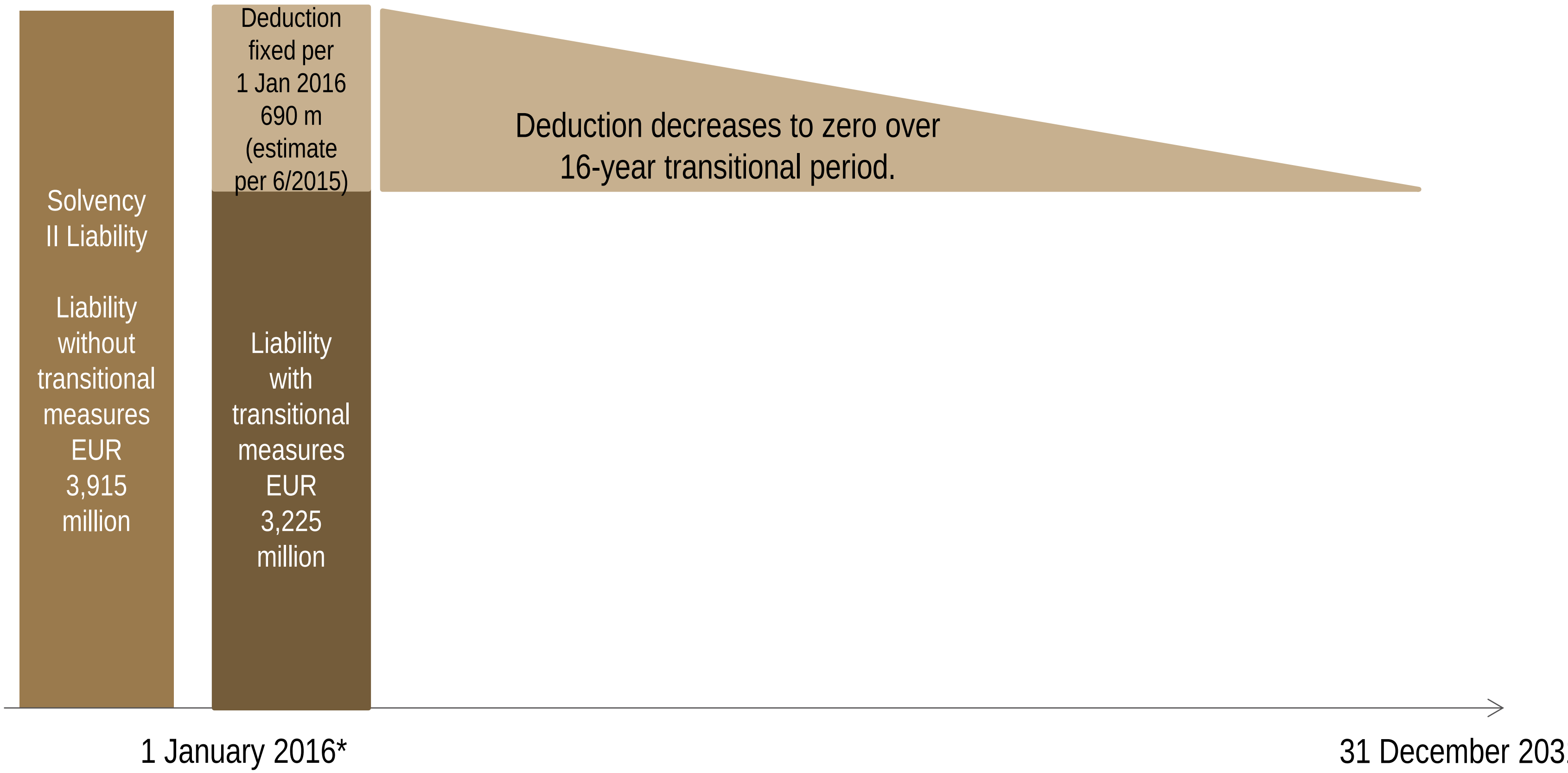
- Moving from IFRS Balance Sheet to SII Balance Sheet increases solvency capital
  - Unit Linked S2 Liability lower than book value → Increases Own Funds after tax by EUR 380 million
  - Within with-profit liabilities Risk Policies create OF and policies with high guarantees reduce OF
  - Transitional measure on technical provisions applied to pension policies with 3.5% and 4.5% guarantees



