Annual Report 2015

MANDATUM LIFE

Contents

Year 2015 in brief

Mandatum Life is one of Finland's most respected and solvent financial service providers. It is part of the Sampo Group. 2015 was a successful year for the company and, by all measures, the company recorded an excellent result.

Excellent result

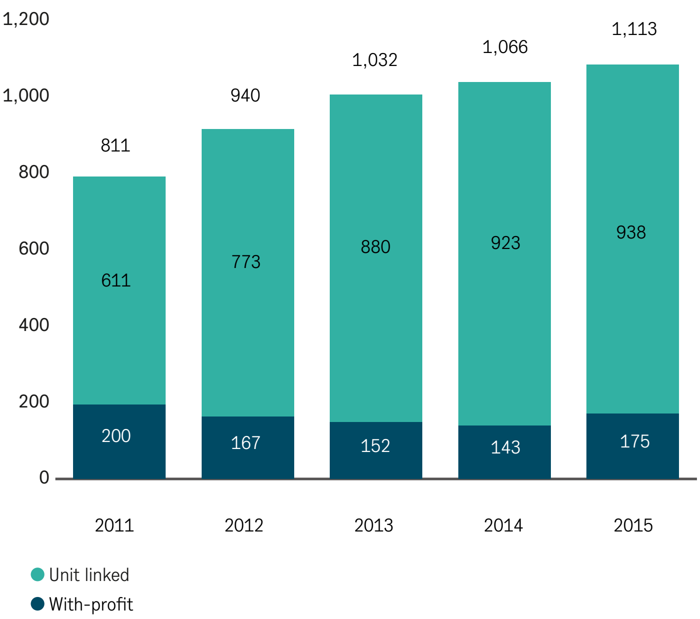
2015 was in many respects a successful year for Mandatum Life. The exceptionally good investment return on Finnish and other European equities propelled the investment result to a very good level. Good operational efficiency and growth in unit-linked technical provisions laid the foundation for a record-high expense result. The risk result was also the strongest in the company's history.

Premiums written reached unprecedented level

Mandatum Life's premiums written in 2015 reached an all-time high in the company's history. The unprecedented premiums written can be attributed to successful sales in both Mandatum Life's sales channels and in the sales network of its partner, Danske Bank. Demand for savings and investment products grew, which was especially reflected in Danske Bank's private customer sales network, which once again recorded record-high sales figures.

In the corporate customer segment, Mandatum Life solidified its position as a market leader. In recent years, the company has diversified its offering to corporate customers, for instance in its effective employee reward solutions. Unit-linked group pension insurance remains one of the company's key focal areas and was, in fact, the product area that achieved the company's highest premiums written ever in 2015.

Mandatum Life premiums written, direct business EUR million



Change in solvency regulations

New, EU-wide solvency regulations (Solvency II) affecting insurance companies entered into force on 1 January 2016. The regulations include transitional measures that aim to make the transition to the new solvency regulations as smooth as possible. In 2015, the Financial Supervisory Authority granted Mandatum Life permission to apply a so-called transitional measure on technical provisions (for 16 years). In addition, Mandatum Life will apply a transitional measure related to equity Solvency Capital Requirement (SCR) (for 7 years). Taking into account the transitional measures, Mandatum Life's solvency position remained strong. The transitional measures are relatively long-term, and during that period, the company's balance sheet structure will change considerably due to the development of the technical provisions. As a result, the solvency position, calculated without the application of the transitional measures, is expected to develop favourably during the transitional periods.

Control over Suomi Mutual's group pension portfolio transferred without a hitch

Suomi Mutual's group pension portfolio was transferred to Mandatum Life on 30 December 2014. The portfolio transfer was sizable, covering roughly 2,000 new insurance policies, more than 30,000 insured persons and in excess of EUR 1,300 million in investment assets. The portfolio transfer went according to plan and, thanks to Mandatum Life's successful year, it was possible to reward the insurance portfolio with considerable supplementary bonuses.

Satisfied customers and personnel guarantee financial success

Personnel well-being and customer satisfaction are long-term strategic goals for Mandatum Life. The company believes that taking care of employee satisfaction is also a good way of ensuring a high level of customer satisfaction. They are both essential for the financial success of the company.

Personnel satisfaction is already at an excellent level: 92 per cent of employees consider Mandatum Life a very good place to work. Customer satisfaction has increased consistently across all customer groups. Mandatum Life's efforts to enhance customer satisfaction focus especially on developing digital services.

Board of Directors' Report 1 January–31 December 2015

Operating result and solvency

Mandatum Life's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The parent company's separate financial statements have been prepared in accordance with Finnish Accounting Standards. The profit shown in the consolidated financial statements differs from the parent company's profit mainly due to differences in the recognition principles for investment activities.

The Group's IFRS profit before taxes was EUR 181 million (163), and profit after taxes EUR 144 million (133). The Baltic subsidiary recorded a loss of EUR -0.2 million (0.2). The parent company's profit for the year according to Finnish Accounting Standards was EUR 97 million (103).

Mandatum Life Group's total result after taxes, calculated at the fair value of the investments, rose to EUR 168 million (150). Of the total result, the change in the fair value reserve amounted to EUR 24 million (16).

INCOME ANALYSIS

EUR million	2015	2014	change
Total premiums written (on own account)	1,144	1,105	39
Investment income and charges, revaluations and revaluation adjustments	630	539	92
Other technical income	0	0	0
Claims paid	-1,002	-881	-121
Change in technical provisions before bonuses	-510	-496	-15
Net operating expenses	-116	-102	-14
Technical result before bonuses	**146**	**164**	**-18**
Other interest expenses	-6	-7	1
Other income and expenses	18	6	12
Operating profit	**157**	**163**	**-6**
Customer bonuses	24	0	24
Profit before extraordinary items, appropriations and taxes	**181**	**163**	**18**
Extraordinary income	0	0	
Taxes	-36	-29	-7
Profit for the financial year	**144**	**133**	**11**
Change in fair value reserve	24	16	8
Profit at fair values	**168**	**150**	**19**

New, EU-wide solvency regulations (Solvency II) affecting insurance companies entered into force on 1 January 2016. Taking into account the transitional measures, Mandatum Life's own funds according to Solvency II amounted to EUR 1,913 million, and the corresponding Solvency Capital Requirement (SCR) according to Solvency II was EUR 1,212 million. The solvency ratio (own funds/SCR) was thus 158 per cent. The minimum capital requirement (MCR) according to Solvency II was EUR 303 million. Without the transitional measure applied to technical provisions, Mandatum Life's own funds would have been EUR 1,347 million, and the SCR without the transitional measure applied to the equity risk would have been EUR 1,307 million.

Solvency I was still in effect on 31 December 2015. According to Solvency I, Mandatum Life's solvency margin was EUR 1,535 million and the corresponding minimum requirement was EUR 269 million.

Mandatum Life Group's consolidated balance sheet total was EUR 12,705 million (12,204), of which the share of capital and reserves was EUR 1,378 million (1,310). Capital and reserves include the investment fair value reserve, which, less the tax liability, amounted to EUR 532 million (508).

Premiums written

Mandatum Life Group's direct insurance premiums written during the year under review reached the highest level in the company's history, at EUR 1,147 million (1,106). That represents growth of 3.7 per cent on the previous year's figure. Premiums written on the parent company's direct business in Finland amounted to EUR 1,113 million (1,066). Premiums written in the entire sector in Finland grew 5.6 per cent to EUR 6,275 million (5,942), according to the Federation of Finnish Financial Services' statistics on premiums written.

Mandatum Life's and the entire sector's premiums written increased the most in the life insurance savings product group. Mandatum Life's premiums written on life insurance savings policies grew 17.1 per cent to EUR 416 million (355), while growth in the entire sector was as high as 22.8 per cent.

After several consecutive years of growth, premiums written on capital redemption contracts began to decline in 2015. Mandatum Life's premiums written on capital redemption contracts were down 5.1 per cent to EUR 415 million (438), while the corresponding decline in the entire sector was 9.8 per cent.

The company's pure life and disability insurance premiums written were close to the level of the previous year, at EUR 46 million (46).

With a 41.4 per cent market share in premiums written, Mandatum Life was the market leader in the corporate customer segment. The company increased its premiums written particularly in group pension insurance, which increased 15.1 per cent to EUR 141 million (122).

The Baltic subsidiary's risk insurance premiums written and capital at risk grew, but the total amount of premiums written was less than the previous year's, at EUR 34 million (40).

The net sales of Mandatum Life's subsidiary Innova, which offers personnel funds, employee reward solutions and pension services, grew to EUR 7 million (5).

Investments

Mandatum Life's investment objective is to produce the highest possible return at an acceptable level of risk. Successful investments provide policyholders with good nominal returns and also improve the solvency margin and satisfy shareholders' return expectations.

DIRECT INSURANCE PREMIUMS WRITTEN

EUR million	2015	2014	change
Insurance contracts			
Unit-linked life insurance	428	372	56
Other life insurance	49	49	0
Employees' group life insurance	10	12	-2
Other group life insurance	9	9	0
Life insurance	**497**	**443**	**54**
Unit-linked individual pension insurance	71	76	-4
Other individual pension insurance	14	17	-3
Unit-linked group pension insurance	75	65	10
Other group pension insurance	65	57	8
Pension insurance	**226**	**215**	**12**
Insurance contracts total	**723**	**658**	**65**
Investment contracts			
Unit-linked capital redemption operations	394	448	-54
Other capital redemption operations	30	1	29
Investment contracts total	**424**	**449**	**-25**
Direct insurance premiums written	**1,147**	**1,106**	**41**

The investment portfolio is diversified both geographically and by instrument type to increase returns and reduce risks.

At the end of the year, the fair value of the parent company's investment portfolio was EUR 6,667 million (6,644). That amount consisted of EUR 5,465 million (5,311) in assets covering the original with-profit technical provisions, and EUR 1,202 million (1,332) in assets covering the segregated group pension portfolio.

The allocation of the investments remained largely unchanged, although there were major changes within the fixed income portfolios. In the assets covering the original with-profit technical provisions, the share of money market investments declined to 7 per cent (23) and the share of bonds increased to 45 per cent (30). In the segregated group pension portfolio's investment assets, the share of money-market instruments and cash fell to 9 per cent (33), government bonds fell to 3 per cent (23), fixed income fund investments were sold (16) and the share of other credit risk debt instruments grew to 68 per cent (23).

The duration of the fixed income investments covering the original with-profit technical provisions as per 31 December 2015 rose to 2.1 years (1.6) and the duration of the segregated assets declined slightly to 2.3 years (2.4).

A more detailed breakdown of equity and fixed income investments can be found in the note to the financial statements concerning risk management.

Interest rates in 2015 remained low and short-term interest rates in Europe were negative. The equity markets were extremely volatile. Despite the challenging market situation, the return on investments was very good. The total return on the investment assets covering the original with-profit technical provisions in 2015 was 6.9 per cent (4.6% in 2014). The total return on the investment assets in the segregated group pension portfolio was 3.8 per cent (no comparison figure available)

The full-year return on the equity portfolio, on the part of the investment assets covering the original with-profit technical provisions, amounted to 14.5 per cent (4.8) and the return on the segregated group pension portfolio was 13.4 per cent (no comparison figure available). Finnish equity investments in particular yielded good returns. A capital gain of EUR 99 million was realised on the domestic equities included in the original portfolio's assets.

In the assets covering the original with-profit technical provisions, the return on the fixed income portfolio for the full year was 1.5 per cent (1.6%) and the return on the segregated group pension portfolio was 1 per cent (no comparison figure available).

The euro weakened during the year, driving the result of the unhedged portion of the currency position clearly into positive territory.

Technical provisions

Mandatum Life Group's technical provisions before reinsurers' share grew by EUR 496 million and amounted to EUR 10,873 million (10,377). Unit-linked policies accounted for EUR 5,858 million (5,312) of the technical provisions. The with-profit technical provisions amounted to EUR 5,014 million (5,065). Suomi Mutual's group pension insurance portfolio, which was transferred to Mandatum Life on 30 December 2014, accounted for EUR 1,196 million (1,337) of the with-profit technical provisions at the end of the 2015 financial year. The technical provisions transferred from Suomi Mutual have been segregated from the other insurance portfolio (segregated group pension insurance portfolio). The segregated group pension insurance portfolio includes an increase of EUR 257 million (241) in the reserve for decreased discount rates, which lowers its discount rate for technical provisions to 0.75 per cent. The remainder of the with-profit technical provisions includes a total increase of EUR 244 million (135) in the reserve for decreased discount rates.

The Baltic subsidiary's share of the technical provisions was EUR 173 million (170), of which unit-linked technical provisions accounted for EUR 155 million (153).

More detailed information on the distribution of and change in technical provisions is included in the note concerning risk management in the Notes to the Financial Statements.

Equity Principle

According to Chapter 13 of the Finnish Insurance Companies Act, life insurers must follow the so-called equity principle with respect to policies which under the insurance contract give entitlement to bonuses granted on the basis of any surplus generated by the insurance policies.

Mandatum Life aims to provide, in the long run and before expenses and taxes, an overall bonus on insurance savings that are eligible for distribution of profit that is at least equivalent to the interest level on long-term fixed-income investments considered to have the lowest risk at any given time. According to the current interpretation, German bonds are viewed as the closest option for risk-free, long-term fixed-income investments.

For the time being, however, the targeted level of total return corresponds to the yield of 5-year Finnish government bonds in the case of endowment policies and to the yield of 10-year Finnish government bonds in the case of pension insurance policies. The total return consists of the technical rate of interest and additional bonuses that are determined annually.

Mandatum Life Insurance Company Ltd's Board of Directors annually decides on the additional bonuses, taking into account, among other things, the general interest rate, the company's long-term success in investment activities, the technical rate of interest on the insurance and the company's solvency. The company's website provides a more detailed description of the targeted bonus and an account of bonuses paid.

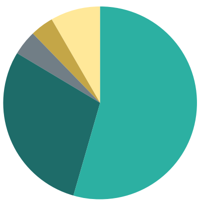
There are no regulations corresponding to the principle of fairness in Estonian, Latvian or Lithuanian legislation.

Profit distribution policy for the segregated group pension insurance portfolio

On 30 December 2014, Mandatum Life took over control of Suomi Mutual's group pension insurance portfolio (Insurance Portfolio), which has been segregated from Mandatum Life's other insurance portfolio. In connection with the transfer, it was agreed that the assets transferred along with the Insurance Portfolio will be used to secure the benefits under the transferred Insurance Portfolio. To

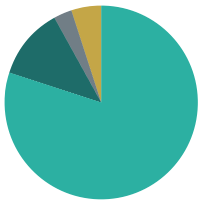
Investments 31.12.2015

Original assets
5,465 EUR million



Fixed Income	54%
Listed equity	29%
Private equity	4%
Real Estate	4%
Alternative	8%

Segregated assets
1,202 EUR million



Fixed Income	81%
Listed equity	12%
Private equity	3%
Real Estate	5%
Alternative	0%

NET INVESTMENT INCOME AT FAIR VALUE

EUR million	2015	2014	change
Guaranteed interest policies			
Interest	91	98	-7
Dividend income	108	89	18
Income from and charges arising from investments in land and buildings	7	5	2
Gains and losses on sale of investments	213	126	87
Value adjustments	-19	-42	22
Exchange rate gains and losses	182	35	148
Investment management expenses and depreciation	-16	-13	-4
Revaluations	1	1	0
Other income and charges	-175	-28	-147
Total	**391**	**271**	**120**
Change in fair value reserve (before tax)	32	20	12
Change in valuation differences off the balance sheet	6	-1	7
Total net investment income at fair value	**430**	**291**	**139**

that end, and in order to ensure what has been agreed on, the Insurance Portfolio and the assets covering it have been segregated from Mandatum Life's other insurance portfolio and assets. It has furthermore been agreed that a profit distribution policy that is independent from Mandatum Life's other insurance portfolio shall be applied, as described further below, to the Insurance Portfolio and the assets covering it.

In IFRS accounting, when the realised investment return exceeds the return requirement based on the discount rate for technical provisions, 65 per cent of the surplus amount is distributed to the insurance portfolio. The discount rate for technical provisions that is applied in the profit distribution policy is always based on the discount rate for technical provisions used on the first day of the calendar year. The insurance portfolio's share of the investment returns that exceed the discount rate can be distributed, for example, in the form of annual client bonuses, one-time benefit increases, or it can be set aside in a reserve for future bonuses, which is used to equalise the annual client bonuses and safeguard the level of client bonuses and their continuity.

In IFRS accounting, when the realised investment return is less than the return requirement based on the discount rate for technical provisions, said return requirement is financed primarily from the provision for future bonuses and thereafter from Mandatum Life's capital and reserves. The share of the provision for future bonuses that has been set aside, by a separate decision by Mandatum Life, for the Insurance Portfolio transferred from Suomi Mutual shall not be used to finance the above-mentioned return requirement.

The discount rate to be applied in the profit distribution policy of the Insurance Portfolio transferred from Suomi Mutual is 1.0 per cent for 2015 and 0.75 per cent for 2016. The company's website provides a more detailed description of the profit distribution policy for the segregated group pension portfolio, as well as an explanation of the bonuses paid.

Claims incurred

A total of EUR 1,001 million (882) was paid out by Mandatum Life Group on claims during the year, of which reinsurers covered EUR 2.8 million (2.8). Unit-linked policies accounted for EUR 556 million (485) of claims paid.

The parent company, Mandatum Life, made pension payments totalling EUR 387 million (319) to some 76,000 pensioners during the year. Group pension insurance accounted for 63 per cent (57) of this total. A total of close to 43,000 other claims were also paid out. Maturity benefits paid out on policies expiring at term amounted to EUR 18 million (14). Policy surrenders amounted to EUR 510 million (451), and life insurance risk payouts totalled EUR 77 million (90).

Operating expenses

Mandatum Life Group's operating expenses were EUR 116 million (102). The Baltic subsidiary's share of the operating expenses was EUR 6 million (6), and Innova's share was also EUR 6 million (5).

In 2015, Mandatum Life Group's expense ratio was 98.4 per cent (103.0). The total expense ratio, which takes into account all income intended to cover operating expenses, was 80.3 per cent (84.2). The Group's operating expenses include acquisition costs of EUR 33 million (37). Mandatum Life does not amortise insurance acquisition costs, which means a policy's first-year result, i.e. the result for the acquisition year, is usually negative due to acquisition costs.

HR administration

In 2015, Mandatum Life set new long-term business goals, one of which concerns employee satisfaction. Employee well-being bears great significance for the company: satisfied personnel means satisfied customers, and this guarantees financial success. In 2015, as much as 92 per cent of Mandatum Life's personnel considered the company a very good place to work. The goal is to keep that figure in the 90 per cent range until 2020. Employee satisfaction is measured annually via the Great Place to Work Finland survey.

Other key themes in 2015 were supervisory work, employee reward packages, and maintaining the competence and work capacity of senior employees. Mandatum Life believes that every employee has the right to good management. One of the key tools for developing supervisory work is the 360-degree supervisor evaluation, which aims to assess the leadership, level of expertise and areas in need of development of the entire supervisory staff. The results in 2015 were at an excellent level. The company also invested in the well-being of its senior employees by establishing the ML Plus 58 group at the start of 2015. The group is intended for all employees aged 58 and over.

The main principle of the company's employee reward policy is to offer its personnel the same reward solutions that it offers its customers. A good example is the Personnel Fund that was introduced in 2014 for all employees. As much as 87 per cent of personnel opted to transfer their bonus to the fund in 2015. Mandatum Life succeeded in developing its reward system and increasing work satisfaction despite the company keeping its fixed operating costs at the 2012 level as part of its cost-efficiency programme.

Risk management

Mandatum Life's Board of Directors is responsible for ensuring the adequacy of the company's risk management and internal control. The Board annually approves the risk management plan, investment policy and other guidance on the organisation of risk management and internal control in the businesses operations. The contingency plan is part of the risk management plan.

The managing director of Mandatum Life has overall responsibility for the implementation of risk management in accordance with the Board's guidance. The business units are responsible for the identification, assessment, control and management of their operational risks.

Risks have been divided into main groups, which are insurance, market, operational, legal and compliance risks as well as business and reputation risks. Each main group has been appointed a responsible person in the Risk Management Committee, which meets regularly. The Committee is chaired by the managing director, and it also handles risks related to the Baltic subsidiary.

The Financial Statements include a note on risks and risk management, explaining in greater detail Mandatum Life Group's general risk management principles as well as its principal risks.

Corporate structure and ownership

Mandatum Life Insurance Company Limited is a fully owned subsidiary of Sampo plc.

Mandatum Life's wholly owned subsidiaries are the Estonian Mandatum Life Insurance Baltic SE, which has branches in Latvia and Lithuania, and Mandatum Life Fund Management S.A. in Luxembourg, as well as the Finnish subsidiaries Innova Services Ltd, Mandatum Life Services Ltd., Mandatum Life Investment Services Ltd. and Saka Hallikiinteistöt GP Oy.

Mandatum Life Group also includes 22 (23) Finnish subsidiary housing and property companies and the associated company Niittymaa Oy (49% holding). SaKa Hallikiinteistöt Oy (48% holding) is the subject of corporate restructuring, and a gain on disposal of EUR 6.2 million has been recorded in the Group as a result of the change.

Significant post-balance-sheet events

There are no significant post-balance-sheet events.

Outlook

The equity markets ended up well ahead of the bond markets in terms of 2015 yields, in euros. The Finnish equity markets performed well (+15.9%). In dollars, the US S&P 500 index only just remained positive after dividends (+1.4%) and the same applies to the MSCI World stock index, in local currencies, (+1.3%). Uncertainty surrounding declining raw material prices, the consequences of China's decelerating growth and the startup of the Fed's interest rate hike cycle may increase price volatility in risky asset classes in the capital markets. Global economic growth is projected to slow down moderately in 2016 to just under three per cent. Earnings growth among Western companies is expected to exceed the general pace of economic growth. Where Finland is concerned, growth prospects are weakened by spending cuts resulting from public sector debt, a low level of investment activity and, among other things, the low demand for exports due to Russia's weak economic situation. The challenges in cost-competitiveness and the growing costs related to the aging of the population will weaken Finland's economic growth potential in the long run. Uncertainty related to the markets and economic development combined with the low interest rate level will pose a considerable challenge to investment operations and the company's result. The solvency capital, the with-profit technical provisions that are decreasing relatively strongly, and the discount rate reserve, together with the transitional measures of Solvency II, put the company in a good position to tolerate both low interest rate levels and short-term market volatility.

In addition to investment operations, the company's result is also affected by the risk result arising from insurance risks and by the expense result. The expense result continued on an upward trajectory as income increased and expenses remained below the targets set in the cost-efficiency programme. The expense result is expected to trend upward, but annual results may fluctuate especially in terms of fee income for unit-linked technical provisions due to the volatility of the investment markets. The risk result for 2015 was exceptionally good, and in the near future it is expected to be at the level of the previous years.

Mandatum Life has made systematic and long-term efforts to improve customer satisfaction and the customer experience. The measures taken have resulted in a continuous improvement in the level of customer satisfaction across all customer groups. The main focus of the work is digital customer services, which enable even closer interaction with a broader group of customers. The goal of the digitalisation of customer service processes is to ensure the availability of customer service regardless of place or time. In 2015, the company launched a chat service on its website and the ML Money mobile app for wealth management customers. The services are being developed on the basis of customer feedback and the measured customer experience. Mandatum Life continues to invest in digitalisation, in the area of improving mobile access to its website and services, among other areas. These measures will open up possibilities to further improve the customer experience and customer satisfaction.

Solvency II entered into force on 1 January 2016. The company's solvency position under the transitional measures of Solvency II is good. The company's balance sheet structure will change considerably during the transitional periods along with the declining trend in the with-profit portfolio. This is expected to lower the company's solvency capital requirements and at the same time increase its own funds, as a result of which the company's solvency position is expected to remain at a good level in spite of the transitional periods elapsing.