MANDATUM LIFE

Transitional Measures on Technical Provisions

- Transitional measures are applied to
  - Pension policies with 3.5% and 4.5% (excl. segregated group pension portfolio)
  - Book value of liabilities EUR 3,225 million (incl. discount rate reserves)
  - Solvency II Liability is EUR 3,915 million i.e. liability without transitional measures

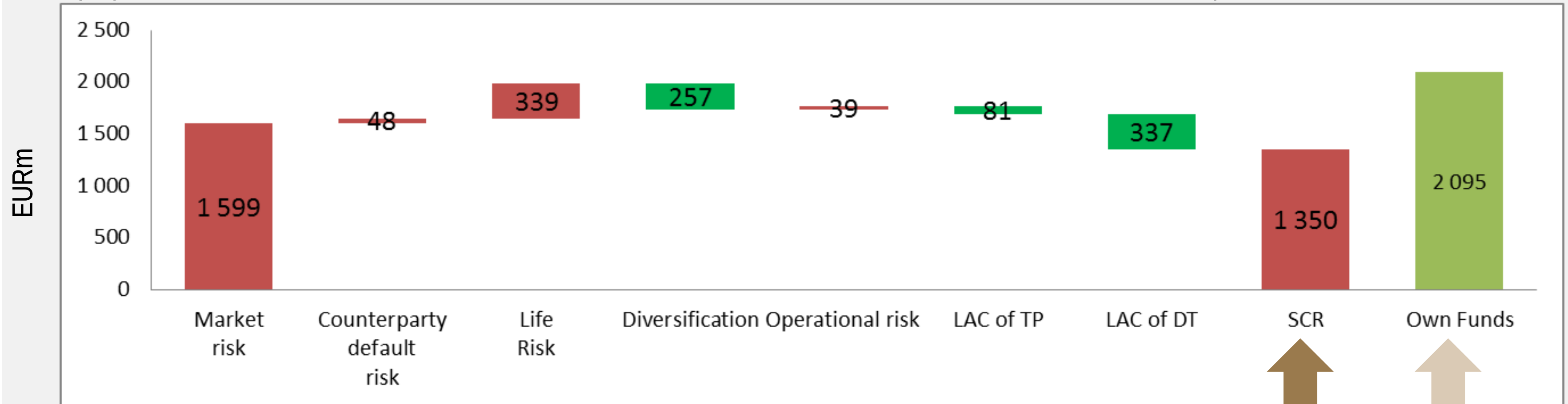


*) as of 6/2015. Solvency II liability varies in line with interest rates → deduction varies until it will be fixed per 1 January 2016.

Solvency II Capital Requirement (SCR) and Own funds, 30 June 2015

With transitional measures

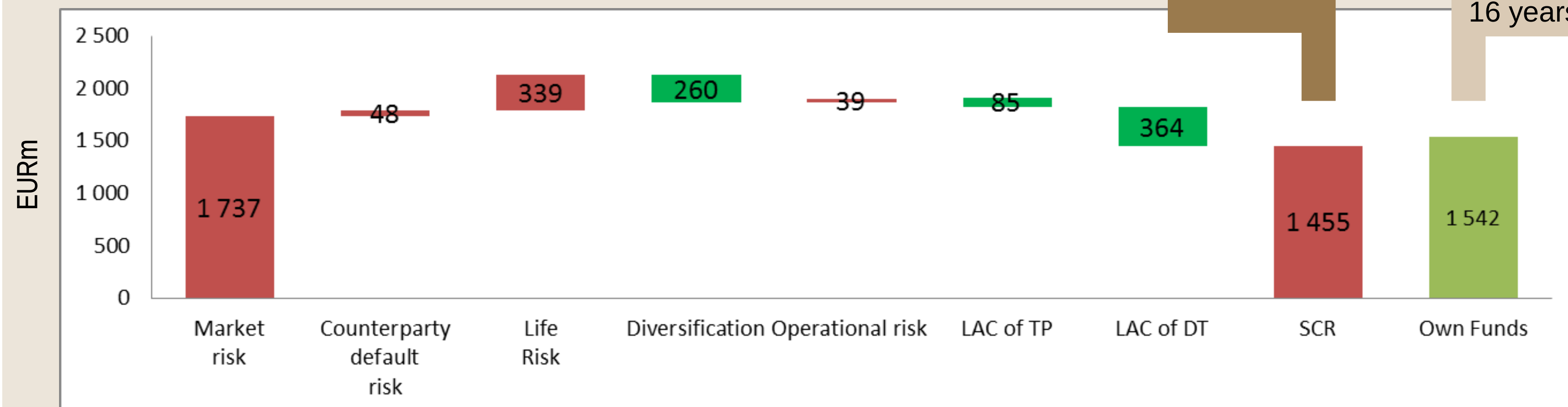
Equity risk transitionals decrease market risk and