Corporate Governance

Mandatum Life's corporate governance is primarily determined on the basis of the Finnish Insurance Companies Act and the Limited Liability Companies Act. More detailed provisions regarding the company's governance can be found in its Articles of Association and in the internal operating principles and guidelines approved by the Board of Directors.

The supreme authority over the company's business is exercised by the General Meeting of Shareholders. The Annual General Meeting was held on 17 March 2015, and extraordinary general meetings were held on 2 February 2015 and 3 July 2015.

In accordance with its Articles of Association, Mandatum Life's Board of Directors comprises no fewer than four and no more than seven members. In 2015, the Board had five members. Of the Board's members, the terms of Peter Johansson and Jorma Leinonen expired, and they were re-elected to serve until the 2018 Annual General Meeting.

The Board's composition is as follows: Group CEO Kari Stadigh (Chairman), Group CFO Peter Johansson (Vice Chairman) and members Patrick Lapveteläinen, Jorma Leinonen and Jarmo Salonen. The Board convened 15 times during the financial year.

The staff's elected representative at the Board of Directors' meetings is Katja Korelin and her deputy is Matti Lepistö. The staff representative is not a member of the Board of Directors.

Petri Niemisvirta was the company's Managing Director and Jukka Kurki was the Deputy Managing Director.

The Auditor elected by the Annual General Meeting is Ernst & Young Oy, Authorised Public Accountants (with Tomi Englund, APA, as the auditor with principal responsibility).

The Board of Directors' proposal for the distribution of profit

Mandatum Life's profit in accordance with the Finnish Accounting Standards was EUR 97,054,826.65. The company's distributable funds were EUR 562,951,188.68. The Board of Directors proposes to the Annual General Meeting that EUR 125,000,000 of the profit for the financial year be distributed as dividends and that the rest be transferred to the profit and loss account.

Consolidated Comprehensive Income Statement

EUR million	Note	1–12/2015	1–12/2014
Insurance premiums	1	1,144.1	1,104.8
Net income from investments	2	632.0	539.8
Other operating income		17.7	5.4
Claims incurred	3	-1,023.4	-876.4
Change in liabilities for insurance and investment contracts	4	-461.8	-498.6
Staff costs	5	-47.2	-46.3
Other operating expenses	6	-74.4	-59.5
Finance costs	7	-6.2	-6.9
Share of associates' profit/loss		0.0	0.5
Profit before taxes		**180.8**	**162.8**
Taxes	19	-36.3	-29.5
Profit for the period		**144.5**	**133.4**
Other comprehensive income for the period	20–21		
Items reclassifiable to profit or loss			
Exchange differences		0.0	0.0
Available-for-sale financial assets		32.5	20.2
Income tax relating to components of other comprehensive income		-8.6	-4.0
Other comprehensive income for the period, items reclassifiable to profit or loss net of tax, total		**23.9**	**16.2**
Total comprehensive income for the year		**168.4**	**149.5**

Consolidated Balance Sheet

EUR million	Note	12/2015	12/2014
Assets			
Property, plant and equipment	8	4.6	4.6
Investment property	9	178.2	176.8
Intangible assets	10	7.2	6.8
Investments in associates	11	0.0	0.4
Financial assets	12–16	6,038.9	5,664.9
Investments related to unit-linked insurance and investment contracts	17	5,864.5	5,281.8
Reinsurers' share of insurance liabilities	24	2.6	2.6
Other assets	22	126.6	208.0
Cash and cash equivalents	23	482.5	858.5
Total assets		**12,705.2**	**12,204.3**
Liabilities			
Liabilities for insurance and investment contracts	24	5,014.1	5,064.9
Liabilities for unit-linked insurance and investment contracts	25	5,858.4	5,312.0
Financial liabilities	13, 26	133.4	185.5
Tax liabilities	18	154.4	123.1
Other liabilities	28	166.8	209.0
Total liabilities		**11,327.1**	**10,894.6**
Equity	30		
Share capital		40.4	40.4
Reserves		661.1	637.2
Retained earnings		676.6	632.1
Equity attributable to owners of the parent		**1,378.1**	**1,309.7**
Non-controlling interests		0.0	0.0
Total equity		**1,378.1**	**1,309.7**
Total equity and liabilities		**12,705.2**	**12,204.3**

Statement of Changes in Equity

EUR million	Share capital	Share premium account	Legal reserve	Retained earnings	Translation of foreign operations	Available-for-sale financial assets*)	Available-for-sale financial assets**) IFRS 4.30	Total
Equity at 1 Jan 2014	**40.4**	**98.9**	**30.1**	**598.8**	**-0.2**	**492.1**	**-**	**1,260.1**
Changes in equity								
Transfers between equity				0.1		-0.1		**0.0**
Dividends				-100.0				**-100.0**
Total comprehensive income for the year				133.4	0.0	16.2		**149.5**
Equity at 31 Dec 2014	**40.4**	**98.9**	**30.1**	**632.3**	**-0.2**	**508.2**	**-**	**1,309.7**
Changes in equity								
Transfers between equity								**0.0**
Dividends				-100.0				**-100.0**
Total comprehensive income for the year				144.5	0.0	34.4	-10.5	**168.4**
Equity at 31 Dec 2015	**40.4**	**98.9**	**30.1**	**676.8**	**-0.2**	**542.6**	**-10.5**	**1,378.1**

*) The amount recognised in equity from available-for-sale financial assets for the period totalled EUR 301.7 million (30.2). The amount transferred to p/l amounted to EUR 32.5 million (20.2).

**) Policyholder's share, according to shadow accounting.

The amount included in the translation and available-for-sale reserves represent other comprehensive income for each component, net of tax.

Statement of Cash Flows

EUR million	2015	2014
Operating activities		
Profit before taxes	180.8	162.8
Adjustments:		
Depreciation and amortisation	5.6	5.3
Unrealised gains and losses arising from valuation	-150.7	-127.5
Realised gains and losses on investments	-249.0	-125.6
Change in liabilities for insurance and investment contracts	495.5	496.1
Other adjustments	28.4	26.1
Adjustments total	**129.7**	**274.3**
Change (+/-) in assets of operating activities		
Investments*)	-531.0	412.3
Other assets	39.3	-55.1
Total	**-491.7**	**357.2**
Change (+/-) in liabilities of operating activities		
Financial liabilities	0.0	0.0
Other liabilities	-11.6	5.0
Paid taxes	-81.3	-58.6
Total	**-92.9**	**-53.6**
Net cash from operating activities	**-274.1**	**740.7**
Investing activities		
Investments in group and associated undertakings	0.3	-4.1
Net investment in equipment and intangible assets	-2.2	-0.2
Net cash from investing activities	**-1.9**	**-4.3**
Financing activities		
Dividends paid	-100.0	-100.0
Net cash from financing activities	**-100.0**	**-100.0**
Total cash flows	**-376.0**	**636.4**
Cash and cash equivalents at 1 January	858.5	222.1
Cash and cash equivalents at 31 December	482.5	858.5
Net increase in cash and cash equivalents	**-376.0**	**636.4**
Additional information to the statement of cash flows:		
Interest income received	176.8	200.0
Interest expense paid	-42.2	-25.7
Dividend income received	41.1	54.8

*) Investments include investment property, financial assets and investments related to unit-linked insurance and investment contracts.

The items of the statement of cash flows cannot be directly concluded from the balance sheets due to e.g. exchange rate differences.

Cash and cash equivalents include cash at bank and in hand EUR 378.5 million (389.1) and short-term deposits (max. 3 months) EUR 104.0 million (469.4).

Notes to the accounts

Summary of significant accounting policies

Mandatum Life Group has prepared the consolidated financial statements for 2015 in compliance with the International Financial Reporting Standards (IFRSs). In preparing the financial statements, Mandatum Life has applied all the standards and interpretations relating to its business, adopted by the commission of the EU and effective at 31 December, 2015.

During the financial year Mandatum Life adopted the following amended standard relating to its business.

The revised IAS 19 *Pension Benefits* (effective for annual periods beginning on 1 February 2015 or after) clarifies the accounting method when an employee or a third party is expected to make contributions to the defined benefit plan. The adoption of the revised standard will not have a material impact on the Group's financial statements reporting.

In preparing the notes to the consolidated financial statements, attention has also been paid to the Finnish accounting and company legislation and applicable regulatory requirements. Some of the risk management disclosures are presented in the Group's financial statements' Risk Management section.

The financial statements have been prepared under the historical cost convention, with the exception of financial assets and liabilities at fair value through p/l, financial assets available-for-sale, hedged items in fair value hedges and share-based payments settled in equity instruments measured at fair value.

The consolidated financial statements are presented in millions of euros to one decimal place, unless otherwise stated.

The Board of Directors of Mandatum Life accepted the financial statements for issue on 8 February 2016.

Consolidation

Subsidiaries

The consolidated financial statements combine the financial statements of Mandatum Life and all its subsidiaries. Entities qualify as subsidiaries if the Group has the controlling power. The Group exercises control if its shareholding is more than 50 per cent of the voting rights or it otherwise has the power to exercise control over the financial and operating policies of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and cease to be consolidated from the date that control ceases.

The acquisition method of accounting is used for the purchase of subsidiaries. The cost of an acquisition is allocated to the identifiable assets, liabilities and contingent liabilities, which are measured at the fair value of the date of the acquisition. Possible non-controlling interest of the acquired entity is measured either at fair value or at proportionate interest in the acquiree's net assets. The acquisition-specific choice affects both the amount of recognised goodwill and non-controlling interest. The excess of the aggregate of consideration transferred, non-controlling interest and possibly previously held equity interest in the acquiree, over the Group's share of the fair value of the identifiable net assets acquired, is recognised as goodwill.

The accounting policies used throughout the Group for the purposes of consolidation are consistent with respect to similar business activities and other events taking place in similar conditions. All intra-group transactions and balances are eliminated upon consolidation.

Associates

Associates are entities in which the Group has significant influence, but no control over the financial management and operating policy decisions. Unless otherwise demonstrated, this is generally presumed when the Group holds in excess of 20 per cent, but no more than 50 per cent, of the voting rights of an entity. Investments in associates are treated by the equity method of accounting, in which the investment is initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the associate. If the Group's share of the associate's loss exceeds the carrying amount of the investment, the investment is carried at zero value, and the loss in excess is consolidated only if the Group is committed to fulfilling the obligations of the associate. Goodwill arising on the acquisition is included in the cost of the investment. Unrealised gains (losses) on transactions are eliminated to the extent of the Group's interest in the entity.

The share of associates' profit or loss, equivalent to the Group's holding, is presented as a separate line in the income statement.

If there is any indication that the value of the investment may be impaired, the carrying amount is tested by comparing it with its recoverable amount. The recoverable amount is the higher of its value in use or its fair value less costs to sell. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to its recoverable amount by recognising an impairment loss in the profit/loss. If the recoverable amount later increases and is greater than the carrying amount, the impairment loss is reversed through profit and loss.

Foreign currency translation

The consolidated financial statements are presented in euro, which is the functional and reporting currency of the Group and the parent company. Items included in the financial statements of each of the Group entities are measured using their functional currency, being the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of transactions or the average rate for a month. The balance sheet items denominated in foreign currencies are translated into the functional currency at the rate prevailing at the balance sheet date.

Exchange differences arising from translation of transactions and monetary balance sheet items denominated in foreign currencies into functional currency are recognised as translation gains and losses in profit or loss. Exchange differences arising from equities classified as available-for-sale financial assets are included directly in the fair value reserve in equity.

The income statements of Group entities whose functional currency is other than euro are translated into euro at the average rate for the period, and the balance sheets at the rates prevailing at the balance sheet date. The resulting exchange differences are included in equity and their change in other comprehensive income. When a subsidiary is divested entirely or partially, the cumulative exchange differences are included in the income statement under sales gains or losses.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as if they were assets and liabilities of the foreign entity. Exchange differences resulting from the translation of these items at the exchange rate of the balance sheet date are included in equity, and their change in other comprehensive income.

Exchange differences that existed at the Group's IFRS transition date, 1 January 2004, are deemed to be zero, in accordance with the exemption permitted by IFRS 1.

Segment reporting

Mandatum Life Group's segmentation is based on the division by the product group of domestic business and the other geographical organisational structure. The reported segments are "Unit linked contracts" (Finland), the segregated fund (Finland), other businesses (Finland) and the operations outside Finland.

The investment risks vary by a product group. The segment results are reported to the management of the company as a part of management reporting.

Return on investments covering unit linked contracts and commissions received from fund management companies have been allocated to the segment "Unit linked contracts" (Finland). In addition, a balance sheet item "available for sale financial assets" corresponding to the required minimum solvency margin has been allocated to this segment. In the Profit and Loss Account, a technical revenue equal to a six months Euribor has been calculated on the item in question, which has respectively been deducted from the net investment profits received from the segment other businesses (Finland). Allocation of operational expenses and tangible and intangible assets has been carried out through internal cost accounting.

The primary segmentation comprises a substantial part of the geographical division, since operations outside Finland represents mainly the operations in Baltic countries while the impact of Luxembourg operations is neglible. In connection with the expansion of the foreign operations shall also the division by country be expanded. Inter-segment transactions, assets and liabilities are eliminated in the consolidated financial statements on a line-by-line basis.

In the inter-segment and inter-company pricing, for both domestic and cross border transactions, market-based prices are applied. The pricing is based on the code of conduct on Transfer Pricing Documentation in the EU and OECD guidelines.

Interest and dividends

Interest income and expenses are recognised in the income statement using the effective interest rate method. This method recognises income and expenses on the instrument evenly in proportion to the amount outstanding over the period to maturity. Dividends on equity securities are recognised as revenue when the right to receive payment is established.

Fees and commissions

The fees and transaction costs of financial instruments measured at fair value through profit or loss are recognised in profit or loss when the instrument is initially recognised.

The acquisition costs are treated as fee and commission expense under 'Other operating expenses'.

Other fees and commissions paid for investment activities are included in 'Net income from investments'.

Insurance premiums

Liabilities arising from insurance and investment contracts count as long-term liabilities. Therefore the insurance premium and related claims are usually not recognised in the same accounting period. Depending on the type of insurance, premiums are primarily recognised in premiums written when the premium has been paid. In group pension insurance, a part of the premiums is recognised already when charged.

The change in the provisions for unearned premiums is presented as an expense under 'Change in insurance and investment contract liabilities'.

Financial assets and liabilities

Based on the measurement practice, financial assets and liabilities are classified in the following categories upon the initial recognition: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through profit or loss, and other liabilities.

According to the Group's risk management policy, investments are managed at fair value in order to have the most realistic and real-time picture of investments, and they are reported to the Group key management at fair value. Investments comprise debt and equity securities. They are mainly classified as financial assets available-for-sale.

IFRS 4 *Insurance Contracts* provides that insurance contracts with a discretionary participation feature are measured in accordance with national valuation principles (except for the equalisation reserve) rather than at fair value. These contracts and investments made to cover shareholders' equity are managed in their entirety and are classified mainly as available-for-sale financial assets.

Financial assets designated as at fair value through profit or loss are investments related to unit-linked insurance, presented separately in the balance sheet. The corresponding liabilities are also presented separately. In addition, investments classified as the financial assets of foreign subsidiaries, and financial instruments in which embedded derivatives have not been separated from the host contract have been designated as at fair value through profit or loss.

Recognition and derecognition

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised and derecognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when the Group has a legally enforceable right to set off the recognised amounts and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expire.

Financial assets and financial liabilities at fair value through profit or loss

In Mandatum Life Group, financial assets and liabilities at fair value through profit of loss comprise derivatives held for trading, and financial assets designated as at fair value through profit or loss.

Financial derivative instruments held for trading

Derivative instruments that are not designated as hedges and do not meet the requirements for hedge accounting are classified as derivatives for trading purposes.

Financial derivatives held for trading are initially recognised at fair value. Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative instruments are recognised at fair value, and gains and losses arising from changes in fair value together with realised gains and losses are recognised in the income statement.

Financial assets designated as at fair value through profit or loss

Financial assets designated as at fair value through profit or loss are assets which, at inception, are irrevocably designated as such. They are initially recognised at their fair value. Gains and losses arising from changes in fair value, or realised on disposal, together with the related interest income and dividends, are recognised in the income statement.

Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the short term. The category also comprises cash.

Loans and receivables are initially recognised at their fair value, added by transaction costs directly attributable to the acquisition of the asset. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial investments that are designated as available for sale and or are not categorised into any other category. Available-for-sale financial assets comprise debt and equity securities.

Available-for-sale financial assets are initially recognised fair value, including direct and incremental transaction costs. They are subsequently remeasured at fair value, and the changes in fair value are recorded in other comprehensive income and presented in the fair value reserve, taking the tax effect into account. Interest income and dividends are recognised in profit or loss. When the available-for-sale assets are sold, the cumulative change in the fair value is transferred from equity and recognised together with realised gains or losses in profit or loss. The cumulative change in the fair value is also transferred to profit or loss when the assets are impaired and the impairment loss is recognised. Exchange differences due to available-for-sale monetary balance sheet items are always recognised directly in profit or loss.

Other financial liabilities

Other financial liabilities comprise debt securities in issue and other financial liabilities.

Other financial liabilities are recognised when the consideration is received and measured to amortised cost, using the effective interest rate method.

If debt securities issued are redeemed before maturity, they are derecognised and the difference between the carrying amount and the consideration paid at redemption is recognised in profit or loss.

Fair value

The fair value of financial instruments is determined primarily by using quoted prices in active markets. Instruments are measured either at the bid price or at the last trade price, if the instrument is a share listed. The financial derivatives are also measured at the last trade price. If the financial instrument has a counter-item that will offset its market risk, the mid-price may be used to that extent. If a published price quotation does not exist for a financial instrument in its entirety, but active markets exist for its component parts, the fair value is determined on the basis of the relevant market prices of the component parts.

If a market for a financial instrument is not active, or the instrument is not quoted, the fair value is established by using generally accepted valuation techniques including recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

If the fair value of a financial asset cannot be determined, historical cost is deemed to be a sufficient approximation of fair value. The amount of such assets in the Group balance sheet is immaterial.

Impairment of financial assets

Mandatum Life assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than those at fair value through p/l, may be impaired. A financial asset is impaired and impairment losses are incurred, if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset, and if that event has an impact, that can be reliably estimated, on the estimated future cash flows of the financial asset.

Financial assets carried at amortised cost

There is objective evidence of impairment, if an issuer or debtor e.g. encounters significant financial difficulties that will lead to insolvency and to estimation that the customer will probably not be able to meet the obligations to the Group. Objective evidence is first assessed for financial assets that are individually significant, and individually and collectively for financial assets not individually significant.

When there is objective evidence of impairment of a financial asset carried at amortised cost, the amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. The difference is recognised as an impairment loss in profit or loss. The impairment is assessed individually.

If, in a subsequent period, the amount of the impairment loss decreases, and the decease can objectively be related to an event occurring after the impairment was recognised (e.g. the default status is removed), the previously recognised impairment loss shall be reversed through profit or loss.

Available-for-sale financial assets

Whether there is objective evidence of an impairment of available-for-sale financial assets, is evaluated in a separate assessment, which is done if the credit rating of an issuer has declined or the entity is placed on watchlist, or there is a significant or prolonged decline in the fair value of an equity instrument below its original acquisition cost.

The decision on whether the impairment is significant or prolonged requires an assessment of the management. The assessment is done case by case and with consideration paid not only to qualitative criteria but also historical changes in the value of an equity as well as time period during which the fair value of an equity security has been lower than the acquisition cost. In Mandatum Life Group, the impairment is normally assessed to be significant, if the fair value of a listed equity or participation decreases below the average acquisition cost by 20 per cent and prolonged, when the fair value has been lower than the acquisition cost for over 12 months.

As there are no quoted prices available in active markets for unquoted equities and participations, the aim is to determine their fair value with the help of generally accepted valuation techniques available in the markets. The most significant share of unquoted equities and participations comprise the private equity and venture capital investments. They are measured in accordance with the generally accepted common practice, International Private Equity and Venture Capital Guidelines (IPEV).

The significance and prolongation of the impairment in the last-mentioned cases is assessed case by case, taking into consideration special factors and circumstances related to the investment. Mandatum Life invests in private equity and venture capital in order to keep them to the end of their life cycle, so the typical lifetime is 10 – 12 years. In general, a justifiable assessment of a potential impairment may only be done towards the end of the life cycle. However, if additionally there is a well-founded reason to believe that an amount equivalent to the acquisition cost will not be recovered when selling the investment, an impairment loss is recognised.

In the case of debt securities, the amount of the impairment loss is assessed as the difference between the acquisition cost, adjusted with capital amortisations and accruals, and the fair value at the review time, reduced by previously in profit or loss recognised impairment losses.

When assessed that there is objective evidence of impairment in debt or equity securities classified as financial assets available-for-sale, the cumulative loss recognised in other comprehensive income is transferred from equity and recognised in profit or loss as an impairment loss.

If, in a subsequent period, the fair value of a debt security increases and the increase can objectively be related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed by recognising the amount in profit or loss.

If the fair value of an equity security increases after the impairment loss was recognised in profit or loss, the increase shall be recognised in other comprehensive income. If the value keeps decreasing below the acquisition cost, an impairment loss is recognised through profit or loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments are classified as those held for trading and those held for hedging, including interest rate derivatives, foreign exchange derivatives, equity derivatives and commodity derivatives. Derivative instruments are measured initially at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivatives held for trading

Derivative instruments that are not designated as hedges and embedded derivatives separated from a host contract are treated as held for trading. They are measured at fair value and the change in fair value, together with realised gains and losses and interest income and expenses, is recognised in profit or loss.

If derivatives are used for hedging, but they do not qualify for hedge accounting as required by IAS 39, they are treated as held for trading.

Hedge accounting

The Mandatum Life Group may hedge its operations against interest rate risks, currency risks and price risks through fair value hedging and cash flow hedging. Cash flow hedging is used as a protection against the variability of the future cash flows, while fair value hedging is used to protect against changes in the fair value of recognised assets or liabilities.

Hedge accounting applies to hedges that are effective in relation to the hedged risk and meet the hedge accounting requirements of IAS 39. The hedging relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for undertaking the hedge, are documented at the inception of the hedge. In addition, the effectiveness of a hedge is assessed both at inception and on an ongoing basis, to ensure that it is highly effective throughout the period for which it was designated. Hedges are regarded as highly effective in offsetting changes in fair value or the cash flows attributable to a hedged risk within a range of 80–125 per cent.

Cash flow hedging

Cash flow hedging is used to hedge the interest cash flows of individual floating rate debt securities or other floating rate assets or liabilities. The hedging instruments used include interest rate swaps, interest rate and cross currency swaps. Derivative instruments which are designated as hedges and are effective as such are measured at fair value. The effective part of the change in fair value is recognised in other comprehensive income. The remaining ineffective part is recognised in profit or loss.

The cumulative change in fair value is transferred from equity and recognised in profit or loss in the same period that the hedged cash flows affect profit or loss.

When a hedging instrument expires, is sold, terminated, or the hedge no longer meets the criteria for hedge accounting, the cumulative change in fair value remains in equity until the hedged cash flows affect profit or loss.

During the financial year cash flow hedging has not been applied.

Fair value hedging

In accordance with the Group's risk management principles, fair value hedging is used to hedge changes in fair values resulting from changes in price, interest rate or exchange rate levels. The hedging instruments used include foreign exchange forwards, interest rate swaps, interest rate and cross currency swaps and options, approved by the managements of the Group companies.

Changes in the fair value of derivative instruments that are documented as fair value hedges and are effective in relation to the hedged risk are recognised in profit or loss. In addition, the hedged assets and liabilities are measured at fair value during the period for which the hedge was designated, with changes in fair value recognised in profit or loss.

During the financial year fair value hedging has been applied.

Securities lending

Securities lent to counterparties are retained in the balance sheet. Conversely, securities borrowed are not recognised in the balance sheet, unless these are sold to third parties, in which case the purchase is recorded as a trading asset and the obligation to return the securities as a trading liability at fair value through profit or loss.