SCR, while transitional measures on technical provisions increase own funds



Equity transitional 7 years

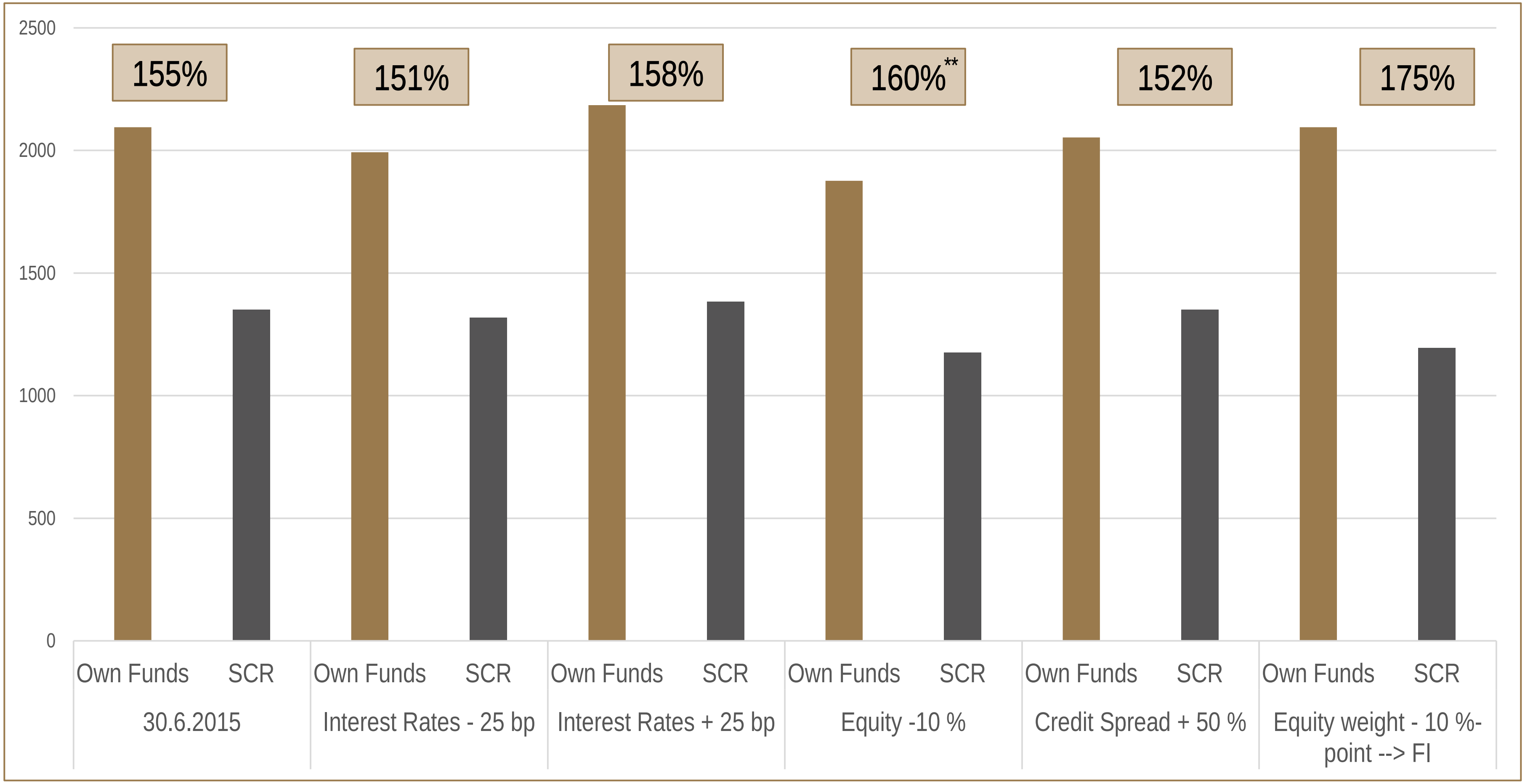
Technical provisions transitional 16 years