Leases

Group as lessee

Operating leases

Assets in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases and they are included in the lessor's balance sheet. Payments made on operating leases are recognised on a straight-line basis over the lease term as rental expenses in profit or loss.

Group as lessor

Operating leases

Leases in which assets are leased out and the Group retains substantially all the risks and rewards of ownership are classified as operating leases. They are included in 'Investment property' in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment, and the impairment losses are recognised on the same basis as for these items. Rental income on assets held as operating leases is recognised on a straight-line basis over the lease term in profit or loss.

Intangible assets

Other intangible assets

IT software and other intangible assets, whether procured externally or internally generated, are recognised in the balance sheet as intangible assets with finite useful lives, if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. The cost of internally generated intangible assets is determined as the sum of all costs directly attributable to the assets. Research costs are recognised as expenses in profit or loss as they are incurred. Costs arising from development of new IT software or from significant improvement of existing software are recognised only to the extent they meet the above-mentioned requirements for being recognised as assets in the balance sheet.

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and impairment losses. Intangible assets are amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful lives by asset class are as follows:

IT software .... 4–10 years
Other intangible assets .... 3–10 years

Property, plant and equipment

Property, plant and equipment comprise properties occupied for Mandatum Life's own activities, office equipment, fixtures and fittings, and furniture. Classification of properties as those occupied for own activities and those for investment activities is based on the square metres in use. If the proportion of a property in Mandatum Life's use is no more than 10 per cent, the property is classified as an investment property.

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. Improvement costs are added to the carrying amount of a property when it is probable that the future economic benefits that are attributable to the asset will flow to the entity. Costs for repairs and maintenance are recognised as expenses in the period in which they were incurred.

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. In most cases, the residual value is estimated at zero. Land is not depreciated. Estimates of useful life are reviewed at financial year-ends and the useful life is adjusted if the estimates change significantly. The estimated useful lives by asset class are as follows:

Residential, business
premises and offices .... 20–60 years
Industrial buildings
and warehouses .... 30–60 years
Components of buildings .... 10–15 years
IT equipment and motor
vehicles .... 3–5 years
Other equipment .... 3–10 years

Depreciation of property, plant or equipment will be discontinued, if the asset in question is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Impairment of intangible assets and property, plant and equipment

At each reporting date the Group assesses whether there is any indication that an intangible asset or an item of property, plant or equipment may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the asset. In addition goodwill, intangible assets not yet available for use and intangible assets with an indefinite useful life will be tested for impairment annually, independent of any indication of impairment. For impairment testing the goodwill is allocated to the cash-generating units of the Group from the date of acquisition. In the test the carrying amount of the cash-generating unit, including the goodwill, is compared with its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is calculated by estimating future net cash flows expected to be derived from an asset or a cash-generating unit, and by discounting them to their present value using a pre-tax discount rate. If the carrying amount of an asset is higher than its recoverable amount, an impairment loss is recognised in profit or loss. In conjunction with this, the impaired asset's useful life will be re-determined.

If there is any indication that an impairment loss recognised for an asset in prior periods may no longer exist or may have decreased, the recoverable amount of the asset will be estimated. If the recoverable amount of the asset exceeds the carrying amount, the impairment loss is reversed, but no more than to the carrying amount which it would have been without recognition of the impairment loss. Impairment losses recognised for goodwill are not reversed.

Investment property

Investment property is held to earn rentals and for capital appreciation. The Group applies the cost model to investment property in the same way as it applies to property, plant and equipment. The depreciation periods and methods and the impairment principles are also the same as those applied to corresponding property occupied for own activities.

The fair value of investment property is estimated using a method based on estimates of future cash flows and a comparison method based on information from actual sales in the market. The fair value of investment property is presented in the Notes.

The valuation takes into account the characteristics of the property with respect to location, condition, lease situation and comparable market information regarding rents, yield requirements and unit prices. During the financial year, the valuations were conducted by the Group's internal resources.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the Group can reliably estimate the amount of the obligation. If it is expected that some or all of the expenditure required to settle the provision will be reimbursed by another party, the reimbursement will be treated as a separate asset only when it is virtually certain that the Group will receive it.

Insurance and investment contracts

Insurance contracts are treated, in accordance with IFRS 4, either as insurance or investment contracts. Under the standard, insurance contracts are classified as insurance contracts if significant insurance risk is transferred between the policyholder and the insurer. If the risk transferred on the basis of the contract is essentially financial risk rather than significant insurance risk, the contract is classified as an investment contract. Classification of a contract as an insurance contract or investment contract determines the measurement principle applied to it.

Mandatum Life treats the liabilities arising from contracts in the first phase of the standard according to national accounting standards, except for the equalisation reserve and its changes which are reported in equity and profit or loss, in accordance with the IFRS.

The risks involved in insurance and investment contracts are widely elaborated in the Group's financial statements' Risk Management section.

Reinsurance contracts

A reinsurance contract is a contract which meets the IFRS 4 requirements for insurance contracts and on the basis of which the Mandatum Life Group (the cedant) may receive compensation from another insurer (the reinsurer), if it becomes liable for paying compensation based on other insurance contracts it has issued. Such compensation received on the basis of reinsurance contracts is included in the balance sheet under 'Reinsurers' share of insurance liabilities' and 'Other assets'. The former item includes the reinsurers' share of the provisions for unearned premiums and claims outstanding in the Group's reinsured insurance contracts, while the latter includes short-term receivables from reinsurers.

When the Group itself has to pay compensation to another insurer on the basis of a reinsurance contract, the liability is recognised in the item 'Other liabilities'.

Receivables and liabilities related to reinsurance are measured uniformly with the cedant's receivables and liabilities. Reinsurance receivables are tested annually for impairment. Impairment losses are recognised through profit or loss, if there is objective evidence indicating that the Group (as the cedant) will not receive all amounts of money it is entitled to on a contractual basis.

Classification of insurance contracts

Policies issued are classified as either insurance contracts or investment contracts. Insurance contracts are contracts that carry significant insurance risk or contracts in which the policyholder has the right to change the contract by increasing the risk. As capital redemption contracts do not carry insurance risk, these contracts are classified as investment contracts.

The discretionary participation feature (DPF) of a contract is a contractual right held by a policyholder to receive additional benefits, as a supplement to the guaranteed minimum benefits. The supplements are bonuses based on the reserves of policies credited to the policy reserve, additional benefits in the case of death, or lowering of insurance premiums. In Mandatum Life, the principle of fairness specifies the application of this feature. In unit-linked contracts the policyholder carries the investment risk by choosing the investment funds linked to the contracts.

Measurement of insurance and investment contracts

National accounting standards are applied to all insurance contracts and to investment contracts with DPF, with the exception of the equalisation provision and changes in it.

All contracts, except unit-linked contracts and the assumed reinsurance, include DPF. In those unit-linked contracts which are not insurance contracts, the policyholder has the possibility to transfer the return on savings from unit-linked schemes to guaranteed interest with DPF. Thus, these contracts are also measured as contracts with DPF.

The surrender right, guaranteed interest and the unbundling of the insurance component from the deposit component and similar features are not separated and measured separately.

Regarding the group pension portfolio transferred from Suomi Mutual (=segregated portfolio), a so-called shadow accounting is applied, as permitted in IFRS 4.30, by adjusting the equity with the amount of unrealised gains and losses of the agreement. The equity is adjusted with an amount that unrealised gains or losses would have affected the Segregated Portfolio in accordance with the profit distribution policy of the Segregated Portfolio, if the gains or losses had been realised at the balance sheet date.

Insurance and investment contract liabilities and reinsurance assets

Liabilities arising from insurance and investment contracts consist of provisions for unearned premiums and outstanding claims. In the life insurance business, various methods are applied in calculating liabilities which involve assumptions on matters such as mortality, morbidity, the yield level of investments, future operating expenses and the settlement of claims.

Changes in the liabilities of reinsurance have been calculated at variable rates of exchange.

In direct insurance, the insurance liability is calculated by policy, while in reinsurance it is calculated on the basis of the reports of the ceding company or the company's own bases of calculation.

The interest rate used in discounting liabilities is, at most, the maximum rate accepted by the authorities in each country. The guaranteed interest used in the direct insurance premium basis varies on the basis of the starting date of the insurance from zero to 4.5 per cent. The interest rate used in discounting liabilities is the same or lower than that used in premium calculation. Most of the liabilities of the accrued benefits of pension business with DPF are discounted by an interest rate of 3.5 per cent, also being the highest discount rate used. In addition, Mandatum Life has for the year 2016 lowered the maximum rate to 1.0 per cent for the year 2017 to 1.25 per cent and for 2018 to 2.25 per cent. From Suomi Mutual on the 30th December received group pension liabilities of the accrued benefits are discounted by 0.75 per cent.

Due to the difference in the discount rate of liabilities and the guaranteed interest of 4.5 % and 3,5 %, supplementary provisions for guaranteed interest have been added to technical provisions. In the subsidiary, Mandatum Life Insurance Baltic, the discount rate varies by country between 2.0–4.0 per cent and the average guaranteed interest rate between 2.0–4.0 per cent.

Mortality assumptions have an essential effect on the amount of liability, particularly in group pension insurance, the liability of which accounts for about 38 per cent of the technical provisions of the Finnish life company. A so-called cohort mortality model is used in calculating the group pension insurance liability, incorporating the insured person's birth year in addition to his or her age and sex. The cohort mortality model assumes that life expectancy increases by one year over a ten-year period.

For unit-linked contracts, all the liabilities and the assets covering the unit-linked insurance are matched. Both the liabilities and the assets have been presented in the Notes to the financial statements. In calculating the provision for claims outstanding of direct insurance, discounting is applied only in connection with the liabilities of pensions whose payment has commenced. The liabilities of assumed reinsurance are based on the reports of the ceding company and on an estimate of claims which have not yet been settled. The assets covering the unit-linked liabilities include debt securities issued by the Group companies. These have not been eliminated. Elimination would lead to misleading information, as the policy holders carry the investment risk related to these investments, and to a mismatch between the unit-linked liabilities and assets covering them.

The provision for claims outstanding is intended to cover the anticipated future payments of all claims incurred. The provision for claims outstanding includes claim payments plus all costs of claim settlements.

The amounts of short- and long-term liabilities in technical provisions are determined annually.

The Group's financial statements' Risk Management section elaborates on the change of technical provisions and their forecast annual maturities.

Liability adequacy test

A liability adequacy test is applied to all portfolios, company by company, and the need for augmentation is checked, company by company, on the basis of the adequacy of the whole technical provisions. The test includes all the expected contractual cash flows for non-unit-linked liabilities. The expected contractual cash flows include expected premiums, claims, bonuses and expenses. The claims have been estimated including surrenders and other insurance transactions based on historical data. The amounts of claims include the guaranteed interest and an estimation of future bonuses. The present values of the cash flows have been discounted to the balance sheet date by using a swap rate curve.

For the unit-linked business, the present values of the insurance risk and expense results are calculated correspondingly. If the aggregate amount of the liability for the unit-linked and other business presumes an augmentation, the liability is increased by the amount shown by the test and recognised in profit or loss.

Principle of fairness

According to Chapter 13, Section 2 of the Finnish Insurance Companies' Act, the Principle of Fairness must be observed in life insurance and investment contracts with a discretionary participation feature. If the solvency requirements do not prevent it, a reasonable part of the surplus has to be returned to these policies as bonuses.

Mandatum Life aims at giving a total return before charges and taxes on policyholders' savings in contracts with DPF that is at least the yield of those long term bonds, which are considered to have lowest risk. At the moment we consider German government bonds to be the most risk free long term bonds available. Nevertheless, Finnish government bonds are used as target levels at the moment. The total return consists of the guaranteed interest rate and bonuses determined annually. Continuity is pursued in the level of bonuses. The aim is to maintain the company's solvency status on such a level that it neither limits the giving of bonuses to policyholders nor the distribution of profit to shareholders. The principle is explained in detail on the company's website.

The total return for the segregated group pension portfolio, transferred from Suomi Mutual to Mandatum Life on 30 December 2014, is based on the profit distribution policy outlined in the transfer plan of the portfolio. The profit sharing policy of the segregated group pension portfolio is explained in detail on the company's website pages.

The legislation of Estonia, Latvia and Lithuania respectively does not contain provisions corresponding to the Principle of Fairness.

Employee benefits

Post-employment benefits

Post-employment benefits include pensions and life insurance.

Mandatum Life has defined contribution plans. The most significant defined contribution plan is that arranged through the Employees' Pensions Act (TyEL) in Finland.

In defined contribution plans, the Group pays fixed contributions to a pension insurance company and has no legal or constructive obligation to pay further contributions. The obligations arising from a defined contribution plan are recognised as an expense in the period that the obligation relates to.

The Group also has certain voluntary defined benefit plans. These are intra-Group, included in the insurance liabilities of Mandatum Life and have no material significance.

Termination benefits

An obligation based on termination of employment is recognised as a liability when the Group is verifiably committed to terminate the employment of one or more persons before the normal retirement date or to grant benefits payable upon termination as a result of an offer to promote voluntary redundancy. As no economic benefit is expected to flow to the employer from these benefits in the future, they are recognised immediately as an expense. Obligations maturing more than 12 months later than the balance sheet date are discounted. The benefits payable upon termination at Sampo are the monetary and pension packages related to redundancy.

Share-based payments

During the financial year, Sampo had four valid share-based incentive schemes settled in cash (the long-term incentive schemes 2011 I and II and 2014 I and II for executives and specialists). Schemes have been measured at fair value at the grant date and at every reporting date thereafter. In Mandatum Life Group, a little less than 20 persons included in the schemes at the end of year 2015.

In the schemes settled in cash, the valuation is recognised as a liability and changes recognised through profit or loss.

The fair value of schemes has been determined using the Black-Scholes-pricing model. The fair value of the market-based part of the incentive takes into consideration the model's forecast concerning the number of bonus units to be paid as an incentive. The effects of non-market based terms are not included in the fair value of the incentive; instead, they are taken into account in the number of those share options that are expected to be exercised during the vesting period. In this respect, the Group will update the assumption on the estimated final number of bonus units at every interim or annual balance sheet date.

Income taxes

Item Tax expenses in the income statement comprise current and deferred tax. Tax expenses are recognised through profit or loss, except for items recognised directly in equity or other comprehensive income, in which case the tax effect will also be recognised those items. Current tax is calculated based on the valid tax rate of each country. Tax is adjusted by any tax related to previous periods.

Deferred tax is calculated on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax is not recognised on non-deductible goodwill impairment, and nor is it recognised on the undistributed profits of subsidiaries to the extent that it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated by using the enacted tax rates prior to the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which a temporary difference can be utilised.

Equity

Dividends are recognised in equity in the period when they are approved by the Annual General Meeting.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits (3 months).

Mandatum Life presents cash flows from operating activities using the indirect method in which the profit (loss) before taxation is adjusted for the effects of transactions of a non-cash nature, deferrals and accruals, and income and expense associated with investing or financing cash flows.

In the cash flow statement, interest received and paid is presented in cash flows from operating activities. In addition, the dividends received are included in cash flows from operating activities. Dividends paid are presented in cash flows from financing.

Accounting policies requiring management judgement and key sources of estimation uncertainties

Preparation of the accounts in accordance with the IFRS requires management estimates and assumptions that affect the revenue, expenses, assets, liabilities and contingent liabilities presented in the financial statements. Judgement is needed also in the application of accounting policies. The estimates made are based on the best information available at the balance sheet date. The estimation is based on historical experiences and most probable assumptions concerning the future at the balance sheet date. The actual outcome may deviate from results based on estimates and assumptions. Any changes in the estimates will be recognised in the financial year during which the estimate is reviewed and in all subsequent periods.

Mandatum Life's main assumptions concerning the future and the key uncertainties related to balance sheet estimates are related, for example, to assumptions used in actuarial calculations, determination of fair values of non-quoted financial assets and liabilities and investment property and determination of the impairment of financial assets and intangible assets. From Mandatum Life's perspective, accounting policies concerning these areas require most significant use of estimates and assumptions.

Actuarial assumptions

The actuarial assumptions applied to life insurance liabilities are discussed in more detail under 'Insurance and investment contract liabilities and reinsurance assets'.

Determination of fair value

The fair value of any non-quoted financial assets is determined using valuation methods that are generally accepted in the market. These methods are discussed in more detail above under 'Fair value'.

Fair values of investment property have been determined internally during the financial year on the basis of comparative information derived from the market. They include management assumptions concerning market return requirements and the discount rate applied.

Application of new or revised IFRS and interpretations

The Group will apply the following new or amended standards and interpretations related to the Group's business in later financial years when they become effective, or if the effective date is other than the beginning of the financial year, during the financial year following the effective date. Unless stated otherwise, the new standards or amendments were not approved by EU at the balance sheet date.

The amendments to IAS 1 *Presentation of Financial Statements* under the *Disclosure Initiative* (effective for annual periods beginning on 1 Jan 2016 or after) clarifies the instructions on materiality; aggregation of line items in statement of financial position and statement of profit or loss; presentation of subtotals and the structure of the notes and accounting policies. The changes will not have a material impact on the Group's financial statements reporting.

IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on 1 Jan 2018 or after). The new standard will supersede IAS 18 and IAS 11 and related interpretations. The central criterion for revenue recognition is the passing of control. The adoption of the new standard will not have a material impact on the Group's financial statements reporting, other than possibly in the number of the disclosed notes.

The amendments to IFRS 9 *Financial Instruments* (effective for annual periods beginning on 1 Jan 2018 or after) supersede IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard changes the classification and measurement of financial assets and includes a new impairment model based on expected credit losses. The hedge accounting will continue to have three different hedging relationships. The adoption of the new standard will have an impact on the Group's financial statements; the effects are under valuation in the Group.

Segment Information

Mandatum Life group´s segmentation is based on the division by the product group of domestic business and the other geographical organisation structure. The reported segments are “Unit linked contracts” (Finland), other businesses (Finland), the segregated portfolio (Finland) and foreign operations.

The investment risks vary by a product group. The segment results are reported to the management of the company as a part of management reporting. The primary segmentation comprises a substantial parts of the geographical division, since operations outside Finland represents mainly the operation in Baltic countries while the impact of Luxembourg is very small. In connection with the expansion of the foreign operations shall also the division by country be expanded. Inter-segment transactions, assets and liabilities are eliminated in the consolidated financial statements on a line-by-line basis. Segment information has been produced in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT BY BUSINESS SEGMENT FOR YEAR ENDED 31 DECEMBER 2015

EUR million	Unit-linked contracts (Finland)	Other contracts (Finland)	Segregated portfolio (Finland)	Foreign operations	Elimination	Group
Insurance premius	960.9	162.6	10.0	33.1	-22.5	1,144.1
Net income from investments	260.2	341.0	32.3	2.7	-4.1	632.0
Other operating income		17.6		0.0		17.7
Claims incurred	-549.1	-407.6	-57.1	-27.3	17.7	-1,023.4
Change in liabilities for insurance and investment contracts[1)]	-584.8	98.0	23.9	-2.6	3.6	-461.8
Staff costs	-25.0	-18.6	0.0	-3.6		-47.2
Other operating expenses	-39.4	-30.3	-1.9	-2.7		-74.4
Finance costs		-6.2		0.0		-6.2
Share of associates' profit/loss		0.0				0.0
Profit before taxes	**22.8**	**156.5**	**7.1**	**-0.4**	**-5.3**	**180.8**
Taxes	-4.5	-30.3	-1.4	-0.1		-36.3
Profit for the year	**18.3**	**126.2**	**5.7**	**-0.5**	**-5.3**	**144.5**
Other comprehensive income for the year						
Exchange differences						0.0
Available-for-sale financial assets						32.5
Cash flow hedges						0.0
Income tax relating to components of other comprehensive income						-8.6
Other comprehensive income for the year, net of tax						**23.9**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						**168.4**
Profit attributable to						
Owners of the parent company						144.5
Non-controlling interests						0.0
Total comprehensive income attributable to						
Owners of the parent company						168.4
Non-controlling interests						0.0

[1)] In the domestic segment the transition of liabilities between unit-linked and other contracts has been recognized. For the unit linked segment the transition results in a increase of EUR 23.5 million (EUR 13.0 million in 2014) in the item ‘Change in liabilities for insurance and investment contracts’.

CONSOLIDATED INCOME STATEMENT BY BUSINESS SEGMENT FOR YEAR ENDED 31 DECEMBER 2014

EUR million	Unit-linked contracts (Finland)	Other contracts (Finland)	Baltic countries	Segregated portfolio (Finland) *	Elimination	Group
Insurance premius	951.4	141.5	40.0	0.0	-28.1	1,104.8
Net income from investments	284.1	255.2	4.7	0.0	-4.3	539.8
Other operating income		5.4	0.0	0.0		5.4
Claims incurred	-480.4	-389.9	-27.7	0.0	21.6	-876.4
Change in liabilities for insurance and investment contracts[1]	-676.3	183.1	-11.1	0.2	5.5	-498.6
Staff costs	-23.0	-20.1	-3.2	0.0		-46.3
Other operating expenses	-36.6	-20.3	-2.5	-0.2		-59.5
Finance costs		-6.9				-6.9
Share of associates' profit/loss		0.5				0.5
Profit before taxes	**19.4**	**148.5**	**0.2**	**0.0**	**-5.3**	**162.8**
Taxes	-4.6	-24.8	0.0	0.0	0.0	-29.5
Profit for the year	**14.8**	**123.7**	**0.2**	**0.0**	**-5.3**	**133.4**
Other comprehensive income for the year						
Exchange differences						0.0
Available-for-sale financial assets						20.2
Cash flow hedges						0.0
Income tax relating to components of other comprehensive income						-4.0
Other comprehensive income for the year, net of tax						**16.2**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						**149.5**
Profit attributable to						
Owners of the parent company						133.4
Non-controlling interests						0.0
Total comprehensive income attributable to						
Owners of the parent company						149.5
Non-controlling interests						0.0

* Group pension insurance, segregated portfolio note 38

[1] In the domestic segment the transition of liabilities between unit-linked and other contracts has been recognized. For the unit linked segment the transition results in a increase of EUR 13.0 million (EUR 5.3 million in 2013) in the item 'Change in liabilities for insurance and investment contracts'.