Without transitional measures



LAC = Loss Absorbing Capacity **TP = Technical Provision** **DT = Deferred Taxes**

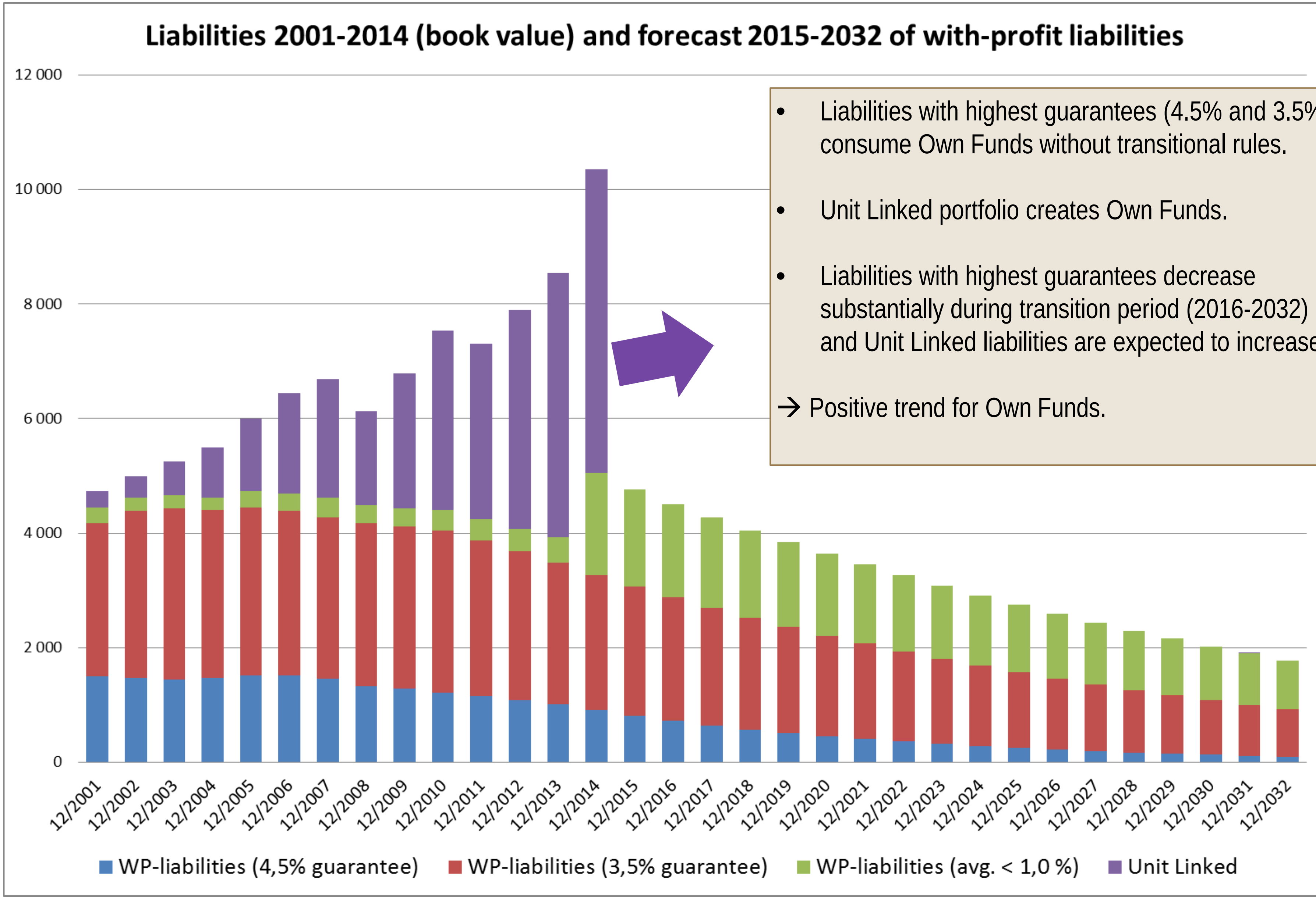
Estimated Sensitivities after 1 January 2016*