CONSOLIDATED BALANCE SHEET BY BUSINESS SEGMENT AT 31 DECEMBER 2015

EUR million	Unit-linked contracts (Finland)	Other contracts (Finland)	Segregated portfolio (Finland)	Foreign operations	Elimination	Group
Assets						
Property, plant and equipment	0.3	4.3		0.0		4.6
Investment property		166.7	11.5			178.2
Intangible assets	2.8	3.6		0.8		7.2
Investments in associates		0.0				0.0
Financial assets	44.1	4,802.3	1,167.6	24.9		6,038.9
Investments related to unit-linked insurance and investment contracts	5,789.3	2.7		156.1	-83.5	5,864.5
Reinsurers' share of insurance liabilities		2.6		0.0		2.6
Other assets		95.6	32.0	1.1	-2.0	126.6
Cash and cash equivalents		468.2	11.6	2.7		482.5
Total assets	**5,836.5**	**5,546.0**	**1,222.6**	**185.6**	**-85.5**	**12,705.2**
Liabilities						
Liabilities for insurance and investment contracts		3,800.4	1,196.0	17.7		5,014.1
Liabilities for unit-linked insurance and investment contracts	5,786.5	0.0		155.4	-83.5	5,858.4
Financial liabilities		133.4				133.4
Tax liabilities		154.4				154.4
Other liabilities	3.8	133.7	29.8	1.5	-2.0	166.8
Total liabilities	**5,790.3**	**4,221.9**	**1,225.8**	**174.7**	**-85.5**	**11,327.1**
Equity						
Share capital						40.4
Reserves						661.1
Retained earnings						676.6
Equity attributable to parent company's equityholders						**1,378.1**
Non-controlling interests						0.0
Total equity						**1,378.1**
Total equity and liabilities						**12,705.2**

CONSOLIDATED BALANCE SHEET BY BUSINESS SEGMENT AT 31 DECEMBER 2014

EUR million	Unit-linked contracts (Finland)	Other contracts (Finland)	Segregated portfolio (Finland) *	Baltic countries	Elimination	Group
Assets						
Property, plant and equipment	0.4	4.1		0.0		4.6
Investment property		159.1	17.6			176.8
Intangible assets	3.4	2.8		0.7		6.8
Investments in associates		0.4				0.4
Financial assets	39.6	4,385.3	1,213.8	26.3		5,664.9
Investments related to unit-linked insurance	5,230.9	-27.7		152.9	-74.4	5,281.8
Reinsurers' share of insurance liabilities		2.5		0.1		2.6
Other assets		304.4	11.6	0.8	-108.9	208.0
Cash and cash equivalents		762.9	94.8	0.7		858.5
Total assets	**5,274.3**	**5,593.8**	**1,337.8**	**181.5**	**-183.2**	**12,204.3**
Liabilities						
Liabilities for insurance and investment contracts		3,819.5	1,228.0	17.4		5,064.9
Liabilities for unit-linked insurance and investment contracts	5,239.3	-5.5		152.6	-74.4	5,312.0
Financial liabilities		185.5				185.5
Tax liabilities		123.1				123.1
Other liabilities	22.5	184.7	109.8	0.8	-108.9	209.0
Total liabilities	**5,261.7**	**4,307.4**	**1,337.8**	**170.8**	**-183.2**	**10,894.6**
Equity						
Share capital						40.4
Reserves						637.2
Retained earnings						632.1
Equity attributable to parent company's equityholders						**1,309.7**
Non-controlling interests						0.0
Total equity						**1,309.7**
Total equity and liabilities						**12,204.3**

* Group pension insurance, segregated fund note 38

Risk management

1. Risk management principles

Risk is an essential and inherent element of Mandatum Life's business activities and operating environment. The purpose of the risk management process is to identify the different risks affecting the business. The risk management process also ensures that different risks can be assessed, limited and controlled.

The key objectives for the risk management process are to ensure capital adequacy in relation to the risks inherent in business activities, to limit fluctuations in financial results, to guarantee efficient and continued business processes under all circumstances and to limit the risks of all operations to a level accepted by Mandatum Life's Board of Directors.

Mandatum Life Insurance Company Ltd is a wholly owned subsidiary of Sampo plc. Mandatum Life and its subsidiaries follows the risk management principles defined by the Sampo Group where the characteristics of a life insurance company have been taken into account. Similar principles are also used in Mandatum Life's subsidiaries in Baltic and Luxembourg. Figures and tables in this risk management disclosure mainly cover the parent company.

1.1 Risk management governance

Mandatum Life's Board of Directors is responsible for the adequacy of the company's risk management and internal control. Mandatum Life's Board annually approves the Risk Management Plan, Investment Policy and other guidance on the organization of risk management and internal control in the business operations.

The managing director of Mandatum Life has the overall responsibility for the implementation of risk management in accordance with the Board's guidance. Line organizations are responsible for the identification, assessment, control and management of their operational risks.

- The Risk Management Committee (RMC) coordinates and monitors all risks in Mandatum Life. The Committee is chaired by the Managing Director. Risks are divided into main groups which are insurance, market, operational, legal and compliance risks as well as business and reputational risks. Risks related to the Baltic and Luxembourg subsidiaries are also included. Each risk area has a responsible person in the Committee.

- Mandatum Life has two Asset and Liability Committees (ALCO), of which the other controls the segregated assets and liabilities (Segregated group pension portfolio and segregated Assets) and the other controls the rest of Mandatum Life's with profit assets and liabilities. The ALCOs control that the investment activities are conducted within the limits defined in the Investment Policy approved by the Board and monitors the adequacy of liquidity, profitability and solvency capital in relation to the risks in the balance sheet. The ALCOs prepare proposals of Investment Policy to the Board of Directors and report to the Board.

- The Insurance Risk Committee is responsible for maintaining the Underwriting Policy and monitoring the functioning of the risk selection and claims processes. The Committee also reports all deviations from the Underwriting Policy to the RMC. The Insurance Risk Committee is chaired by the Chief Actuary who is responsible for ensuring that the principles for pricing policies and for the calculation of technical provisions are adequate and in line with the risk selection and claims processes. The Board approves the insurance policy pricing and the central principles for the calculation of technical provisions. In addition, the Board defines the maximum amount of risk to be retained on the company's own account and approves the reinsurance policy annually.

- The Operational Risk Committee (ORC) analyzes and handles operational risks, e.g. in relation to new products and services, changes in processes and risks as well as realized operational risk incidents. Significant observations are reported to the Risk Management Committee and to the Board of Directors quarterly. ORC is also responsible for maintaining and updating the continuity and preparedness plans as well as the Internal Control Policy.

- The Legal and Compliance Unit is taking care of legal and compliance matters. Head of the Unit is responsible organization of the unit and acts as a Compliance Officer and a member of the Risk Management Committee. In addition, the Unit's lawyer is a member of the Operational Risk Management committee.

- Managing director is responsible for business and reputation risk issues and he is also the Chairman of the Risk Management Committee.

Figure 1–1 Risk management organization

- The Baltic subsidiary has its own risk management procedures. Mandatum Life Investment Services Ltd and Fund Management S.A. have they own Risk Managements Policies and responsible persons. Subsidiaries report all major incidents also to Mandatum Life's Risk Management Committee.

In addition the above mentioned committees and units, the Internal Audit with its audit recommendations has a role to ensure that adequate internal controls are in place and provides Internal Audit's annual review to the Board of Directors.

2. Risks related to Mandatum Life's business activities

The main risks of Mandatum Life Group are insurance risks and market risks of assets and liabilities. Operational and business risks are inherent in all business operations.

Life insurance business carries and manages risks originating from insurance events and liabilities. There are random fluctuations in the frequency and size of insurance events. The major part of life insurance business risks and result arises from investment assets. Return on assets should cover, in the long term, at least the guaranteed interest rate, bonuses based on the principle of fairness and the shareholders' return expectations. Other profit elements are generated from carrying insurance risk and expense risk. The insurance risk result is the assumed claims in premium calculations less the actual claims. It is managed, for example, through careful risk selection and reinsurance. The expense result is the expense charges from policies less the actual expenses. It is managed by continuously monitoring expenses, by improving efficiency and by using an expense charge structure that provides income through the policy's whole life cycle.

3. Capital management

The goal of capital management is to ensure the adequacy of available capital in relation to risks arising from the company's business activities and business environment. The current capital adequacy is assessed by comparing the amount of available capital to the amount of capital required to bear the risks arising from the current business activities.

3.1 Regulatory capital

Life insurance is a highly regulated business with formal rules for minimum capital and capital structure. The supervisors of Mandatum Life Group are the Financial Supervisory Authority in Finland and local supervisors in the Baltic countries.

The new EU-wide solvency regulations (Solvency II) concerning insurance companies entered into force on 1 January 2016. In calculating solvency requirements under Solvency II, Mandatum Life applies the 'standard formula' in which changes in own funds are stressed with market and underwriting risks that have been determined beforehand in the regulations. The goal has been to set the Solvency Capital Requirement (SCR) under Solvency II on a level where the own funds would be sufficient to secure the insured's benefits with a one-year horizon and a 99.5 per-cent confidence interval.

The amount of own funds under Solvency II is based on the market-consistent valuation and on the valuation of the technical provisions using the yield curve determined by Solvency II, so own funds under Solvency II differ from own funds according to book value. The Solvency II regulations include transitional measures that aim to make the transition to the new solvency regulations as smooth as possible. In 2015, the Financial Supervisory Authority granted Mandatum Life permission to apply a so-called transitional measure on technical provisions (for 16 years) for the company's original with-profit pension policies with a guaranteed interest rate of 3.5 or 4.5 per cent. In addition, Mandatum Life will apply a transitional measure related to equity SCR (for 7 years) for direct Type 1 equity investments. The transitional measure on technical provisions increases the own funds under Solvency II while the equity risk transitional measure decreases the SCR.

Taking into account the transitional measures, Mandatum Life's own funds under Solvency II amounted to EUR 1,913 million, and the corresponding SCR according to Solvency II was EUR 1,212 million. The solvency ratio (own funds/SCR) was thus 158 per cent. Around 90 per cent of the SCR arises from market risks and less than 10 per cent from life insurance risks. Among market risks, the most significant are the equity risk, which makes up more than 60 per cent of market risks, and the interest margin risk, which makes up more than 20 per cent of market risks. Around half of the life insurance risks stem from the longevity risks of the group pension pension policies. The minimum capital requirement (MCR) according to Solvency II was EUR 303 million. Without the transitional measure on technical provisions, the company's own funds would have been EUR 1,347 million, and the SCR without the equity risk transitional measure would have been EUR 1,307 million.

In Mandatum Life's view, the calculation according to the transitional measures gives a good picture of the company's solvency position. The company's balance sheet and its risk profile are expected to change significantly over the course of the transitional periods. The majority of the solvency capital requirements stem from the with-profit technical provisions and the assets covering them. Especially the company's original with-profit insurance policies with a guaranteed interest rate of 3.5 and 4.5 per cent tie up capital, and the technical provisions for these insurance policies are expected to decrease from the current less than EUR 3,100 million to around EUR 1,000 million during the transitional periods. This trend will strongly reduce the SCR arising from these policies, and the negative impact of these policies on own funds calculated without the transitional measures will simultaneously decrease. Even though the positive impact of the transitional measures will decrease over the course of the transitional period, the solvency position is expected to remain strong as a result of the positive trend in own funds and the decrease in the SCR. Internally, Mandatum Life monitors and forecasts the solvency ratio by applying the transitional measures and also without them. Both forecasts have an impact on the company's business decisions.

Solvency I was still in effect on 31 December 2015. According to it, Mandatum Life's solvency margin was EUR 1,535 million while the corresponding minimum requirement was EUR 269 million.

3.2 Internal monitoring of solvency position

Solvency II also creates a framework for the internal monitoring of solvency position. Mandatum Life's company-level solvency position monitoring model, the 'risk-bearing-capacity model', is based on the SCR calculated using the Solvency II transitional measures and own funds. In the risk-bearing-capacity model, anticipatory monitoring limits are set for the company's solvency position to enable the company to react early enough to any weakening of its solvency position. There are three monitoring limits; they are alarm limits set above the Solvency II SCR and their levels are based on asset stress tests that have been determined beforehand. As the monitoring limit levels are based on the riskiness of investment assets at any given time, the company has no fixed target level, for example, for the company's solvency ratio. In the situation on 31 December 2015, the upper monitoring limit corresponds with a solvency ratio of around 145 per cent.

When the risk-bearing capacity is above the upper monitoring limit, the company's investment operations are guided, as usual, by the investment policy and the limits set therein. If the risk-bearing capacity remains below the monitoring limits, the monitoring of the solvency position will be strengthened, the Board of Directors' role in investment operations will be increased, risk-taking will be limited and, in the final phase, risk-bearing capacity shall be strengthened either by reducing market risks or by increasing own funds, for example, through capitalisation.

In addition to the company-level risk-bearing-capacity model, the segregated group pension policies have their own risk-bearing-capacity monitoring in place. The risk-bearing capacity of the segregated group pension policies is based on the softening effect of the provision for future bonuses on the investment risks. The monitoring limits of risk-bearing-capacity monitoring are based on asset stress tests that have been determined beforehand, and the measures in the case of falling below the monitoring limits are similar to those in the company-wide risk-bearing-capacity model.

The company-level risk-bearing-capacity model and the risk-bearing-capacity monitoring of the segregated group pension policies and the monitoring limits contained therein are determined annually in the investment policies decided on by the Board of Directors. The risk-bearing capacities and monitoring limits are reported to the Board of Directors at least monthly.

4. Market risks and market risk management and control

Market risks refer to fluctuations in the company's financial results or solvency caused by changes in market values of financial assets and liabilities as well as technical provisions. Market risks are examined from both an Asset and Liability Management(ALM) as well as an investment portfolio risk perspectives.

In Mandatum Life, the approach to market risk management is based on an analysis of technical provisions' expected cash flows, interest level and current solvency position. A common feature for all with-profit technical provisions is the guaranteed rate and bonuses. The cash flows of Mandatum Life´s technical provisions are relatively well predictable because in most of the company's with-profit policies, surrenders and extra-investments are not possible.

Mandatum Life's market risks arise mainly from equity investments and interest rate risk related to fixed income assets and insurance liabilities with a guaranteed interest rate. The most significant interest rate risk in the life insurance business is that fixed income investments will not, over a long period of time, generate a return at least equal to the guaranteed interest rate of technical provisions. The probability of this risk increases when market interest rates fall and stay at a low level. The duration gap between balance sheet's technical provisions and fixed income investments are constantly monitored and managed.

Mandatum Life has prepared for low interest rates on the liability side by e.g. reducing the minimum guaranteed interest rate in new contracts and by supplementing the technical provisions by applying a lower discount rate. In addition, existing contracts have been changed to accommodate improved management of reinvestment risk.

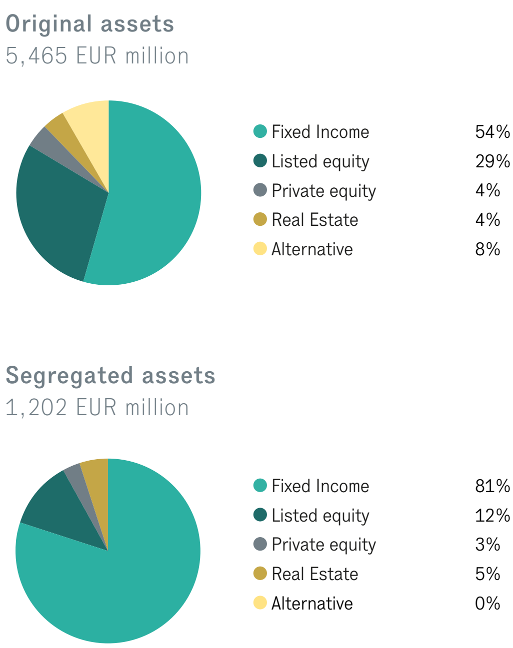
The Board of Directors of Mandatum Life approves annually the Investment Policies for both segregated assets and other assets regarding the company's investment risks. These policies set principles and limits for investment portfolio activities as well as the risk-bearing-capacity models that are essential for balance sheet management and the monitoring limits to be applied.

Sampo plc's investment unit makes Mandatum Life's daily investment decisions, which are based on the principles and authorisations laid down in the investment policy. However, all major investment decisions – large allocation changes and decisions related to investments that exceed the investment unit's authorisations – are made by the Board of Directors. Mandatum Life's Balance Sheet Management Committee regularly monitors compliance with the principles and limits specified in the investment policy and reports on investment risks to the company's Board of Directors. The Balance Sheet Management Committee also monitors the company's technical provisions and the riskiness of the assets covering the technical provisions of the segregated group pension portfolio in relation to risk-bearing capacity. The Balance Sheet Management Committee reports to the Board of Directors if the monitoring limits are not met.

The investment organization and Mandatum Life have a thorough understanding of Nordic markets and issuers and, consequently, the company's direct investments are mainly made into Nordic securities. When investing in non-Nordic securities, funds or other third party managed investment solutions are mainly used. These investments are primarily used as a tool in tactical asset allocation when seeking return and secondarily in order to increase diversification. One of the objectives of the investment activities is to ensure sufficient diversification between and inside each asset class.

In 2015 the net investment return of Mandatum Life original portfolio was 6.9 per cent (4.6) and for the segregated portfolio 3.8 per cent. Figure 4–1 shows the total investments for original and segregated portfolios the segregated group pension portfolio separately.

Figure 4–1 Allocation of investments 31 Dec 2015



4.1 Equity risk

Equity price risk is the risk of losses due to changes in share prices. At year end Mandatum Life's listed equity investment for the original portfolio amounted to EUR 1,594 million (1,588 million in 2014) and for the segregated portfolio EUR 138 million (110).

Mandatum Life's equity portfolio is actively managed. The positions and risks in equity portfolio and the related derivatives may not exceed the limits set in the Investment Policy. The Nordic equity portfolio is managed mainly by Sampo Group's Investment Management unit while the equity investments outside the Nordic area are mainly managed mainly through external asset managers. Figure 4–2 presents the geographical allocation of listed equity investments for both portfolios.

Section 4.5 contains a list of the ten largest equity investments while breakdown of direct listed equity investments by industries is shown in section 5.

4.2 Risks related to fixed income investments

Mandatum Life's risks related to fixed income investments include interest rate risk related to changes in market interest rates as well as spread risk arising from changes in the credit spreads of fixed income investments resulting in changes in the values of respective investments.

The most significant interest rate risk in the life insurance business is that fixed income investments will not, over a long period of time, generate a return at least equal to the guaranteed interest rate of technical provisions. The probability of this risk increases when market interest rates fall and remain at a low level. According to Mandatum Life's Investment Policy, the interest rate risk and inflation risk of technical provisions must be taken into account when defining the composition of investment assets. Mandatum Life's duration gap between technical provisions and fixed income investments is constantly monitored and managed. Control levels based on internal capital model are used to manage and ensure adequate capital in different market situations.

The average duration of Mandatum Life's original portfolio's technical provisions (excluding unit-linked technical provisions) was 8.7 years at the year-end and for the segregated portfolio 10.7 years.

The duration of the fixed income investments covering the original with-profit technical provisions as per 31 December 2015 rose to 2.1 years (1.6) and the duration of the segregated assets declined slightly to 2.3 years (2.4).

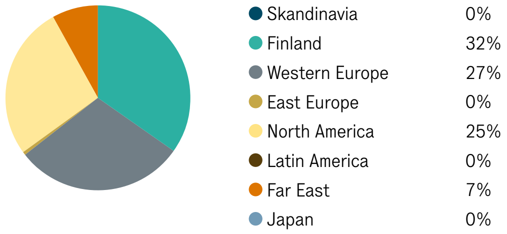
When it comes to technical provisions, Mandatum Life has prepared for low interest rates on the liability side by e.g. reducing the guaranteed interest rate in new contracts and increasing the reserve for policies with higher guaranteed interest rates. In addition, existing contracts have been changed to accommodate improved management of reinvestment risk and the technical provisions have been supplemented by the reserve for decreased discount rate. More information about the reserve can be found in insurance risks section.

Majority of the company's fixed income investments are made in debt instruments issued by corporations. This increases the risk arising from increased credit spreads which, in turn, lead to value alterations. Table 4–3 illustrates the breakdown of the fixed income investments by type of instruments as well as their average maturity. The maturity measures the company's spread risk exposure better than the duration. This is true especially when it comes to floating interest rate investments. Table 5–1 shows the breakdown of investment assets by instruments based on division of industry and credit rating.

Figure 4–3 shows the breakdown of the fixed income investments of the original and the segregated policies across various in-

Figure 4–2 Mandatum Life's allocation of equity investments 31 Dec 2015

Original assets
1,594 EUR million



Segregated assets
138 EUR million

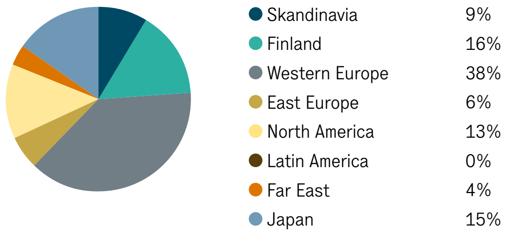


Table 4–3 Fixed income investments by type of instruments 31 Dec 2015

Original assets	% of Fixed Income Portfolio	Average Maturity
Money Market Securities and Cash	13.3%	0.7
Government Bonds	1.3%	3.4
Covered Bonds	5.6%	2.9
Investment Grade Bonds and Loans	38.6%	2.7
High Yield Bonds and Loans	33.5%	3.5
Asset Backed Securities	0.0%	0.0
Subordinated / T2 -type	0.8%	7.9
Subordinated / T1 -type	6.6%	3.8
Interest Rate Derivatives	-0.1%	-
Policy Loans	0.3%	2.0
Total	**100.0%**	**2.8**

Segregated assets	% of Fixed Income Portfolio	Average Maturity
Money Market Securities and Cash	11.4%	0.1
Government Bonds	3.8%	2.9
Covered Bonds	3.3%	3.5
Investment Grade Bonds and Loans	63.1%	3.7
High Yield Bonds and Loans	13.0%	5.5
Asset Backed Securities	0.0%	0.0
Subordinated / T2 -type	1.1%	4.4
Subordinated / T1 -type	4.3%	9.9
Interest Rate Derivatives	0.0%	-
Policy Loans	0.0%	0.0
Total	**100.0%**	**3.8**

struments. At the end of 2015, the share of money market investments in the original policies' fixed income portfolio declined significantly to 13.3 per cent (42.6 per cent on 31 Dec 2014), while the share of investment-grade fixed income investments rose to 38.6 per cent (9.4 per cent at the end of 2014). Also in the fixed income portfolio of the segregated policies, the share of money market investments declined, to 11.4 per cent (40.3 per cent on 31 Dec 2014), and the share of government bonds declined to 3.8 per cent (28.4 per cent on 31 Dec 2014). The share of investment-grade fixed income investments rose to 63.1 per cent (12.4 per cent at the end of 2014).

Table 7–5 in the insurance risk section shows the maturity and average durations of Mandatum Life's insurance and investment contracts.

4.3 Currency risks

Mandatum Life's parent company's technical provisions are denominated in Euros, and currency risk therefore arises from investments in other currencies than Euro. Mandatum Life's currency strategy is based on active management of the currency position. The objective is to achieve positive return relative to a situation where the open currency risk exposure is fully hedged, considering the limits imposed by the investment policy. The Table 4–4 shows the net currency exposures (net assets) for original and segregated portfolios after the effect of derivatives has been taken into account on 31 December 2015.

4.4 Other market risks

In addition to interest rate, equity, and currency risks, Mandatum Life's investment assets are exposed to real estate, private equity funds, biometric, alternative investments and commodity related market risks. Mandatum Life's Investment Policy sets limits for maximum allocations into these markets and products. On 31 December 2015 the share of the above mentioned investments for the original insurance portfolios was 16 per cent (15 per cent 2014) and for the segregated group pension policies 8 per cent (11 per cent 2014) of total investment portfolio.

Private equity funds and alternative investments are managed by external asset managers. The private equity fund portfolio is diversified both according to fund type and geographical areas. Alternative investments are placed both directly into individual funds and into funds of funds in order to attain sufficient diversification between funds and investment styles.

The real estate portfolio in Mandatum Life is managed by Sampo Group's real estate management unit. The portfolio includes direct investments in properties as well as indirect investments in real estate funds and shares and debt instruments in real estate companies in accordance with the decided allocation. The main risks related to property investments are limited by diversifying holdings both geographically and by type of property.

4.5 Risk concentrations of the investment operations

Mandatum Life's Investment Policy sets limits for investments in individual companies. When setting the limits, the primary aspects to be taken into account are the company's estimate of the investment's credit risk and the corresponding capital tied up. The public information available on the investment object, such as credit ratings, also affect the limit structure. Risk concentrations are monitored continuously. The Table 4–5 shows market and credit risk concentrations in individual counterparties by asset class.

Table 4–6 illustrates ten largest equity investments separately and their proportion of the total direct equity investments. In addition to the Finnish direct equity investments, the company invests into foreign equities mainly through investment funds and ETF funds. Furthermore, largest exposures of high-yield and non-rated fixed income investments are broken down in Table 4–7.

Table 4–4 Net currency exposures 31 Dec 2015 EUR million

Transaction risk position, original assets	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Net total
Technical provisions	0	0	0	-3	0	0	0	0	-3
Investments	1,691	0	171	48	7	173	13	103	2,207
Derivatives	-1,371	0	-155	10	3	-174	-5	-57	-1,750
Total	**320**	**0**	**16**	**56**	**10**	**-1**	**8**	**45**	**454**

Transaction risk position, segregated assets	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Net total
Technical provisions	0	0	0	0	0	0	0	0	0
Investments	261	21	15	5	4	12	105	6	429
Derivatives	-194	-22	-10	8	-1	-12	-104	3	-331
Total	**67**	**-1**	**5**	**13**	**4**	**0**	**0**	**10**	**98**

Table 4–5 Concentration of market and credit risks in individual counterparties by asset class 31 Dec 2015

EUR million Counterparty (per business area)	Total fair value, EUR million	% of total investment assets	Cash & short-term fixed income	Long-term fixed income, total	Long-term fixed income: Government guaranteed	Long-term fixed income: Covered bonds	Long-term fixed income: Senior bonds	Long-term fixed income: Tier 1 and Tier 2	Equities	Uncollateralized derivatives
Nordea Bank	321	5%	226	95	0	29	59	7	0	0
Danske Bank	266	4%	132	135	0	0	95	39	0	0
Skandinaviska Enskilda Banken	261	4%	118	143	0	0	93	51	0	0
Eksportfinans ASA	163	2%	0	163	0	0	163	0	0	0
DnB	107	2%	0	107	0	27	79	0	0	0
Amer Sports Plc	106	2%	0	0	0	0	0	0	106	0
Swedbank	99	1%	0	99	0	32	67	0	0	0
UPM-Kymmene Plc	85	1%	0	7	0	0	7	0	78	0
YIT Plc	75	1%	0	53	0	0	53	0	22	0
UBS AG	72	1%	0	72	0	0	61	11	0	0
Total top 10 exposures	**1,555**	**23%**	**475**	**873**	**0**	**89**	**676**	**108**	**207**	**0**
Other	5,115	77%								
Total investment assets	6,670	100%								

Table 4–6 Ten largest direct listed equity investments 31 Dec 2015

Top 10 equity investments	Total fair value, EUR million	% of total direct listed equity investments
Amer Sports Plc	106	13%
UPM-Kymmene Plc	78	9%
Lassila & Tikanoja Plc	42	5%
Comptel Plc	38	4%
Metso Plc	31	4%
Nokian Renkaat Plc	26	3%
Tikkurila Plc	25	3%
YIT Plc	22	3%
Asiakastieto Plc	21	3%
Oriola-KD Plc	20	2%
Total top 10 exposures	**409**	**49%**
Other direct listed equity investments	430	51%
Total direct listed equity investments	838	100%

Table 4–7 Ten largest direct high yield and non-rated fixed income investments 31 Dec 2015

Top 10 high yield and not rated fixed income instruments	Rating	Total fair value, EUR million	% of total fixed income investment assets
Eksportfinans ASA	BB-	163	4%
YIT Plc	NR	53	1%
Stora Enso Plc	BB	45	1%
Sponda Plc	NR	38	1%
Sanoma Plc	NR	27	1%
Nassa Midco AS	B	25	1%
Konecranes Plc	B+	23	1%
Uponor Plc	NR	22	1%
Liberty Global INC	NR	21	1%
Numericable Group SA	B+	19	0%
Total top 10 exposures		**436**	**11%**
Other direct fixed income investments		3,401	89%
Total direct fixed income investments		3,837	100%

5. Credit risks

Credit risk is the risk of loss, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, derivative counterparties and any other debtors. Credit risks arise from investments as well as insurance and re-insurance contracts.

In Mandatum Life, credit risk can materialize as market value losses when credit spreads are changing unfavourably (spread risk) or as credit losses when issuers of credit instruments or counterparties of financial derivatives or reinsurance transactions are failing to meet their financial obligations (default risk). The role of credit risk with current asset allocation is remarkable from both risk exposures and risk management point of view.

In addition to the credit risks associated with investment assets, credit risks arise from reinsurance contracts. Credit risks related to reinsurers arise through reinsurance receivables and through the reinsurers' portion of technical provisions. In Mandatum Life credit risks related to reinsurance are relatively low compared to the credit risks associated with investment assets.

Investments in fixed income instruments in financial sector comprise the largest industry concentration inside Mandatum Life's investment portfolio.

Table 5–1 Credit exposures by sectors, asset classes and rating 31 Dec 2015

EUR million	AAA	AA+ – AA–	A+ – A–	BBB+– BBB–	BB+ – C	D	Not rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change 31 Dec 2014
Basic Industry	0	14	0	1	124	0	29	169	143	0	0	313	-107
Capital Goods	0	0	56	7	43	0	76	183	124	0	0	307	92
Consumer Products	0	52	126	82	51	0	31	342	235	0	0	576	284
Energy	0	41	9	26	11	0	17	104	11	0	0	115	47
Financial Institutions	0	586	874	178	199	0	0	1,836	39	24	2	1,901	-271
Governments	30	0	0	0	0	0	0	30	0	0	0	30	-357
Government Guaranteed	0	0	0	0	0	0	0	0	0	0	0	0	-4
Health Care	0	0	44	34	59	0	24	160	47	0	0	208	117
Insurance	0	0	1	22	0	0	8	31	3	21	0	55	-10
Media	0	0	18	0	14	0	27	59	0	0	0	59	18
Packaging	0	0	0	0	67	0	17	84	1	0	0	85	85
Public Sector, Other	0	27	42	0	0	0	0	68	0	0	0	68	66
Real Estate	0	0	0	25	0	0	54	79	0	248	0	327	17
Services	0	0	0	25	80	0	52	157	72	0	0	230	85
Technology and Electronics	4	0	19	1	29	0	1	54	132	0	0	185	92
Telecommunications	0	0	7	12	47	0	16	81	13	0	0	94	5
Transportation	0	0	0	0	11	0	5	17	18	0	0	35	16
Utilities	0	0	3	107	55	0	0	165	0	0	0	165	54
Others	0	0	0	0	12	0	9	21	0	61	0	82	51
Asset-Backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	174	13	0	11	0	0	0	198	0	0	0	198	105
Funds	0	0	0	0	0	0	108	108	893	637	0	1,639	-378
Total	208	733	1,200	529	802	0	474	3,945	1,732	992	2	6,670	6
Change 31 Dec 2014	-159	-332	118	318	34	0	-49	-71	34	41	2	6	

5.1 Credit risk management

The selection of direct debt investments is based primarily on 'bond-picking' and secondarily on top-down allocation. This investment style may lead into situation where portfolio is not as diversified as the finance theory suggests but includes thoroughly analysed investments with risk-return-ratios in focus. Critical success factors of making fixed income investments are considered to be the following:

1) Potential investments must be understood thoroughly. Hence, the creditworthiness of the issuer or counterparty is assessed together with collaterals and other structural details of instruments. Although external credit ratings by rating agencies are used to support the internal assessment, own internal assessment is always the most important factor in decision making.

2) When the details of an instrument are understood and the related earnings potential and risks are considered to be in balance, investment transaction shall be executable in a short notice regardless of instrument type. This puts pressure on credit limit structures and procedures that must be at the same time (i) flexible enough to facilitate fast decision making regardless of instrument type, (ii) well-structured to ensure that investment opportunities are assessed prudently, taking into account the specific features and risks of all investment types and (iii) they must restrict the maximum exposure of single name risk to the level that is in balance with the company's risk appetite. During the last years, credit limit structures and procedures have been in focus when developing the companies' Investment Policies.

3) Credit exposure accumulations over single names and products are monitored regularly at company level and at Group level to identify unwanted concentrations. Credit exposures are reported, for instance, by sectors and asset classes and within fixed income by ratings. Individual issuers' and counterparties' credit ratings are monitored continuously.

Derivatives' counterparty risk is managed and mitigated by bilateral ISDA and CSA agreements.

6. Liquidity risk

Liquidity risk is the risk that Mandatum Life would be unable to realize investments and other assets in order to settle its financial obligations when they fall due.

A relatively small part of liabilities can be surrendered and it is therefore possible to forecast short-term cash flows related to claims payments in a reliable manner. In addition, the assets are liquid and thus, liquidity risk is currently not significant to Mandatum Life.

Table 6–1 Cash flows according to contractual maturity 31 Dec 2015

EUR million	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	2016	2017	2018	2019	2020	2021–2030	2031–
	CARRYING AMOUNT TOTAL			CASH FLOWS						
Life Insurance										
Financial assets	6,543	2,922	3,621	682	550	726	336	878	658	15
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Financial liabilities	194	0	194	-37	-5	-5	-6	-5	-64	-228
of which interest rate swaps	1	0	1	0	0	0	-1	0	0	0
Net technical provisions	4,506		4,506	-516	-447	-407	-383	-351	-2,352	-1,787

7. Insurance risks

Insurance risks in the life insurance business encompass biometric risks, discount rate risk in technical provisions and other life insurance risks, that is, surrender risk, lapse risk and expense risk. This chapter presents the development of these life insurance risks during 2015. In addition, the life insurance risk management principles are presented.

Mandatum Life received Suomi Mutual's with-profit group pension portfolio in 2014. Due to its special characteristics, the portfolio and related assets have been segregated (segregated group pension portfolio or segregated assets) from the rest of Mandatum Life's balance sheet. The segregated portfolio has its own regulations concerning the distribution of profit, as well as its own investment policy and Balance Sheet Management Committee. The with-profit liabilities that are not part of the liabilities related to the segregated group pension portfolio are referred to as the 'original with-profit liabilities' in this risk management note.

7.1 Biometric risks

Biometric risks in life insurance refer mainly to the risk that the company has to pay more mortality, disability or morbidity benefits than expected or the company has to keep paying pension payments to the pension policy holders for a longer time (longevity risk) than expected when pricing the policies. The specific case in which a single event or series of single events of major magnitude leads to a significant deviation in actual benefits and payments from the total expected payments is called catastrophe risk.

Long duration of policies and restriction of Mandatum Life's right to increase tariffs increases biometric risks. If the premiums turn out to be inaccurate and pricing cannot be changed afterwards, technical provisions have to be supplemented with an amount corresponding to the expected losses.

Table 7–1 shows the insurance risk result in Mandatum Life's Finnish life insurance policies. The ratio of the actual claims costs to the assumed was 72 per cent in 2015 (79). Sensitivity of the insurance risk result can also be assessed on the basis of the information in the Table 7–1. For example the increase of mortality by 100 per cent would increase the amount of benefit payments from EUR 10 million to approximately EUR 20 million.

Longevity risk is the most important biometric risk in Mandatum Life. Most of the longevity risk arises from the with profit group pension portfolio. With profit group pension policies have mostly been closed for new members for years and due to this the average age of members is relatively high, i.e. for the segregated group pension portfolio around 67 years and for the other group pension portfolios around 69 years. In the unit-linked group pension and individual pension portfolio the longevity risk is less significant because most of these policies are fixed term annuities including death cover compensating the longevity risk.

The annual longevity risk result and longevity trend is analysed regularly. For the segregated group pension portfolio the assumed life expectancy related to the technical provisions was revised in 2014 and for the other group pension portfolios in 2002 and 2007. In total these changes increased the 2015 technical provision by EUR 106 million (EUR 108 million in 2014) including EUR 87 million longevity reserve for segregated group pension portfolio. The cumulative longevity risk result has been positive since these revisions. The longevity risk result of group pension for the year 2015 was EUR 5.7 million (EUR 3.8 million in 2014).

Mortality risk result in life insurance is positive. A possible pandemic is seen as the most significant risk that could adversely affect the mortality risk result.

The insurance risk result of other biometric risks has been profitable in total, although the different risk results differ considerably. In a longer term, disability and morbidity risks are mitigated by the

Table 7–1 Claim ratios of Mandatum Life after reinsurance 2015 and 2014

EUR million	2015 Risk income	2015 Claim expense	2015 Claim ratio	2014 Risk income	2014 Claim expense	2014 Claim ratio
Life insurance	**42.4**	**20.1**	**47%**	**45.3**	**27.5**	**61%**
Mortality	24.0	9.7	40%	27.2	16.5	61%
Morbidity	18.4	10.4	57%	18.1	11	61%
Pension	**68.1**	**59.9**	**88%**	**63.1**	**58.5**	**93%**
Individual pension	11.6	12.3	106%	9.6	10.2	106%
Group pension	56.5	47.6	84%	53.5	48.3	90%
Mortality*	48.9	43.2	88%	49.4	45.6	92%
Disability	7.6	4.4	58%	4.1	2.7	66%
Mandatum Life	**110.5**	**80**	**72%**	**108.4**	**86**	**79%**

company's right to raise insurance premiums for existing policies in case the claims experience deteriorates.

The insurance portfolio of Mandatum Life is relatively well diversified and does not include major concentration risks. To further mitigate the effects of possible risk concentrations, Mandatum Life has the catastrophe reinsurance in place.

In addition to the biometric risks described above, Mandatum Life is exposed to other risks such as discount rate risk, lapse risk and surrender risk which are described in the following chapters.

7.2 Discount rate risk in liabilities

Discount rate risk in technical provisions is the main risk affecting the adequacy of technical provisions. The guaranteed interest rate in policies is fixed for the whole policy period. Thus, if market interest rates and expected investment returns fall, technical provisions may have to be supplemented.

In most of the original with profit policies, the guaranteed interest rate is 3.5 per cent. In individual policies sold in Finland before 1999, the guaranteed interest rate is 4.5 per cent, which is also the statutory maximum discount rate of these policies. With respect to these policies, the maximum discount rate used when discounting technical provisions has been decreased to 3.5 per cent. As a result, technical provisions have been supplemented with EUR 55 million in 2015 (EUR 69 million in 2014). In addition, EUR 79 million has been reserved to lower the interest rate of with profit liabilities to 1.0 per cent in 2016 and EUR 71 million for the year 2017 to lower the interest rate of with profit liabilities to 1.25 per cent and EUR 38 million for the year 2018 to lower the interest rate of with profit liabilities to 2.25 per cent, i.e. Mandatum Life has set up an extra reserve of EUR 244 million as part of technical provisions.

The guaranteed interest for the segregated group pension policies is mainly 3.5 per cent. From a risk management perspective, it is more important that the discount rate for the technical provisions is

Table 7–2 Analysis of the change in technical provisions

EUR million	2014	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	Other	2015	Share %
Mandatum Life parent company									
Unit linked liabilities total	5,159	938	-531	-63	0	0	200	5,703	52
Individual pension insurance	1,149	72	-11	-15	0	0	53	1,248	11
Individual life	1,826	406	-167	-19	0	0	56	2,104	19
Capital redemption operations[1]	1,677	385	-350	-22	0	0	88	1,779	16
Group pension	507	75	-4	-8	0	0	2	573	5
With Profit and other liabilities total	5,047	177	-443	-38	152	0	102	4,996	46
Group pension	2,248	54	-194	-7	77	1	2	2,180	20
Guaranteed rate 3.5%	2,109	26	-180	-5	73	0	-13	2,010	18
Guaranteed rate 2.5%, 1.5% or 0.0%	139	27	-14	-2	4	0	15	170	2
Group pension insurance, segregated portfolio	1,228	12	-57	-2	27	0	-12	1,196	11
Basic liabilities, guaranteed rate 3.5%	805	12	-57	-2	27	0	-3	782	7
Reserve for decreased discount rate (3.5% → 0.75%)	241	0	0	0	0	0	15	257	2
Future bonus reserves	181	0	0	0	0	0	-24	157	1
Individual pension insurance	1,038	14	-146	-5	42	0	30	973	9
Guaranteed rate 4.5%	836	9	-104	-4	36	0	-4	770	7
Guaranteed rate 3.5%	150	3	-25	-1	5	0	10	142	1
Guaranteed rate 2.5% or 0.0%	52	2	-17	0	1	0	24	61	1
Individual life insurance	218	32	-34	-10	7	0	-16	197	2
Guaranteed rate 4.5%	67	5	-9	-1	3	0	-3	61	1
Guaranteed rate 3.5%	100	10	-11	-3	3	0	-7	93	1
Guaranteed rate 2.5% or 0.0%	51	17	-14	-6	1	0	-5	44	0
Capital redemption operations	4	30	0	0	0	0	1	36	0
Guaranteed rate 3.5%	0	0	0	0	0	0	0	0	0
Guaranteed rate 2.5% or 0.0%	4	30	0	0	0	0	1	36	0
Future bonus reserves	0	0	0	0	0	0	0	0	0
Reserve for decreased discount rate	135	0	0	0	0	0	109	244	2
Longevity reserve	108	0	0	0	0	0	-2	106	1
Assumed reinsurance	2	2	0	0	0	0	-2	2	0
Other liabilities	66	33	-11	-13	0	0	-12	63	1
Mandatum Life parent company total	10,207	1,115	-974	-101	153	1	300	10,699	98
Subsidiary Mandatum Life Baltic SE	170	34	-27	-3	1	0	-1	173	2
Unit linked liabilities	153	30	-25	-3	0	0	0	155	1
Other liabilities	17	3	-2	-1	1	0	-1	18	0
Mandatum Life Group Total[2]	10,377	1,149	-1,001	-105	153	0	299	10,873	100

[1] Investment contracts
[2] Before reinsurers' share

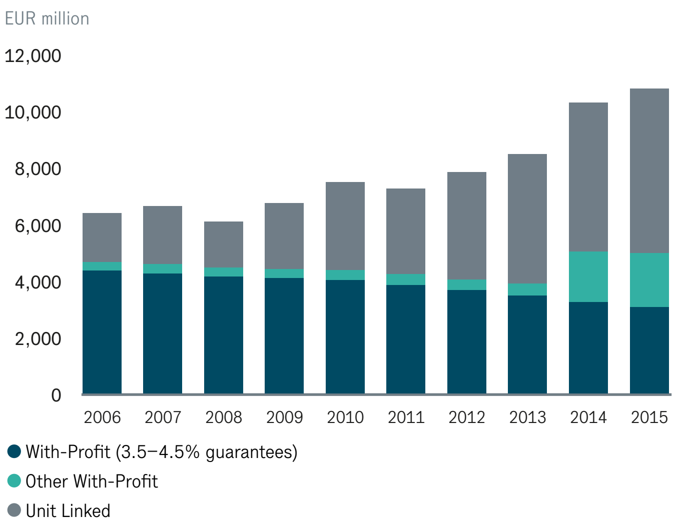
0.75 per cent. The discount rate was lowered on 31 Dec 2015 from 1.0 per cent to 0.75 per cent, which increased the discount rate reserve to EUR 257 million (241). The increase in the provision for future bonuses plays a significant role in the risk management of the segregated portfolio. This increase totals EUR 157 million, of which approximately EUR 145 million can be used to cover possible investment losses or to finance any changes in the discount rate of the segregated technical provisions.

The provisions related to each product type and guaranteed interest rates are shown in Table 7–2. The table also shows the change in each category during 2015.

Unit linked business has been Mandatum Life's main focus area since year 2001. Since that the trend of unit linked technical provisions have been upward and annual average change in technical provisions has been an increase of 24 per cent per annum. Due to the nature of unit linked business, volatility between years is relatively high.

In contrast, the trend of original with profit technical provisions has been downward since 2005. Especially the parts of technical provisions with the highest 4.5 per cent and 3.5 per cent guarantees have decreased. Technical provisions with highest guarantees fell by EUR 188 million during 2015. In total the the with profit technical provisions decreased modestly, only EUR 51 million to the level of EUR 5,014 million due to the set reserves.

Figure 7–3 Development of with-profit and unit-linked technical provisions

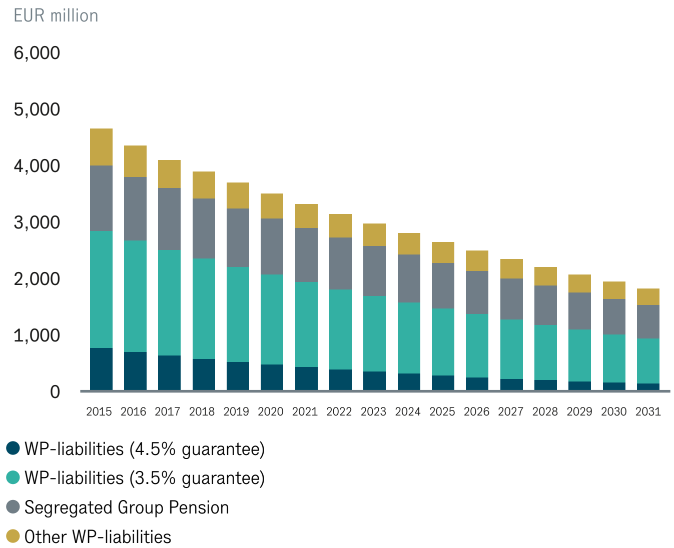


The development of the structure and amount of Mandatum Life's technical provisions is shown in Figure 7–3.

The decreasing trend of with profit liabilities is expected to continue, liabilities with highest guarantees are expected to decrease from EUR 3,075 million around EUR 1,000 million during the Solvency II transitional period of the technical provision (1 Jan 2016–31 Dec 2031). Table 7–4 shows the forecast of with profit liabilities shows the expected trend of existing with profit liabilities.

Table 7–5 shows the expected maturity and duration of insurance and investment contracts. The sensitivity of technical provisions to changes in discount rates can be assessed on the basis of the durations shown in the table.

Figure 7–4 Forecast of with-profit Liabilities 2015–2031



7.3 Other insurance risks

The most significant other risks arise from the uncertainty related to the behavior of policyholders. The policyholders have the right to cease paying premiums (lapse risk) and the possibility to interrupt their policies (surrender risk). Being able to keep lapse and surrender rates at a low level are crucial success factors especially for the expense result of unit-linked business. From ALM point of view surrender and lapse risks are less significant because in Mandatum Life, approximately 90 per cent of with-profit policies are pension policies in which surrender is possible only in exceptional cases. For ALM risk, surrender risk is therefore only relevant in individual life and capital redemption policies of which the related technical provisions amounts to only 5 per cent (EUR 233 million) of the total with-profit liabilities. Furthermore, the supplements to technical provisions are not paid out at surrender which also reduces the surrender risk related to the with-profit policies.

The company is also exposed to expense risk, which is a risk that the future operating expenses exceed the level that was anticipated when pricing the insurances. Policy terms and tariffs cannot usually be changed materially during the lifetime of the policies, which increases the expense risk. The main challenge is to keep the expenses related to insurance administrative processes and complex IT-infrastructure at an efficient level through the contract period of policies. In 2015 Mandatum Life Group's expense result was EUR 26.8 million (19.6). Mandatum Life does not defer insurance acquisition costs.

7.4 Insurance risk management and control

Biometric risks of life insurance policies are managed by careful risk selection, by pricing that reflects the risks and costs, by setting upper limits for the protection granted and by reinsurance.

Risk selection is a part of the day-to-day business routines in Mandatum Life. Mandatum Life's Underwriting Policy sets principles for risk selection and limits for insured sums. The Board approves the Underwriting policy, pricing guidelines and the central principles for the calculation of technical provisions.