*) Based on 6/2015 figures. Interest rate movements before 1 January 2016, when the effect of liability transitional is fixed, will have a smaller effect on the solvency position.

**) Equity stress improves the Coverage Ratio, because the change in risk charge (symmetric adjustment decreases from +3.3% to -2.4%) mitigates equity stress' negative impact. Anyway equity stress decreases excess capital.

Trend of Liabilities and Own Funds



- Liabilities with highest guarantees (4.5% and 3.5%) consume Own Funds without transitional rules.
- Unit Linked portfolio creates Own Funds.
- Liabilities with highest guarantees decrease substantially during transition period (2016-2032) and Unit Linked liabilities are expected to increase.

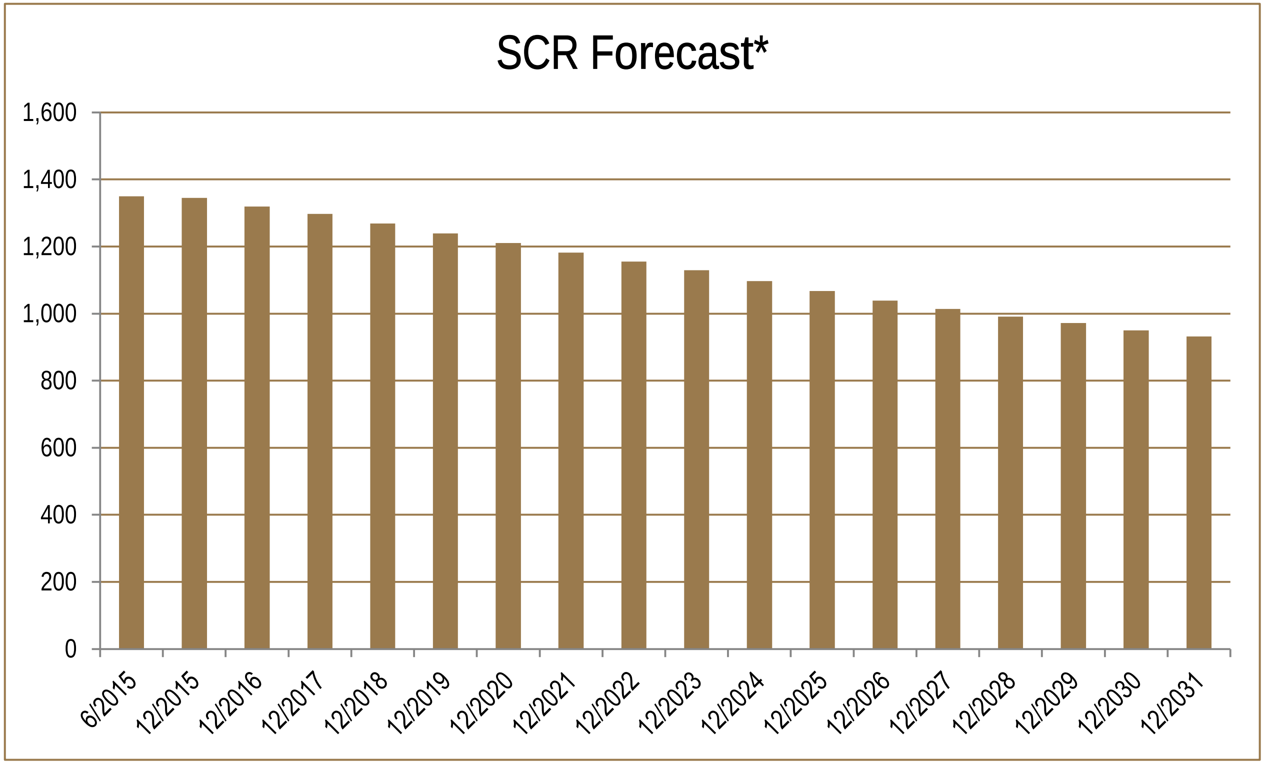
→ Positive trend for Own Funds.

Trend of Liabilities and SCR

- Market Risk is the main driver behind SCR.
- Most of the market risk arises from assets backing with-profit liabilities.

→ Decreasing trend of with-profit liabilities decreases SCR.

→ Expected positive trend in Coverage ratio based on Own funds and SCR expectations.



*) Current asset allocation + expected liability trends.

Appendices

Mandatum Life Will Apply…

	YES/NO	Comments
Standard Formula	YES	SCR is measured by using standard formula i.e. not by internal model.
Volatility Adjustment	YES	Discount rate (0-20 years) is increased by volatility adjustment. EIOPA sets level quarterly (xx bp per 6/2015)
Transitional Measure on Technical Provision	YES	Applied to pension policies with 3.5% or 4.5% guarantees. Book value of liabilities used instead of SII liabilities → increases own funds by EUR 550 million (6/2015). Transitional period 16 years.
Transitional Measure on risk-free interest rates	NO	Can not be used together with Transitional measure on technical provisions
Equity Risk Transitional	YES	Capital Charge 22% instead of 39% (1 January 2016) for listed EEA and OECD based equities. Transitional period 7 years.
Matching Adjustment	NO	Not possible in Mandatum Life

SCR Market Risk Modules

Equity risk

Equity Risk SCR	EEA/OECD based (**Type I**)	non-EEA/OECD based **(Type II)**
Basic stress	39 %	49 %
Symmetric Adjustment	+/- 10 %-point	+/- 10 %-point
capital requirement	**29-49 %**	**39-59%**

Roughly: Symmetric Adjustment decreases basic capital charge, if equity indexes below 3 year average and vice versa.
Equity shock decreases symmetric adjustment → decreases risk charge → helps solvency position after shock.