Table 7–5 Expected maturity of insurance and investment contracts in Mandatum Life 31 Dec 2015

EUR million	Duration	2016–2017	2018–2019	2020–2024	2025–2029	2030–2034	2035–2039	2040–
Mandatum Life parent company								
Unit linked liabilities total	8.4	1,089	840	1,560	1,057	800	313	402
Individual pension insurance	10.8	148	136	295	247	196	141	157
Individual life	7.9	437	310	594	377	331	98	97
Capital redemption operations[1)]	6.7	453	332	527	328	198	21	63
Group pension	11.3	51	62	144	104	75	53	85
With Profit and other liabilities total	9.4	1,136	844	1,519	1,071	754	513	739
Group pension	10.8	366	338	697	527	393	284	434
Guaranteed rate 3.5%	10.8	339	317	658	496	368	265	399
Guaranteed rate 2.5%, 1.5% or 0.0%	11.4	27	20	39	30	25	19	35
Group pension insurance, segregated portfolio	10.7	174	161	352	278	209	145	188
Individual pension insurance	6.8	301	238	360	190	95	46	64
Guaranteed rate 4.5%	6.9	222	180	292	155	74	34	53
Guaranteed rate 3.5%	6.5	50	35	45	26	16	8	7
Guaranteed rate 2.5% or 0.0%	5.6	29	23	23	9	5	3	4
Individual life insurance	9.3	55	35	65	43	32	22	33
Guaranteed rate 4.5%	8.9	17	13	23	14	11	7	9
Guaranteed rate 3.5%	10.6	21	15	29	22	16	12	21
Guaranteed rate 2.5% or 0.0%	7.1	16	7	13	8	5	3	3
Capital redemption operations	8.0	3	11	5	6	5	2	1
Guaranteed rate 3.5%	0.0	0	0	0	0	0	0	0
Guaranteed rate 2.5% or 0.0%	8.0	3	11	5	6	5	2	1
Future bonus reserves	1.0	0	0	0	0	0	0	0
Reserve for decreased discount rate	2.4	167	48	14	8	4	2	3
Longevity reserve	11.8	10	10	23	19	16	12	17
Assumed reinsurance	0.5	2	0	0	0	0	0	0
Other liabilities	0.9	57	3	2	0	0	0	0
Mandatum Life parent company total	8.9	2,225	1,684	3,078	2,128	1,554	826	1,141
Subsidiary Mandatum Life Baltic SE		15	22	38	18	34	21	49
Unit linked liabilities		11	19	32	15	32	21	49
Other liabilities		4	3	6	2	1	0	0
Mandatum Life Group total		2,240	1,706	3,117	2,145	1,588	847	1,190

1) Investment contracts

Reinsurance is used to limit the amount of individual mortality and disability risks. The Board of Directors annually determines the maximum amount of risk to be retained for the company's own account, which for Mandatum Life is EUR 1.5 million per insured. To mitigate the effects of possible catastrophes, Mandatum Life participates in the catastrophe reinsurance.

The risk result is actively monitored and analyzed thoroughly annually. Mandatum Life measures the efficiency of risk selection and adequacy of tariffs by collecting information about the actual claims expenditure for each product line and each type of risk, and by comparing it to the claims expenditure assumed in insurance premiums of every risk cover.

Technical provisions are analyzed and the possible supplement needs are assessed regularly. Assumptions related to technical provisions are reviewed annually. Adequacy of technical provisions is tested quarterly. Tariffs for new policies are set, and the underwriting policy and assumptions used in calculating technical provisions are updated based on the analysis related to technical provisions and risk result. Tariffs and prices, as well as the reinsurance principles and reserving principles are reviewed and approved annually by the Board of Directors of Mandatum Life.

8. Operational risks

Operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel and systems or from external events. This definition includes legal risk but excludes risks resulting from strategic decisions. The risks may realize as a consequence of:

- internal misconduct;
- external misconduct;
- insufficient human resources management;
- insufficiencies in operating policies as far as customers, products or business activities are concerned;
- damage to physical property;
- interruption of activities and system failures; and
- defects in the operating process.

Operational risk may materialize as additional expenses, compensations for caused damages, non-compliance with rules and regulations, loss of reputation, false information on risk position and consecutive losses, and interruption of business activities.

8.1 Goal of operational risk management and risk governance

The goal of operational risk management at Mandatum Life is to identify risks beforehand, to manage the risks efficiently and to strive to minimise ahead of time the impact of any risks that do occur in a cost-effective manner. The business units are responsible for the identification, assessment, control and management of their operational risks and for ensuring that adequate internal controls are in place. The Operational Risk Committee (ORC) monitors and coordinates central issues regarding the management of operational risks at Mandatum Life, such as policies and recommendations. The Committee ensures that the business areas' risks are identified and that they have arranged sufficient internal control and risk management. The Committee also analyses possible deviations from operational risk management policies and monitors risks identified in the self-assessments of operational risks as well as the occurred incidents. Significant observations on operational risks are submitted to the Risk Management Committee and Board of Directors.

8.2 Operational risk identification and management

Operational risks are identified through several different sources and methods:

- *Self-assessment* process is used to map and evaluate the major operational risks and their probabilities and significance, including an evaluation of internal controls and sufficiency of instructions. Self-assessment is conducted annually.
- *Analysis of incidents*. Realized operational risks and near misses reported by the business units are collected and analyzed by ORC. Each business unit is responsible for reporting the occurred incidents and near misses to the ORC.
- *Macro analysis* is conducted prior to the annual strategy process where the key trends in Mandatum Life's business environment are identified, including a macro level business analysis of operational risks. External events are monitored continuously and the company reacts to those as soon as possible.

The most significant operational risks for Mandatum Life identified in the operational risk self-assessment process include, among others, the following: changes in the external operating environment, IT, especially aging IT systems, manual phases in processes, loss of key personnel, miss-selling and false information to customers.

In order to limit operational risks, Mandatum Life has approved a number of policies including e.g. Security Policies, Continuity Plans, Acquisition and Outsourcing Policy, Complaints Handling Policy and a number of other policies related to ongoing operative activities. Deviations against different policies are followed up independently in each business unit and reported to ORC.

Internal control system in processes aims at preventing and identifying negative incidents and minimizing their impact. In addition, would there be an operational risk event or near misses, this must be analysed and reported to ORC.

Notes to the Income Statement

1 INSURANCE PREMIUMS

1.1. PREMIUMS FROM INSURANCE CONTRACTS

EUR million	2015	2014
Insurance contracts		
Insurance contracts	723.1	657.5
Reinsurance contracts	2.0	3.6
Insurance contracts total, gross	**725.0**	**661.1**
Reinsurers´ share	-4.8	-5.1
Insurance contracts total, net	**720.2**	**656.0**
Investment contracts	423.8	448.8
Total premiums[1)]	**1,144.1**	**1,104.8**

[1)] The change in unearned premiums is presented in note 4 " The change in insurance and investment liabilities".

1.2. SPECIFICATION OF PREMIUMS

EUR million	2015	2014
Premiums from insurance contracts		
Premiums from contracts with discretionary participation feature	146.3	143.0
Premiums from unit-linked contracts	574.8	512.9
Premiums from other contracts	1.9	1.7
Total	**723.1**	**657.5**
Assumed reinsurance	2.0	3.6
Premiums from investment contracts		
Premiums from contracts with discretionary participation feature	30.0	1.1
Premiums from unit-linked contracts	393.8	447.7
Total	**423.8**	**448.8**
Insurance and investment contracts, total	**1,148.9**	**1,109.9**
Reinsurers' share	-4.8	-5.1
Total premiums	**1,144.1**	**1,104.8**

1.3. DIRECT INSURANCE PREMIUMS BY GEOGRAPHICAL SEGMENTS

EUR million	2015	2014
Finland	1,113.3	1,065.9
Baltic countries	33.6	40.5
Total	**1,146.9**	**1,106.3**

1.4. SINGLE AND REGULAR PREMIUMS FROM DIRECT INSURANCE

EUR million	2015	2014
Regular premiums, insurance contracts	287.1	282.3
Single premiums, insurance contracts	436.0	375.3
Single premiums, investment contracts	423.8	448.8
Total	**1,146.9**	**1,106.3**

1.5. DIRECT INSURANCE PREMIUMS BY LINE OF BUSINESS

EUR million	2015	2014
Premiums from insurance contracts		
Life insurance		
Unit-linked individual life insurance	428.2	372.3
Other individual life insurance	49.1	49.3
Employees´ group life insurance	10.3	12.4
Other group life insurance	9.2	9.0
Total	**496.8**	**443.0**
Pension insurance		
Unit-linked individual pension insurance	71.5	75.7
Other individual pension insurance	14.3	16.9
Unit-linked group pension insurance	75.2	65.0
Other group pension insurance	65.3	57.1
Total	**226.3**	**214.6**
Total	**723.1**	**657.5**
Premiums from investment contracts		
Capital redemption operations		
Unit-linked capital redemption operations	393.8	447.7
Other capital redemption operations	30.0	1.1
Total	**423.8**	**448.8**
Total premiums from insurance- and investment contracts	**1,146.9**	**1,106.3**

2 NET INCOME FROM INVESTMENTS

EUR million	2015	2014
Financial assets		
Derivative financial instruments		
Gains/losses	-89.5	-97.0
Financial assets designated as at fair value through p/l		
Debt securities		
Interest income	0.6	0.7
Gains/losses	1.1	1.2
Equity securities		
Gains/losses	0.2	0.1
Dividend income	0.0	0.0
Total	**1.9**	**1.9**
Investments related to unit-linked contracts		
Debt securities		
Interest income	57.9	58.0
Gains/losses	-39.7	-9.8
Equity securities		
Gains/losses	218.5	212.5
Dividend income	21.8	19.5
Loans and receivables		
Interest income	1.0	3.5
Other financial assets		
Gains/losses	-20.6	-16.3
Total	**238.8**	**267.3**
Loans and receivables		
Interest income	2.7	1.7
Gains/losses	26.8	42.0
Total	**29.5**	**43.7**
Financial assets available-for-sale		
Debt securities		
Interest income	95.5	97.9
Gains/losses	47.7	49.0
Equity securities		
Gains/losses	191.6	107.5
Impairment losses	-19.0	-41.5
Dividend income	107.6	89.2
Total	**423.4**	**302.0**
Total financial assets	**604.1**	**518.0**
Other assets		
Investment properties		
Gains/losses	2.1	3.2
Impairment losses	0.0	0.0
Other	13.3	5.2
Total other assets	**15.4**	**8.4**

EUR million	2015	2014
Net fee income		
Asset management	-16.6	-14.0
Fee income	29.2	27.4
Total	**12.6**	**13.4**
Total	**632.0**	**539.8**

Included in gains/losses from loans and receivables is a net gain of EUR 30.3 million from previous years arrangements year 2014.

Included in gains/losses from financial assets available-for-sale is a net gain of EUR 259 million (30.7) transferred from the fair value reserve.

Other income and expenses comprise rental income, maintenance expenses and depreciation of investment property.

All the income and expenses arising from investments are included in Net income from investments. Gains/losses include realised gains/losses on sales, unrealised and realised changes in fair values and exchange differences. Unrealised fair value changes for financial assets available-for-sale are recorded in other comprehensive income and presented in the fair value reserve in equity.

The changes in the fair value reserve are disclosed in the Statement of changes in equity.

3 CLAIMS INCURRED

All claims included.

	Claims paid		Change in provision for claims outstanding		Claims incurred	
EUR million	2015	2014	2015	2014	2015	2014
Insurance contracts						
Life insurance						
Contracts with discretionary participation feature (DPF)	-47.2	-44.9	2.5	0.8	-44.7	-44.1
Other contracts	-0.4	-0.3	-0.4	-11.8	-0.8	-12.1
Unit-linked contracts	-183.4	-177.4	13.8	0.3	-169.6	-177.2
Total	**-231.1**	**-222.6**	**15.9**	**-10.7**	**-215.2**	**-233.3**
Pension insurance						
Contracts with discretionary participation feature (DPF)	-397.4	-350.4	-19.2	34.8	-416.6	-315.6
Unit-linked contracts	-15.0	-13.2	-21.2	-22.6	-36.2	-35.8
Total	**-412.4**	**-363.6**	**-40.4**	**12.1**	**-452.8**	**-351.4**
Assumed reinsurance	-0.1	-1.1	-0.5	1.3	-0.6	0.2
Insurance contracts total, gross	**-643.5**	**-587.3**	**-25.0**	**2.7**	**-668.5**	**-584.6**
Reinsurers´ share	2.8	2.8	0.1	-0.2	2.8	2.6
Insurance contracts total, net	**-640.8**	**-584.6**	**-24.9**	**2.5**	**-665.7**	**-582.0**
Investment contracts						
Capital redemption policies						
Contracts with discretionary participation feature (DPF)	-0.1	-0.2	-	-	-0.1	-0.2
Unit-linked contracts	-357.7	-294.2	-	-	-357.7	-294.2
Investment contracts, total	**-357.7**	**-294.4**	**-**	**-**	**-357.7**	**-294.4**
Life insurance, total	**-998.5**	**-879.0**	**-24.9**	**2.5**	**-1,023.4**	**-876.4**

CLAIMS PAID BY TYPE OF BENEFIT

EUR million	2015	2014
Insurance contracts		
Life insurance		
Surrender benefits	-8.2	-8.3
Death benefits	-18.7	-21.3
Maturity benefits	-10.2	-5.0
Loss adjustment expenses	0.0	0.0
Other	-10.6	-10.5
Total	**-47.6**	**-45.2**
Life insurance, unit-linked		
Surrender benefits	-132.1	-114.0
Death benefits	-41.1	-50.0
Maturity benefits	-10.3	-13.4
Loss adjustment expenses	0.0	0.0
Total	**-183.4**	**-177.4**
Pension insurance		
Pension payments	-386.3	-319.1
Surrender benefits	-6.0	-25.3
Death benefits	-5.2	-5.9
Loss adjustment expenses	0.0	0.0
Total	**-397.4**	**-350.4**
Pension insurance, unit-linked		
Pension payments	-1.0	-0.2
Surrender benefits	-10.9	-9.6
Death benefits	-3.1	-3.3
Other	0.0	-0.1
Total	**-15.0**	**-13.2**
Assumed reinsurance	-0.1	-1.1
Insurance contracts total, gross	**-643.5**	**-587.3**
Reinsurers´ share	2.8	2.8
Insurance contracts total, net	**-640.8**	**-584.6**
Investment contracts		
Capital redemption policy, with-profit		
Surrender benefits	-0.1	-0.2
Maturity benefits	0.0	0.0
Total	**-0.1**	**-0.2**
Investment contracts		
Capital redemption policy, unit-linked		
Surrender benefits	-375.0	-316.0
Maturity benefits	17.3	21.6
Total	**-357.7**	**-294.4**
Investment contracts total, gross	**-357.7**	**-294.6**
Claims paid total, gross	-1,001.3	-881.9
Claims paid total, net	-998.5	-879.1

4 CHANGE IN LIABILITIES FOR INSURANCE AND INVESTMENT CONTRACTS

EUR million	2015	2014
Insurance contracts		
Life-insurance		
Contracts with discretionary participation feature (DPF)	14.5	16.9
Other contracts	-0.1	0.0
Unit-linked contracts	-292.4	-292.2
Total	**-277.9**	**-275.3**
Pension insurance		
Contracts with discretionary participation feature (DPF)	93.8	143.7
Unit-linked contracts	-143.2	-177.2
Total	**-49.4**	**-33.5**
Assumed reinsurance	0.1	2.4
Insurance contracts total, gross	-327.2	-306.4
Reinsurers´ share	0.0	0.0
Insurance contracts total, net	-327.2	-306.4
Investment contracts		
Capital redemption policy		
Contracts with discretionary participation feature (DPF)	-32.6	-4.4
Unit-linked contracts	-102.1	-187.8
Investment contracts, total	**-134.6**	**-192.2**
Change in liabilities for insurance and investment contracts in total, gross	**-461.8**	**-498.6**

5 STAFF COSTS

EUR million	2015	2014
Staff costs		
Wages and salaries	-35.1	-33.4
Cash-settled share-based payments	-3.6	-4.0
Pension costs - defined contribution plans	-5.8	-5.0
Other social security costs	-2.7	-3.8
Total	**-47.2**	**-46.3**

More information on share-based payments in note 32 Incentive schemes.

6 OTHER OPERATING EXPENSES

EUR million	2015	2014
IT costs	-16.6	-14.0
Other staff costs	-1.8	-1.6
Marketing expenses	-4.0	-2.9
Depreciation and amortisation	-1.9	-2.4
Rental expenses	-3.7	-3.5
Direct insurance comissions	-9.0	-10.3
Comissions of reinsurance assumed	-0.5	-2.1
Commissions on reinsurance ceded	1.4	1.8
Other	-38.4	-24.5
Total	**-74.4**	**-59.5**

Item Other includes e.g. expenses related to communication, external services and other administrative expenses.

OPERATING EXPENSES BY ACTIVITY

EUR million	2015	2014
Policy acquisition costs for insurance- and investment contracts		
Direct insurance commissions	-9.0	-10.3
Commission on reinsurance assumed	-0.5	-2.1
Other acquisition costs	-24.0	-26.0
Policy management expenses on insurance and investment contracts	-48.3	-42.4
Administrative expenses	-18.6	-17.5
Commission on reinsurance ceded	1.4	1.8
Investment management expenses	-1.8	-1.1
Claims settlement expenses	-3.7	-2.4
Other expenses	-6.1	-5.1
Total	**-110.7**	**-105.1**

7 FINANCIAL ASSETS AND LIABILITIES

The financial assets in the table include balance sheet items Financial assets excluding Investments related to unit-linked contracts.

Financial assets and liabilities have been categorised in accordance with IAS 39.9. In the table are also included interest income and expenses, realised and unrealised gains and losses recognised in P/L, impairment losses and dividend income arising from those assets and liabilities.

Accrued interest income and expenses are not included in financial assets or financial liabilities. Accrued interest income was EUR 30.1 million (30.0) and accrued interest expenses EUR 10.4 million (8.0).

FINANCIAL ASSETS

	2015				
EUR million	Carrying amount	Interest inc./exp.	Gains/ losses	Impairment losses	Dividend income
Financial assets at fair value through p/l					
Derivative financial instruments	11.3	-8.1	-81.4	-	-
Financial assets designated as at fair value through p/l	48.4	0.6	1.2	-	0.0
Loans and receivables	23.6	2.7	26.8	-	-
Financial assets available-for-sale	5,955.5	95.5	239.3	-19.0	107.6
Financial assets total	**6,038.9**	**90.7**	**185.9**	**-19.0**	**107.6**

FINANCIAL LIABILITIES

EUR million	Carrying amount	Interest inc./exp.	2015 Gains/ losses	Impairment losses	Dividend income
Financial liabilities at fair value through p/l					
Derivative financial instruments	33.4	-	-	-	-
Other financial liabilities	100.0	-6.2	-	-	-
Financial liabilities total	**133.4**	**-6.2**	**-**	**-**	**-**

FINANCIAL ASSETS

EUR million	Carrying amount	Interest inc./exp.	2014 Gains/ losses	Impairment losses	Dividend income
Financial assets at fair value through p/l					
Derivative financial instruments	3.1	-2.5	-94.6	-	-
Financial assets designated as at fair value through p/l	48.5	0.7	1.3	-	0.0
Loans and receivables	26.7	1.7	42.0	-	-
Financial assets available-for-sale	5,586.6	97.9	156.5	-41.5	89.2
Financial assets total	**5,664.9**	**97.8**	**105.2**	**-41.5**	**89.2**

FINANCIAL LIABILITIES

EUR million	Carrying amount	Interest inc./exp.	2014 Gains/ losses	Impairment losses	Dividend income
Financial liabilities at fair value through p/l					
Derivative financial instruments	85.5	-	-	-	-
Other financial liabilities	100.0	-6.9	-	-	-
Financial liabilities total	**185.5**	**-6.9**	**-**	**-**	**-**

Notes to the Balance Sheet

8 PROPERTY, PLANT AND EQUIPMENT

EUR million	2015 Land and buildings	2015 Equipment	2015 Total	2014 Land and buildings	2014 Equipment	2014 Total
At 1 Jan						
Cost	4.3	7.6	11.9	4.3	7.6	11.9
Accumulated depreciation	-0.6	-6.7	-7.3	-0.6	-6.2	-6.7
Net carrying amount	**3.7**	**0.9**	**4.6**	**3.7**	**1.4**	**5.1**
Opening net carrying amount	3.7	0.9	4.6	3.7	1.4	5.1
Additions	0.0	0.3	0.3	0.0	0.1	0.1
Depreciation	-0.1	-0.3	-0.4	-0.1	-0.5	-0.6
Closing net carrying amount	**3.7**	**0.9**	**4.6**	**3.7**	**0.9**	**4.6**
At 31 Dec						
Cost	4.3	7.9	12.2	4.3	7.6	11.9
Accumulated depreciation	-0.6	-7.0	-7.6	-0.6	-6.7	-7.3
Net carrying amount	**3.7**	**0.9**	**4.6**	**3.7**	**0.9**	**4.6**

Equipment comprise IT equipment and furniture.

9 INVESTMENT PROPERTY

EUR million	2015	2014
At 1 Jan		
Cost	244.7	170.3
Accumulated depreciation	-49.9	-47.0
Accumulated impairment losses	-18.1	-18.1
Net carrying amount	**176.7**	**105.2**
Opening net carrying amount	176.7	105.2
Additions	27.4	74.4
Disposals	-16.5	0.0
Depreciation	-3.7	-2.9
Impairment losses	-5.6	0.0
Closing net carrying amount	**178.2**	**176.7**
At 31 Dec		
Cost	255.6	244.7
Accumulated depreciation	-53.6	-49.9
Accumulated impairment losses	-23.8	-18.1
Net carrying amount	**178.2**	**176.7**
Rental income from investment property	20.9	17.2
Property rented out under operating lease		
Non-cancellable minimum rental		
- not later than one year	8.6	10.2
- later than one year and not later than five years	5.8	6.3
- later than five years	0.0	0.0
Total	**14.4**	**16.5**
Variable rents recognised as income during the financial period	0.1	0.0

EUR million	2015	2014
Expenses arising from investment property		
- direct operating expenses arising from investment property generating rental income during the period	-8.9	-8.3
- direct operating expenses arising from investment property not generating rental income during the period	-1.3	-1.4
Total	**-10.2**	**-9.6**
Fair value of investment property at 31 Dec	**202.7**	**195.7**

Fair values for the investment property are entirely determined by the Group based on the market evidence.

The premises in investment property for different segments are leased on market-based, irrevocable contracts. The lengths of the contracts vary from those for the time being to those for several years.

10 INTANGIBLE ASSETS

EUR million	2015	2014
At 1 Jan		
Cost	43.1	42.9
Accumulated amortisation	-36.3	-34.4
Net carrying amount	**6.8**	**8.5**
Opening net carrying amount	6.8	8.5
Additions	1.9	0.2
Amortisation	-1.5	-1.9
Closing net carrying amount	**7.2**	**6.8**
At 31 Dec		
Cost	45.0	43.1
Accumulated amortisation	-37.8	-36.3
Net carrying amount	**7.2**	**6.8**

Intangible assets comprise mainly IT software.

Depreciation and impairment losses are included in the income statement item Other operating expenses.

11 INVESTMENTS IN ASSOCIATES

ASSOCIATES THAT HAVE BEEN ACCOUNTED FOR BY THE EQUITY METHOD AT 31 DEC 2015

EUR million	Carrying amount	Fair value	Interest held %	Assets/liabilities	Revenue	Profit/loss
Niittymaa Oy*	0.0	0.0	49.0	0.0/0.0	0.0	0.0

* Reporting period 07/2015–12/2015
The operations of Saka Hallikiinteistöt Oy has terminated and a profit of 6.2 million euros has been recognised

ASSOCIATES THAT HAVE BEEN ACCOUNTED FOR BY THE EQUITY METHOD AT 31 DEC 2014

EUR million	Carrying amount	Fair value	Interest held %	Assets/liabilities	Revenue	Profit/loss
Niittymaa Oy*	0.0	0.0	49.0	0.0/0.0	0.0	0.0
SaKa Hallikiinteistöt Oy	0.0	0.0	48.0	138.0/137.3	13.5	0.5

* Reporting period 07/2014–12/2014

CHANGES IN INVESTMENTS IN ASSOCIATES

EUR million	2015	2014
At beginning of year	0.4	1.4
Change	-0.4	-1.4
Share of loss/profit	0.0	0.4
At end of year	**0.0**	**0.4**

12 FINANCIAL ASSETS

Group's financial assets comprise investments in derivatives, financial assets designated as at fair value through p/l, loans and receivables and available-for-sale financial assets.

The Group uses derivative instruments for trading and for hedging purposes. The derivatives used are foreign exchange, interest rate and equity derivatives. Only fair value hedging has been applied.

EUR million	2015	2014
Derivative financial instruments	11.3	3.1
Financial assets designated as at fair value through p/l	48.4	48.5
Loans and receivables	23.6	26.7
Financial assets available-for-sale	5,955.5	5,586.6
Total	**6,038.9**	**5,664.9**

DERIVATIVE FINANCIAL INSTRUMENTS

	2015			2014		
	Contract	Fair value		Contract	Fair value	
	notional amount	Assets	Liabilities	notional amount	Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	4,618.0	0.2	1.4	1,442.8	0.0	18.6
Credit risk swaps	643.0	0.0	0.3	576.6	0.0	1.4
Total	**5,261.0**	**0.2**	**1.7**	**2,019.4**	**0.0**	**19.9**
Foreign exchange derivatives						
Currency forwards	1,632.5	7.8	21.6	1,184.3	1.4	14.4
Currency options, bought and sold	156.2	0.9	0.8	193.0	1.6	0.9
Total foreign exchange derivatives	**1,788.7**	**8.6**	**22.4**	**1,377.4**	**3.1**	**15.3**
Equity derivatives						
Equity and equity index options	0.0	0.0	0.0	0.8	0.0	0.1
Total derivatives held for trading	**7,049.7**	**8.8**	**24.1**	**3,397.5**	**3.1**	**35.4**

	2015			2014		
	Contract	Fair value		Contract	Fair value	
	notional amount	Assets	Liabilities	notional amount	Assets	Liabilities
Derivatives held for hedging						
Fair value hedges						
Currency forwards	601.8	2.5	9.3	583.5	0.0	50.2
Interest rate swaps	0.0	0.0	0.0	0.0	0.0	0.0
Total	**601.8**	**2.5**	**9.3**	**583.5**	**0.0**	**50.2**
Cash flow hedges						
Interest rate swaps	-	-	-	-	-	-
Total derivatives held for hedging	**601.8**	**2.5**	**9.3**	**583.5**	**0.0**	**50.2**
Total derivatives	**7,651.5**	**11.3**	**33.4**	**3,981.0**	**3.1**	**85.5**

Fair value hedges

Fair value hedging is used to hedge a proportion of foreign exchange in available-for-sale financial assets. The interest elements of forward contracts have been excluded from hedging relationships in foreign exchange hedges.

Net gains/losses from exchange derivatives designated as fair value hedges amounted to EUR -69 million (-74). Net gains/losses from hedged risks in fair value hedges of available for sale financial assets amounted to EUR 68 million (74).

Cash flow hedges

Cash flow hedges for future interest payments terminated during 2013.

OTHER FINANCIAL ASSETS

EUR million	2015	2014
Financial assets designated as at fair value through p/l		
Debt securities		
Issued by public bodies	12.7	0.6
Certificates of deposit issued by banks	10.4	3.7
Other debt securities	23.5	42.5
Total debt securities	**46.6**	**46.8**
Equity securities		
Listed	1.8	1.7
Unlisted	-	-
Total	**1.8**	**1.7**
Total financial assets designated as at fair value through p/l	**48.4**	**48.5**
Loans and receivables		
Deposits with ceding undertakings	0.0	0.0
Loans	23.6	26.7
Total loans and receivables	**23.6**	**26.7**
Financial assets available-for-sale		
Debt securities		
Issued by public bodies	30.2	387.9
Issued by banks	487.7	889.0
Other debt securities	2,896.1	1,618.6
Total debt securities	**3,414.0**	**2,895.5**
Equity securities		
Listed	1,668.8	1,852.1
Unlisted	872.8	839.1
Total	**2,541.6**	**2,691.1**
Total financial assets available-for-sale	**5,955.5**	**5,586.6**
Life insurance, total financial assets	**6,038.9**	**5,664.9**

Financial assets available-for-sale for life insurance include impairment losses EUR 19 million (41).

Financial assets available for sale / debt securities: Debt securities available for sale include EUR 3,334 million (1,963) investments in bonds and EUR 95 million (932) investments in money market instruments.

Financial assets available for sale /shares and participations: Listed equity securities include EUR 831 million (632) quoted shares.
Unlisted equity securities include EUR 768 million (708) investments in capital trusts.

13 FAIR VALUES

EUR million	2015 Fair value	2015 Carrying amount	2014 Fair value	2014 Carrying amount
Financial assets, group				
Financial assets	6,038.9	6,038.9	5,664.9	5,664.9
Investments related to unit-linked contracts	5,864.5	5,864.5	5,281.8	5,281.8
Other assets	21.2	21.2	68.3	68.3
Cash and cash equivalents	482.5	482.5	858.5	858.5
Total	**12,407.1**	**12,407.1**	**11,873.4**	**11,873.4**
Financial liablities, group				
Financial liabilities	133.4	133.4	185.5	185.5
Other liabilities	60.6	60.6	89.9	89.9
Total	**194.0**	**194.0**	**275.4**	**275.4**

In the table above are presented fair values and carrying amounts of financial assets and liabilities. The detailed measurement bases of financial assets and liabilities are disclosed in Group Accounting policies.

The fair value of investment securities is assessed using quoted prices in active markets. If published price quotations are not available, the fair value is assessed using discounting method. Values for the discount rates are taken from the market's yield curve.

The fair value of the derivative instruments is assessed using quoted market prices in active markets, discounting method or option pricing models.

The fair value of loans and other financial instruments which have no quoted price in active markets is based on discounted cash flows, using quoted market rates. The market's yield curve is adjusted by other components of the instrument, e.g. by credit risk.

The fair value for short-term non-interest-bearing receivables and payables is their carrying amount.

Disclosed fair values are "clean" fair values, i.e. less interest accruals.

14 DETERMINATION AND HIERARCHY OF FAIR VALUES

A large majority of Mandatum Life Group's financial assets are valued at fair value. The valuation is based on either published price quatations or valuation techniques based on market observable inputs, where available. For a limited amount of assets the value needs to be determined using other techniques.

The financial instruments measured at fair value have been classified into three hierarchy levels in the notes, depending on e.g. if the market for the instrument is active, or if the inputs used in the valuation technique are observable.

On level 1, the measurement of the instrument is based on quoted prices in active markets for identical assets or liabilities.

On level 2, inputs for the measurement of the instrument include also other than quoted prices observable for the asset or liability, either directly or indirectly by using valuation techniques.

In level 3, the measurement is based on other inputs rather than observable market data.

FINANCIAL ASSETS 31.12.2015

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Interest rate swaps	-	0.2	-	0.2
Foreign exchange derivatives	-	11.1	-	11.1
Equity derivatives	-	0.0	-	0.0
Total	**0.0**	**11.3**	**0.0**	**11.3**
Financial assets designated at fair value through profit or loss				
Equity securities	1.8	-	-	1.8
Debt securities	17.7	28.9	-	46.6
Total	**19.5**	**28.9**	**0.0**	**48.4**
Financial assets related to unit-linked insurance				
Equity securities	616.0	6.6	16.6	639.2
Debt securities	751.3	470.4	26.6	1,248.3
Mutual funds	2,719.7	986.8	46.4	3,752.9
Derivative financial instruments	0.0	7.5	-	7.5
Total	**4,087.0**	**1,471.4**	**89.5**	**5,647.9**
Financial assets available-for-sale				
Equity securities	831.7	-	26.0	857.7
Debt securities	2,616.7	750.7	46.6	3,414.0
Mutual funds	886.5	21.4	775.9	1,683.8
Total	**4,334.9**	**772.1**	**848.6**	**5,955.5**
Total financial assests measured at fair value	**8,441.4**	**2,283.6**	**938.1**	**11,663.1**

FINANCIAL LIABILITIES 31.12.2015

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Interest rate swaps	-	-1.4	-	-1.4
Other interest rate derivatives	-	-0.3	-	-0.3
Foreign exchange derivatives	-	-31.7	-	-31.7
Equity derivatives	-	0.0	-	0.0
Total financial liabilities measured at fair value	**0.0**	**-33.4**	**-**	**-33.4**

FINANCIAL ASSETS 31.12.2014

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Interest rate swaps	-	0.0	-	0.0
Foreign exchange derivatives	-	3.1	-	3.1
Equity derivatives	-	0.0	-	0.0
Total	**0.0**	**3.1**	**0.0**	**3.1**
Financial assets designated at fair value through profit or loss				
Equity securities	1.7	-	-	1.7
Debt securities	19.4	27.4	-	46.8
Total	**21.0**	**27.4**	**0.0**	**48.5**
Financial assets related to unit-linked insurance				
Equity securities	449.2	7.7	15.5	472.5
Debt securities	542.8	667.7	23.8	1,234.3
Derivative financial instruments	2,464.3	896.2	56.6	3,417.2
Mutual funds	0.0	9.1	-	9.1
Total	**3,456.4**	**1,580.8**	**95.9**	**5,133.0**
Financial assets available-for-sale				
Equity securities	631.7	-	42.6	674.3
Debt securities	1,507.9	1,340.6	46.9	2,895.5
Mutual funds	1,215.4	83.4	718.0	2,016.8
Total	**3,355.0**	**1,424.0**	**807.5**	**5,586.6**
Total financial assests measured at fair value	**6,832.5**	**3,035.3**	**903.4**	**10,771.2**

FINANCIAL LIABILITIES 31.12.2014

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Interest rate swaps	-	-18.6	-	-18.6
Other interest rate derivatives	-	-1.4	-	-1.4
Foreign exchange derivatives	-	-65.5	-	-65.5
Equity derivatives	-	-0.1	-	-0.1
Total financial liabilities measured at fair value	**0.0**	**-85.5**	**-**	**-85.5**

SENSITIVITY ANALYSIS OF FAIR VALUES

10 percentage point depreciation of all other currencies against EUR would result in an effect recognised in profit/loss of EUR 23 million and in an effect recognised directly in equity of EUR -79 million.

The sensitivity analysis of the Group's fair values of financial assets and liabilities in differenct market risk scenarios is presented below. The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values on 31 Dec 2015.

The sensitivity analysis includes the effects of derivative positions. All sensitivities are calculated before taxes.

	Interest rate		Equity	Other financial investments
EUR million	1 % parallel shift down	1 % parallel shift up	20 % fall in prices	20 % fall in prices
Effect recognised in profit/loss	47	-44	0	-5
Effect recognised directly in equity	90	-78	-346	-194
Total effect	**137**	**-122**	**-346**	**-198**

15 MOVEMENTS IN LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

FINANCIAL ASSETS 2015

EUR million	At 1 Jan	Total gains/ losses in income statement	Total gains/losses recorded in other comprehensive income	Purchases	Sales	Transfers between levels 1 and 2	At 31 Dec	Gains/losses included in p/l for financial assets 31 Dec 2015
Financial assets designated at fair value through profit or loss								
Debt securities	-	-	-	-	-	-	-	-
Financial assets related to unit-linked insurance								
Equity securities	15.5	1.8	-	3.0	-3.8	0.0	16.6	1.0
Debt securities	23.8	-0.4	-	0.1	-0.3	3.5	26.6	-0.3
Mutual funds	56.6	1.6	-	11.1	-22.9	0.0	46.4	2.1
	95.9	**3.1**	**0.0**	**14.1**	**-27.0**	**3.5**	**89.5**	**2.8**
Financial assets available-for-sale								
Equity securities	42.6	-2.4	0.9	0.0	-15.0	-	26.0	1.4
Debt securities	46.9	1.4	0.0	0.0	-1.7	-	46.6	0.0
Mutual funds	718.0	25.8	11.7	163.4	-143.0	-	775.9	7.8
	807.5	**24.8**	**12.6**	**163.4**	**-159.7**	**-**	**848.6**	**9.2**
Total financial assests measured at fair value	**903.4**	**27.8**	**12.6**	**177.5**	**-186.8**	**3.5**	**938.1**	**11.9**

FINANCIAL LIABILITIES 2015

EUR million	Realised gains	Fair value gains and losses	Total
Total gains or losses included in profir or loss for the financial year	27.7	12.6	40.3
Total gains or losses included in profit and loss for assets held at the end of the financial year	-0.7	12.6	11.9

FINANCIAL ASSETS 2014

EUR million	At 1 Jan	Total gains/ losses in income statement	Total gains/losses recorded in other comprehensive income	Purchases	Sales	Transfers between levels 1 and 2	At 31 Dec	Gains/losses included in p/l for financial assets 31 Dec 2014
Financial assets designated at fair value through profit or loss								
Debt securities	-	-	-	-	-	-	-	-
Financial assets related to unit-linked insurance								
Equity securities	13.9	1.5	-	3.0	-2.9	0.0	15.5	1.2
Debt securities	18.8	-1.2	-	17.5	-1.3	-10.1	23.8	0.1
Mutual funds	63.9	0.4	-	30.0	-20.0	-17.8	56.6	1.2
	96.7	**0.8**	**0.0**	**50.6**	**-24.2**	**-27.9**	**95.9**	**2.4**
Financial assets available-for-sale								
Equity securities	40.0	11.7	-0.7	15.1	-22.2	-1.2	42.6	-2.3
Debt securities	37.2	0.0	0.0	9.7	0.0	-	46.9	0.0
Mutual funds	660.2	31.0	38.2	210.8	-222.1	-	718.0	61.2
	737.4	**42.7**	**37.5**	**235.6**	**-244.3**	**-1.2**	**807.5**	**58.8**
Total financial assests measured at fair value	**834.1**	**43.4**	**37.5**	**286.1**	**-268.6**	**-29.1**	**903.4**	**61.2**

FINANCIAL LIABILITIES 2014

EUR million	Realised gains	Fair value gains and losses	Total
Total gains or losses included in profir or loss for the financial year	43.4	37.5	80.9
Total gains or losses included in profit and loss for assets held at the end of the financial year	23.8	37.5	61.2

16 SENSITIVITY ANALYSIS OF LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

EUR million	2015 Carrying amount	2015 Effect of reasonably possible alternative assumptions (+ / -)	2014 Carrying amount	2014 Effect of reasonably possible alternative assumptions (+ / -)
Financial assets				
Financial assets related to unit-linked insurance and investment contracts				
Equity securities	16.6	-	15.5	-
Debt securities	26.6		23.8	
Mutual funds	46.4		56.6	
Total	**89.5**	**0.0**	**95.9**	**0.0**
Financial assets available-for-sale				
Equity securities	26.0	-5.2	42.6	-8.5
Debt securities	46.6	-0.9	46.9	-1.3
Mutual funds	775.9	-155.2	718.0	-143.6
Total	**848.6**	**-161.3**	**807.5**	**-153.4**
Total financial assests measured at fair value	**938.1**	**-161.3**	**903.4**	**-153.4**

The value of financial assets regarding the debt security instruments has been tested by assuming a rise of 1 per cent unit in interest rate level in all maturities. For other financial assets, the prices were assumed to go down by 20%. The Mandatum Life Group bears no investment risks related to unit-linked insurance, so a change in assumptions regarding these assets does not affect profit or loss. On the basis of the these alternative assumptions, a possible change in interest levels would cause descent of EUR 0.9 million (1.3) for the debt instruments, and EUR 160.4 million (152.1) valuation loss for other instruments in the Group's other comprehensive income. The reasonably possible effect, proportionate to the Group's equity, would thus be 11.7% (11.6).

17 INVESTMENTS RELATED TO UNIT-LINKED INSURANCE CONTRACTS

EUR million	2015	2014
Financial assets designated at fair value through p/l		
Debt securities		
Issued by public bodies	49.4	63.7
Certificates of deposit issued by banks	0.0	0.0
Other debt securities	1,198.9	1,170.6
Total	**1,248.3**	**1,234.3**
Equity securities		
Listed	4,327.8	3,768.3
Unlisted	64.3	121.4
Total	**4,392.1**	**3,889.7**
Loans and other receivables	216.7	148.7
Other financial asset	7.5	9.1
Investment related to unit-linked contracts, total	**5,864.5**	**5,281.8**

The historical cost of the equity securities related to unit-linked contracts was EUR 3,645 million (3,248) and that of the debt securities EUR 1,305 million (1,246).

18 DEFERRED TAX ASSETS AND LIABILITIES

CHANGES IN DEFERRED TAX DURING THE FINANCIAL PERIOD 2015

EUR million	1 Jan	Recognised in comprehensive income statement	Recognised in equity	31 Dec
Deferred tax assets				
Losses from previous years	2.5	-0.7		1.8
Changes in fair values	0.0			0.0
Shadow accounting	0.0		2.1	2.1
Other deductible temporary differences	17.4	-10.6		6.8
Total	**20.0**	**-11.3**	**2.1**	**10.7**
Netting of deferred taxes				-10.7
Deferred tax assets in the balance sheet				**0.0**
Deferred tax liabilities				
Depreciation differences and untaxed reserves	8.8	-6.5		2.2
Changes in fair values	134.3	17.8	8.6	160.7
Shadow accounting	0.0		2.1	2.1
Total	**143.1**	**11.3**	**10.7**	**165.1**
Netting of deferred taxes				10.7
Total deferred tax liabilities in the balance sheet				**154.3**

CHANGES IN DEFERRED TAX DURING THE FINANCIAL PERIOD 2014

EUR million	1 Jan	Recognised in comprehensive income statement	Recognised in equity	31 Dec
Deferred tax assets				
Losses from previous years	2.5	-0.3	0.4	2.5
Changes in fair values	0.0			0.0
Pension liabilities	0.0			0.0
Other deductible temporary differences	2.6	14.9		17.4
Total	**5.0**	**14.6**	**0.4**	**20.0**
Netting of deferred taxes				-20.0
Deferred tax assets in the balance sheet				**0.0**
Deferred tax liabilities				
Depreciation differences and untaxed reserves	5.2	-0.5	4.0	8.8
Changes in fair values	127.7	6.6	0.0	134.3
Other taxable temporary differences	0.0			0.0
Total	**132.9**	**6.1**	**4.0**	**143.1**
Netting of deferred taxes				-20.0
Total deferred tax liabilities in the balance sheet				**123.1**

EUR 3.3 million of deferred tax asset has not been recognised on unsed tax losses. First losses will expire in 2021.

19 TAXES

EUR million	2015	2014
Profit before tax	180.8	162.8
Tax calculated at parent company's tax rate	36.2	32.6
Different tax rates on overseas earnings	0.1	0.0
Income not subject to tax	-2.4	-2.5
Expenses not allowable for tax purposes	0.0	0.1
Consolidation procedures and eliminations	0.5	-1.0
Tax from previous years	1.9	0.3
Total	36.3	29.5

20 COMPONENTS OF OTHER COMPREHENSIVE INCOME

EUR million	2015	2014
Other comprehensive income items reclassifiable to profit or loss		
Exchange differences	0.0	0.0
Available-for-sale financial assets		
Gains/losses arising during the year	43.0	20.2
Income tax relating to components of other comprehensive income	-8.6	-4.0
Shadow accounting	-10.5	
Total items reclassifiable to profit or loss, net of tax	**23.9**	**16.2**

21 TAX EFFECTS RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2015			2014		
EUR million	Before-tax amount	Tax	Net-of-tax amount	Before-tax amount	Tax	Net-of-tax amount
Exchange differences	0.0	-	0.0	0.0	-	0.0
Available-for-sale financial assets	43.0	-8.6	34.4	20.2	-4.0	16.2
Shadow accounting	-10.5	0.0	-10.5	0.0	0.0	0.0
Total	**32.5**	**-8.6**	**23.9**	**20.3**	**-4.0**	**16.2**

22 OTHER ASSETS

EUR million	2015	2014
Interests	30.1	30.0
Receivables from policyholders	8.6	2.9
Assets arising from reinsurance operations	0.0	1.4
Settlement receivables	21.2	68.3
Assets pledged for trading in derivatives	18.8	72.2
Other	47.9	33.3
Other assets, total	**126.6**	**208.0**

Item Other comprise e.g. receivables pensions paid in advance and receivables from co-operations companies.

23 CASH AND CASH EQUIVALENTS

EUR million	2015	2014
Cash at bank and in hand	378.4	389.1
Short-term deposits (max 3 months)	104.1	469.4
Total	**482.5**	**858.5**

24 LIABILITIES FROM INSURANCE AND INVESTMENT CONTRACTS

CHANGE IN LIABILITIES ARISING FROM OTHER THAN UNIT-LINKED INSURANCE AND INVESTMENT CONTRACTS

EUR million	Insurance contracts	Investment contracts	Total
At 1 Jan 2015	5,058.0	4.3	5,062.4
Premiums	148.2	30.0	178.2
Claims paid	-445.0	-0.1	-445.1
Expense charge	-38.0	0.0	-38.0
Guaranteed interest	153.0	0.1	153.1
Bonuses	0.5	0.0	0.5
Transferred portfolio	16.7	0.0	16.7
Other	85.0	1.3	86.3
At 31 Dec 2015	**4,978.5**	**35.6**	**5,014.1**
Reinsurers' share	-2.6	0.0	-2.6
Net liability at 31 Dec 2015	**4,975.9**	**35.6**	**5,011.5**

EUR million	Insurance contracts	Investment contracts	Total
At 1 Jan 2014	3,923.7	3.8	3,927.5
Premiums	148.2	1.1	149.3
Claims paid	-396.6	-0.2	-396.8
Expense charge	-35.7	0.0	-35.7
Guaranteed interest	131.4	0.0	131.4
Bonuses	0.4	0.0	0.4
Transferred portfolio	1,337.0	0.0	1,337.0
Other	-47.8	-0.3	-48.1
At 31 Dec 2014	**5,060.6**	**4.3**	**5,064.9**
Reinsurers' share	-2.6	0.0	-2.6
Net liability at 31 Dec 2014	**5,058.0**	**4.3**	**5,062.4**

CHANGE IN LIABILITIES ARISING FROM UNIT-LINKED INSURANCE AND INVESTMENT CONTRACTS

EUR million	Insurance contracts	Investment contracts	Total
At 1 Jan 2015	**3,598.5**	**1,713.5**	**5,312.0**
Premiums	574.8	393.8	968.7
Claims paid	-198.4	-357.7	-556.1
Expense charge	-43.7	-22.2	-65.9
Other	110.3	89.3	199.7
At 31 Dec 2015	**4,041.5**	**1,816.9**	**5,858.4**

EUR million	Insurance,contracts	Investment,contracts	Total
At 1 Jan 2014	**3,094.7**	**1,521.9**	**4,616.6**
Premiums	512.9	447.7	960.6
Claims paid	-190.6	-294.2	-484.8
Expense charge	-38.9	-20.8	-59.7
Other	220.3	59.1	279.4
At 31 Dec 2014	**3,598.4**	**1,713.7**	**5,312.0**

The liabilities at 1 Jan and at 31 Dec include the future bonus reserves and the effect of the reserve for the decreased discount rate. The calculation is based on items before reinsurers' share. A more detailed specification of changes in insurance liabilities is presented in Group's Risk Management.

INSURANCE CONTRACTS

EUR million	2015	2014
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	2,515.6	2,625.1
Provision for claims outstanding	2,460.8	2,433.8
Liabilities for contracts without discretionary participation feature (DPF)		
Provision for unearned premiums	0.0	0.0
Provision for claims outstanding	0.0	0.0
Total	**4,976.4**	**5,058.8**
Assumed reinsurance		
Provision for unearned premiums	1.1	1.3
Provision for claims outstanding	0.9	0.5
Total	**2.1**	**1.7**
Insurance contracts total		
Provision for unearned premiums	2,516.7	2,626.3
Provision for claims outstanding	2,461.8	2,434.2
Total	**4,978.5**	**5,060.6**
Investment contracts		
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	35.6	4.3
Liabilities for insurance and investment contracts total		
Provision for unearned premiums	2,552.3	2,630.7
Provision for claims outstanding	2,461.8	2,434.2
Life insurance total	**5,014.1**	**5,064.9**
Reinsurers' share		
Provision for unearned premiums	0.0	0.0
Provision for claims outstanding	-2.6	-2.6
Total	**-2.6**	**-2.6**

Investment contracts do not include a provision for claims outstanding.

Liability adequacy test does not give rise to supplementary claims.

Exemption allowed in IFRS 4 *Insurance contracts* has been applied to investment contracts with DPF or contracts with a right to trade-off for an investment contract with DPF. These investment contracts have been valued like insurance contracts.