Alternative investments (Private EQ, Commodity) are classified as Type II equity i.e. 39-59% capital charge

Real Estate: 25% capital charge

Spread risk

Duration	AAA	AA	A	BBB	BB	B	CCC or lower	Unrated
1	0.9%	1.1%	1.4%	2.5%	4.5%	7.5%	7.5%	3.0%
3	2.7%	3.3%	4.2%	7.5%	13.5%	22.5%	22.5%	9.0%
5	4.5%	5.5%	7.0%	12.5%	22.5%	37.5%	37.5%	15.0%
10	7.0%	8.5%	10.5%	20.0%	35.0%	58.5%	58.5%	23.0%

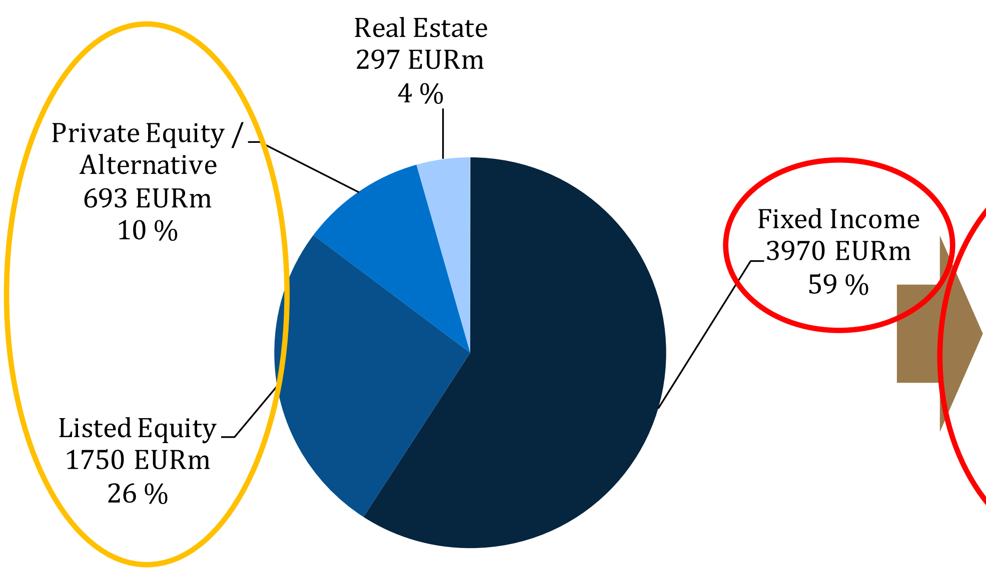
Interest Rate Risk

- Calculated from both FI assets and with-profit technical provisions

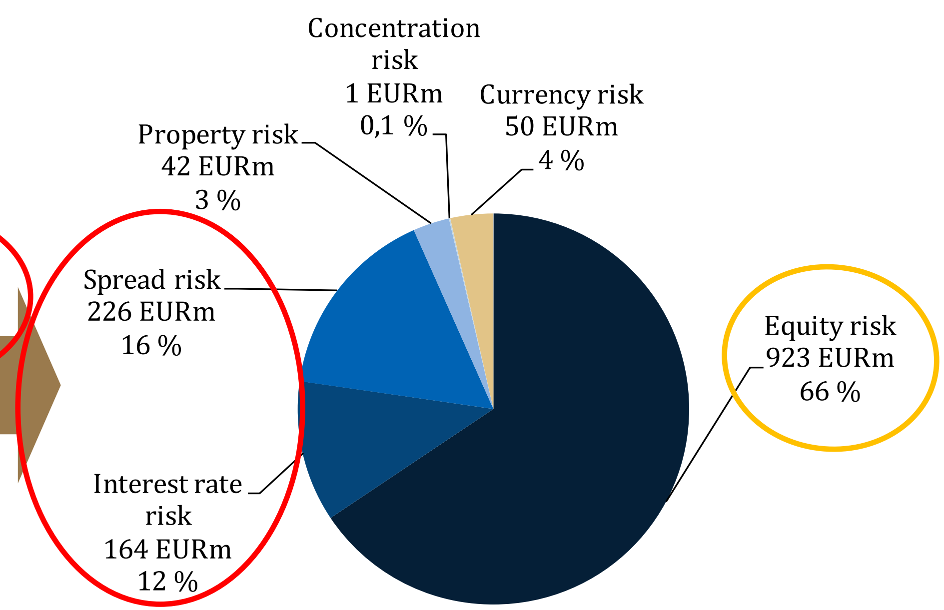
Interest rate risk stress: yield curve up or down, which ever decrease more Own Funds										
duration	1	2	3	4	5	6	7	8	9	10-20 yr
Interest rate stress, down	**-75%**	**-65%**	**-56%**	**-50%**	**-46%**	**-42%**	**-39%**	**-36%**	**-33%**	**≈ -30%**
Interest rate stress, up	70%	70%	64%	59%	55%	52%	49%	47%	44%	42%→26%

Mandatum Life - Solvency II SCR (Market Risk)*

Asset Allocation
EUR 6,710 million
30 June 2015



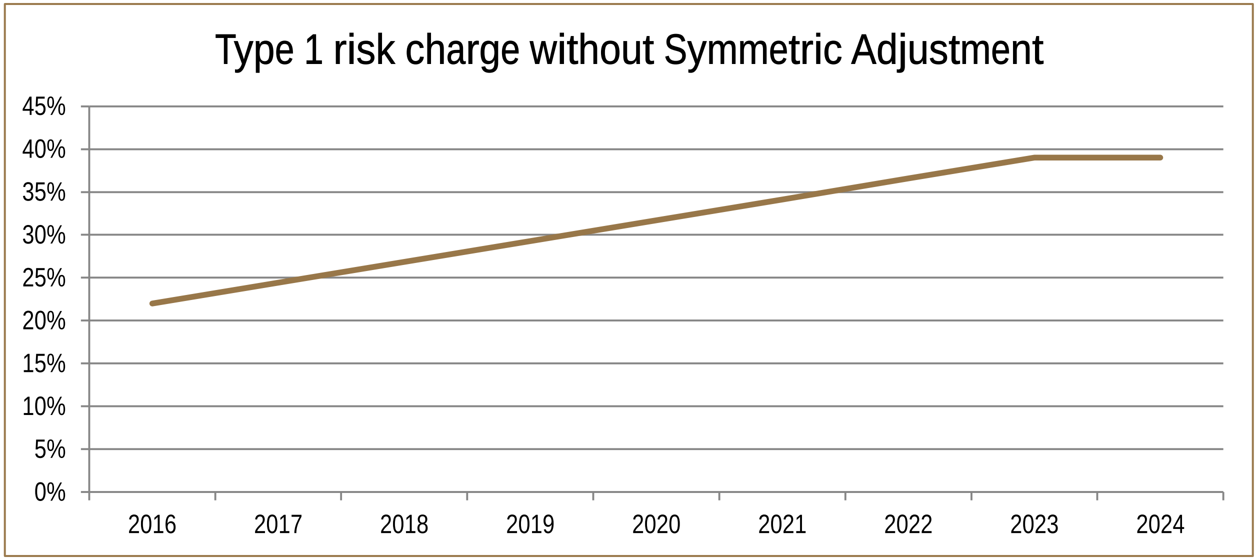
Market Risk SCR (diversified)
EUR 1,406 million
30 June 2015



*) Excl. Unit Linked Market Risk

Transitional Measure for Standard Equity Risk

- For type 1 equities (equities listed in regulated markets in the EEA or OECD countries) it is possible to apply transitional measure for standard equity risk calculation.
- 22% risk charge can be used instead of 39% standard equity risk charge. This applies to type 1 equities purchased before 1 January 2016.
- Risk charge increases linearly towards 39% in seven years.
- Due to practical reasons Mandatum Life is planning to apply this transitional measure only for direct type 1 equity investments.



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