25 LIABILITIES FROM UNIT-LINKED INSURANCE AND INVESTMENT CONTRACTS

EUR million	2015	2014
Unit-linked insurance contracts	4,041.5	3,598.5
Unit-linked investment contracts	1,816.9	1,713.5
Total	**5,858.4**	**5,312.0**

26 FINANCIAL LIABILITIES

The financial liabilities include derivatives, debt securities and other financial liabilities.

EUR million	2015	2014
Derivative financial instruments (note 15)	33.4	85.5
Subordinated debt securities		
Subordinated loans	100.0	100.0
Life insurance, total	**133.4**	**185.5**

Mandatum Life issued in 2002 EUR 100 million Capital Notes. The loan is perpetual and pays floating rate interest. The interest is payable only from distributable capital. The loan is repayable only with the consent of the Insurance Supervisory Authority and at the earliest on 2012 or any interest payment date after that. The loans is wholly subscribed by Sampo Plc.

27 EMPLOYEE BENEFITS

Employee benefits
In addition to statutory retirement pension insurance, the Group has certain voluntary defined benefit plans. The voluntary defined benefit plans are intra-Group and included in the insurance liabilities of Mandatum Life. The amount is negligible and they have no material impact on the Group profit or loss or equity.

Other short-term employee benefits
There are other short-term staff incentive schemes in the Group, the terms of which vary each year. Benefits are recognised in the profit or loss for the year they arise from. An estimated amount of these profit-sharing bonuses for 2015 is EUR 5.7 million.

28 OTHER LIABILITIES

EUR million	2015	2014
Interests	10.4	8.0
Tax liabilities	0.0	22.7
Liabilities arising out of direct insurance operations	20.7	6.6
Liabilities arising out of reinsurance operations	4.1	4.2
Settlement liabilities	60.6	89.9
Guarantees received	0.2	34.7
Other liabilities	72.8	42.9
Total	**168.8**	**209.0**

Item Guarantees received comprise assets accepted as guarantees required in derivative trading and securities lending.
Item Other includes e.g. liabilities arising from withholding taxes and social security costs, liabilities to creditors and insurance premium advances.

29 CONTINGENT LIABILITIES AND COMMITMENTS

EUR million	2015	2014
Off-balance sheet items		
Fund commitments	397.3	383.8
Acquisition of IT-software	1.2	2.0
Total	**398.5**	**385.8**
Assets pledged as security for derivative contracts		
Cash	18.8	72.2

The pledged assets are included in the balance sheet item Other assets.

EUR million	2015	2014
Lended securities		
Domestic shares		
Remaining acquisition cost	0.0	23.4
Fair value	0.0	18.7

Security lendings can be interrupted at any time and they are secured.

COMMITMENTS FOR NON-CANCELLABLE OPERATING LEASES

EUR million	2015	2014
Minimum lease payments		
not later than one year	2.4	1.9
later than one year and not later than five years	8.2	8.1
over five years	7.3	8.0
Total	**17.9**	**18.0**
Total of sublease payments expected to be received under non-cancellable operating sub-leases at 31 Dec	0.3	0.3
Lease and sublease payments recognised as an expense in the period		
- minimum lease payments	-3.7	-3.5
- sublease payments	0.1	0.1
Total	**-3.6**	**-3.4**

The Group had at the end of 2015 premises a total of 9,638 m^2 (9,559) taken as a lessee. The contracts have been made mainly for 3 to 10 years.
The Group has subleased 318 m^2 (318) of these premises.

30 EQUITY AND RESERVES

Equity
The number of shares at 31 Dec 2015 was 239,998 (239,998). There was no change in the company's share capital of EUR 40.4 million during the financial year.
At the end of the financial year 2015, the mother company or other Group companies held no shares in the parent company.

Reserves and retained earnings
Share premium reserve The reserve include the issue price of shares to an extent it was not recorded in share capital by an express decision. There was no change in the share premium reserve EUR 98.9 million during the financial year.

Legal reserve The legal reserve EUR 30.1 million comprises the amounts that has been transferred from the distributable equity on the basis of the decision of the AGM.

Other components of equity Other components of equity include fair value changes of financial assets available for sale and derivatives used in cash flow hedges, and exchange differences.

Changes in the reserves and retained earnings are presented in the Group's statement of changes in equity.

31 RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

The key management personnel in Mandatum Life consists of the members of the Board of Directors of Mandatum Life Insurance Company Limited and Mandatum Life's Executive Committee.

EUR million	2015	2014
Key management compensation		
Short-term employee benefits	1.8	1.9
Post employment benefits	0.5	0.5
Other long-term benefits	3.4	2.6
Total	**5.7**	**5.0**

Short-term employee benefits comprise salaries and other short-terms benefits, including profit-sharing bonuses accounted for for the year, and social security costs.

Post employment benefits include pension benefits under the Employees' Pensions Act (TyEL) in Finland and voluntary supplementary pension benefits.

Other long-term benefits consist of the benefits under long-term incentive schemes accounted for the year. The benefits are determined by terms on Group level. Mandatum Life pays the benefits allocated to its key management. (note 32).

Related party transactions of the key management

The related party transactions of the key management are not material nor does the key management have any loans from the Group companies.

ASSOCIATES

EUR million	2015	2014
Outstanding balances with related parties		
Debt securities, available for sale	0.0	37.1
Other assets	0.0	3.0

32 INCENTIVE SCHEMES

LONG-TERM INCENTIVE SCHEMES 2011 I, II - 2014 I, II

The Board of Directors for Sampo plc has decided on the long-term incentive schemes 2011 I and II and 2014 I and II for the management and experts of the Sampo Group. The Board has authorised the CEO, to decide who will be included in the scheme, as well as the number of calculated bonus units granted for each individual used in determining the amount of the performance-related bonus. In Mandatum Life Group, a little less than 20 persons included in the schemes at the end of year 2015.

The amount of the performance-related bonus is based on the value performance of Sampo's A share and on the insurance margin (IM) and, also on Sampo's return on the risk adjusted capital (RORAC). The value of one calculated bonus unit is the trade-weighted average price of Sampo's A-share at the time period specified in the terms of the scheme, and reduced by the starting price adjusted with the dividends per share distributed up to the payment date. The pre-dividend starting prices vary between eur 18.37–43.38. The maximum value of one bonus unit varies between eur 33.37–62.38, reduced by the dividend-adjusted starting price. In the schemes, the bonus depends on two benchmarks. If the IM is 6 per cent or more hole bonus, and if the IM is between 4–5.99 per cent, half of the bonus will be paid out. In addition, the return on the risk adjusted capital is taken into account , if the return is, in the minimum, a riskless return + 2 per cent but less than riskless return + 4 per cent, the payout is 50 per cent. If the return stays below these benchmarks, no RORAC-based bonus will be paid out.

Each plan has three performance periods and bonuses are settled in cash in three installments. The employee shall authorise Sampo plc to acquire the Sampo A shares for him/her, with 60 per cent of the amount of bonus received. The shares are subject to transfer restrictions for three years from the day of payout. A premature payment of the bonuses may occur in the event of changes in the group structure or in the case of employment termination on specifically determined bases. The fair value of the incentive schemes is estimated by using the Black-Scholes princing model.

		2011 I	2011 I/2	2014 I	2014 I/2
Terms approved*)		14.09.2011	14.09.2011	17.09.2014	17.09.2014
Granted (1,000) 31 Dec 2012		392	-	-	-
Granted (1,000) 31 Dec 2013		392	10	-	-
Granted (1,000) 31 Dec 2014		392	10	599	-
Granted (1,000) 31 Dec 2015		187	7	575	19
End of performance period I 30%		Q2-2014	Q2-2015	Q2-2017	Q2-2018
End of performance period II 35%		Q2-2015	Q2-2016	Q2-2018	Q2-2019
End of performance period III 35%		Q2-2016	Q2-2017	Q2-2019	Q2-2020
Payment I 30%		9-2014	9-2015	9-2017	9-2018
Payment II 35%		9-2015	9-2016	9-2018	9-2019
Payment III 35%		9-2016	9-2017	9-2019	9-2020
Price of Sampo A at terms approval date*)		18.10	18.10	37.22	37.22
Starting price**)		18.37	24.07	38.26	43.38
Dividend-adjusted starting price at 31 Dec 2015		12.22	19.12	36.31	43.38
Sampo A - closing price 31 Dec 2015	47.00				
Total intrinsic value, EUR million		5.9	0.1	1.9	0.0
Liability, total EUR million	5.7				
Total cost for the financial period, EUR million	3.6				
*) Grant dates vary					
**) Trade-weighted average for ten trading days from the approval of terms					

33 AUDITORS' FEES

EUR million	2015	2014
Auditing fees	-0.2	-0.3
Other fees	-0.2	-0.3
Total	**-0.4**	**-0.6**

34 LEGAL PROCEEDINGS

There are legal proceedings against Mandatum Life outstanding on 31 December 2015, arising in the ordinary course of business. Professional advice indicates that it is unlikely that any significant losses will arise.

35 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors proposes to the Annual General Meeting that 125 million euros dividend will be paid.

36 INVESTMENTS IN SUBSIDIARIES

	Country	Holding %	Voting rights %
Name			
Asunto Oy Nastolan Niinitie 50	Finland	100.00	100.00
Asunto Oy Nastolan Niinitie 52	Finland	100.00	100.00
Asunto Oy Nastolan Upon Asunnot Oy	Finland	100.00	100.00
Asunto Oy Vantaan Raivionsuonmäki 6	Finland	100.00	100.00
Hervannan Vuokratontit Oy	Finland	100.00	100.00
Kiinteistö Oy Aapelinkatu 6	Finland	100.00	100.00
Kiinteistö Oy Ahti Business Park	Finland	100.00	100.00
Kiinteistö Oy Hyvinkään Sampotalo	Finland	81.37	81.37
Kiinteistö Oy Hämeenlinnan Karhulinna	Finland	100.00	100.00
Kiinteistö Oy Galaxy	Finland	100.00	100.00
Kiinteistö Oy Helsingin Ratamestarinkatu 7a	Finland	100.00	100.00
Kiinteistö Oy Helsingin Ratamestarinkatu 7b	Finland	100.00	100.00
Kiinteistö Oy Jäkälävaara	Finland	100.00	100.00
Kiinteistö Oy Järvenpään Asemakatu 4	Finland	100.00	100.00
Kiinteistö Oy Kaupintie 5	Finland	100.00	100.00
Kiinteistö Oy Leppävaaran Säästötammi	Finland	100.00	100.00
Kiinteistö Oy Matinkatu 8	Finland	100.00	100.00
Kiinteistö Oy Niittymaanpolku	Finland	100.00	100.00
Kiinteistö Oy Oulun Torikatu 21–23	Finland	100.00	100.00
Kiinteistö Oy Rautalaani	Finland	100.00	100.00
Kiinteistö Oy Satomaininki	Finland	100.00	100.00
Kiinteistö Oy Tampereen Hatanpäänvaltie 18	Finland	100.00	100.00
Innova Services Ltd	Finland	100.00	100.00
Mandatum Life Services Ltd	Finland	100.00	100.00
Mandatum Life Investment Services Ltd	Finland	100.00	100.00
Saka Hallikiinteistöt GP Ltd	Finland	100.00	100.00
Mandatum Life Fund Management S.A.	Luxenbourg	100.00	100.00
Mandatum Life Insurance Baltic SE	Estonia	100.00	100.00

37 INVESTMENTS IN SHARES AND PARTICIPATIONS OTHER THAN SUBSIDIARIES AND ASSOCIATES

LISTED COMPANIES

	Country	No. of shares	Holding %	EUR million
Amer Sports Plc	Finland	3,937,654	3.32	106.2
Asiakastieto Group Plc	Finland	1,400,000	9.27	21.0
Comptel Plc	Finland	20,532,625	18.94	37.6
Elecster Plc A	Finland	117,000	6.43	0.8
eQ Plc	Finland	1,899,902	5.17	12.3
F-Secure Plc	Finland	5,791,936	3.65	14.9
Kemira Plc	Finland	900,880	0.58	9.8
Lassila & Tikanoja Plc	Finland	2,311,238	5.96	41.9
Metso Plc	Finland	1,487,381	0.99	30.8
Nokia Plc	Finland	1,767,892	0.04	11.7
Nokian Renkaat Plc	Finland	776,789	0.58	25.7
Norvestia Plc B	Finland	1,789,538	11.68	14.3
Okmetic Plc	Finland	800,000	4.63	5.8
Oriola-KD Plc B	Finland	3,600,000	2.86	15.6
Stora Enso Plc	Finland	1,453,075	0.24	12.2
Teleste Plc	Finland	1,679,200	8.84	16.5
Tikkurila Plc	Finland	1,577,079	3.58	25.4
UPM-Kymmene Plc	Finland	4,535,320	0.85	78.1
Uponor Plc	Finland	596,794	0.82	8.1
Vaisala Plc A	Finland	629,250	4.24	15.1
Valmet Corp	Finland	1,217,307	0.81	10.8
Wartsila Plc	Finland	423,064	0.21	17.8
Yit Plc	Finland	4,286,675	3.37	22.4
Total				**554.9**
Other listed companies	Finland			14.0
Listed companies total				**568.9**
Unit trusts				
KJK Fund SICAV-SIF Baltic States B1 C	Finland			12.8
EVLI EUROPE-B	Finland			8.9
FONDITA NORDIC MICRO CAP-B	Finland			7.8
Fourton Odysseus	Finland			47.4
FOURTON STAMINA NON-UCITS	Finland			23.5
OP-Eurooppa Nousevat Tähdet A	Finland			6.6
OP-KEHITTYVÄ AASIA	Finland			5.0
Total				**112.0**
Capital trusts				
Amanda III Eastern Private Equity L.P.	Finland			14.0
Amanda IV West L.P.	Finland			22.9
CapMan Hotels RE Ky	Finland			9.7
Capman Real Estate I Ky	Finland			10.7
Capman Real Estate II Ky	Finland			8.4
CapMan RE II Ky	Finland			6.3
MB Equity Fund IV Ky	Finland			10.7
Total				**82.7**
Other shares and participations				39.7
Domestic shares and participations in total				**803.4**

	Country	No. of shares	Holding %	EUR million
Other companies				
Unilever NV	Netherlands	176,800	0.01	7.1
Pension Corporation Group Limited	Guernsey	8,706,965	1.39	9.4
Schneider Electric SA	France	146,417	0.02	7.7
BASF SE	Germany	86,119	0.01	6.1
Bayerische Motoren Werke AG	Germany	91,744	0.02	9.0
Deutsche Post AG	Germany	247,983	0.02	6.4
SAP AG	Germany	105,300	0.01	7.7
Kuehne + Nagel International AG	Switzerland	53,748	0.04	6.8
Nestle SA	Switzerland	127,894	0.00	8.8
Roche Holding AG	Switzerland	34,529	0.00	8.8
Syngenta AG	Switzerland	16,000	0.02	5.8
British American Tobacco PLC	Great Britain	134,200	0.01	6.9
GlaxoSmithKline PLC	Great Britain	319,500	0.01	6.0
Royal Dutch Shell PLC	Great Britain	336,000	0.01	7.1
SABMiller PLC	Great Britain	98,461	0.01	5.5
Total				**109.0**
Foreign unit trusts				
The Forest Company Limited	Guernsey			7.5
Comgest Growth Asia Ex Japan USD I Acc Class	Ireland			58.3
DJ STOXX 600 OPT HEALTHCARE	Ireland			32.5
NOMURA FDS IR-JP STR V-I JPY	Ireland			13.7
Allianz RCM Europe Equity Growth W	Luxembourg			76.3
Danske Invest Europe High Dividend I	Luxembourg			58.2
FIDELITY FDS-JPN AGGRE-IJPY	Luxembourg			7.2
LUX Mandatum Life Nordic High Yield Total Return Fund SICAV-SIF G EUR Share Class	Luxembourg			13.0
MFS MER-EUROPE SM COS-I1EUR	Luxembourg			17.7
MFS European Value Fund Z	Luxembourg			55.5
UNIDEUTSCHLAND XS	Germany			28.0
ISHARES SMI CH	Switzerland			59.6
INVESTEC GSF-ASIA PACIFIC-I	Great Britain			65.8
ISHARES CORE S&P 500 INDEX FUND	U.S.			301.6
Total				**794.9**
Foreign capital trusts				
Activa Capital Fund II FCPR	France			7.0
Apollo Offshore Energy Opportunity Fund Limited	Cayman Islands			15.0
Avenue Special Situations Fund VI (C-Feeder), L.P.	Cayman Islands			17.1
Broad Street Real Estate Credit Partners II Treaty Fund, L.P.	Cayman Islands			10.2
Financial Credit Investment I, L.P.	Cayman Islands			13.4
Fortress Credit Opportunities Fund II (C) L.P.	Cayman Islands			49.3
Fortress Credit Opportunities Fund III (C) L.P.	Cayman Islands			32.9
Fortress Credit Opportunities Fund IV (C) L.P.	Cayman Islands			8.1
Fortress Life Settlement Fund (C) L.P.	Cayman Islands			6.7
Petershill Offshore LP	Cayman Islands			24.9
Highbridge Specialty Fund III	Cayman Islands			40.7
Highbridge Liquid Loan Opportunities Fund, L.P	Cayman Islands			54.2
Lunar Capital Partners III L.P.	Cayman Islands			9.9
Mount Kellet Capital Partners (Cayman), L.P.	Cayman Islands			14.4
Mount Kellett Capital Partners (Cayman) II, L.P.	Cayman Islands			16.4
Petershill II Offshore LP	Cayman Islands			15.3
Russia Partners II, L.P.	Cayman Islands			9.2
Victory Park Capital Fund II (Cayman), L.P.	Cayman Islands			22.0

	Country	No. of shares	Holding %	EUR million
Capman Buyout IX Fund A L.P.	Guernsey			8.0
EQT Credit (No.1) L.P.	Guernsey			7.2
EQT Credit (No.2) L.P.	Guernsey			38.6
EQT V (No.1) L.P.	Guernsey			7.0
EQT VI (No.1) L.P.	Guernsey			29.7
M&G Debt Opportunities Fund II	Ireland			26.6
Verdane Capital VII K/S	Denmark			14.4
Broad Street Loan Partners 2013 Europe L.P.	Great Britain			31.4
EQT Auris Co-Investment L.P.	Great Britain			12.0
EQT Mid Market (No.1) Feeder Limited Partnership	Great Britain			7.7
M&G Debt Opportunities Fund	Great Britain			20.1
Avenue Energy Opportunities Fund L.P.	U.S.			10.7
HRJ Global Buy-out III (Asia) L.P.	U.S.			7.1
Total				**587.3**
Other shares and participations				248.8
Foreign shares and participations in total				**1,740.0**
Shares and participations in total				**2,543.4**

Holdings exceeding EUR 5 million and holdings in listed companies exceeding five per cent specified.
The table does not include investments covering unit linked insurance and investment contracts.

38 TRANSFERRED PORTFOLIO

On the 30th of December 2014 Mandatum Life received from Suomi Mutual its with-profit group pension portfolio.
Portfolio comprises approximately 2,300 policies and 34,000 members.

Amount of transferred assets and liabilities were EUR 1,337 million
This segregated fund is reported as a new segment.

All the costs totally EUR 1.4 million related to this are included in other operating expenses.

BALANCE SHEET EFFECT ON THE 30TH OF DECEMBER 2014

Assets EUR million	
Investment property	49.1
Financial assets	1,187.5
Other assets	0.9
Cash and cash equivalents	99.5
	1,337.0

Liabilities EUR million	
Liabilities for insurance and investment contracts	1,337.0
	1,337.0

Key Figures

EUR million	2015 IFRS	2014 IFRS	2013 IFRS	2012 IFRS	2011 IFRS
Premium income	1,148.9	1,109.9	1,068.1	982.6	854.3
Expense ratio, % of load income	98.4%	103.0%	105.4%	112.7%	107.5%
Expense ratio, % of total balance sheet	1.1%	1.0%	1.1%	1.3%	1.1%
Net investment income at fair value, time weighted %	6.3%	4.6%	7.4%	9.4%	-1.4%
Return on assets at fair values, %	6.2%	4.8%	7.6%	9.7%	-0.8%
Solvency margin, %	23.6%	22.9%	27.6%	27.7%	20.9%
Market share in Finland	17.7%	17.9%	19.2%	24.5%	24.9%
Average number of staff	522	509	541	545	521

SOLVENCY CAPITAL, IFRS

EUR million					
Capital and reserves	1,378.1	1,309.7	1,260.1	1,140.3	854.5
Proposed profit distribution	-125.0	-100.0	-100.0	0.0	0.0
Valuation difference off balance sheet	25.5	19.7	20.7	18.8	16.0
Subordinated loans	100.0	100.0	100.0	100.0	100.0
Intangible assets	-7.2	-6.8	-8.5	-11.0	-12.0
Deferred tax liabilities in solvency capital	160.7	140.4	129.2	143.2	90.0
Solvency capital	**1,532.1**	**1,463.0**	**1,401.4**	**1,391.3**	**1,048.6**

TOTAL RESULT

EUR million					
Operating profit	157.2	163.0	155.7	139.2	143.7
Change in fair value reserve (before tax)	32.5	20.2	96.6	234.9	-306.2
Change in valuation differences off balance sheet	5.7	-0.9	1.9	2.7	-0.5
Total result	**195.4**	**182.3**	**254.2**	**376.8**	**-163.1**

RETURN ON INVESTMENTS AT FAIR VALUES

Return on invested capital, %					
Interest bearing investments total	3.8%	4.0%	2.7%	-	-
Loans	0.6%	2.0%	1.3%	1.7%	2.2%
Bonds	4.9%	4.2%	3.6%	10.1%	4.1%
Other financial intruments	1.8%	1.7%	0.1%	1.4%	1.6%
Equity investments total	10.5%	3.7%	17.6%	10.1%	-9.9%
Listed equity	9.4%	0.6%	11.0%	-	-
Capital investments	17.8%	25.0%	18.7%	-	-
Unlisted equity	9.4%	3.9%	-0.4%	-	-
Land and buildings	8.7%	2.9%	5.0%	8.5%	6.0%
Direct real estate investments	7.0%	5.5%	3.6%	-	-
Other real estate investments	12.8%	-12.0%	8.2%	-	-
Other investments	12.3%	18.7%	8.1%	8.3%	3.5%
Total investments	6.3%	4.6%	7.1%	9.3%	-1.1%
Income, expenses and operating expenses not allocated to instrument types					
Net investment income at fair values	**6.5%**	**5.4%**	**7.1%**	**9.5%**	**-1.0%**

INVESTMENT PORTFOLIO AT FAIR VALUES

EUR million	Basic allocation 2015	2014	2013	Risk adjusted allocation 2015	2014	2013
Interest bearing investments total	3,971.0	4,060.3	3,269.1	3,328.4	3,485.1	2,763.7
Loans	8.3	10.9	18.2	8.3	10.9	18.2
Bonds	3,455.9	2,340.7	2,700.2	7,419.8	1,966.4	4,508.3
Other financial instruments	506.8	1,708.7	550.7	-4,099.7	1,507.9	-1,762.8
Equity investments total	1,994.7	1,921.4	1,663.5	1,994.7	1,921.4	1,663.5
Listed equity	1,649.6	1,570.4	1,424.1	1,649.6	1,570.4	1,424.1
Capital investments	263.5	247.3	199.3	263.5	247.3	199.3
Unlisted equity	81.5	103.7	40.0	81.5	103.7	40.0
Land and buildings	289.1	247.4	179.3	289.1	247.4	179.3
Direct real estate investmenst	202.7	195.7	114.8	202.7	195.7	114.8
Other real estate investments	86.4	51.7	64.5	86.4	51.7	64.5
Other investments	392.6	345.2	345.2	392.6	345.2	345.2
Total investments	**6,647.3**	**6,574.3**	**5,457.0**	**6,004.7**	**5,999.1**	**4,951.6**

Calculation of Key Figures

Premium income

Premium income before reinsurers` share

Expense ratio,% of load income

$$\frac{\text{(Operating expenses before change in deferred acquisition costs + claims settlement expenses)}}{\text{Load income}} \times 100$$

According to the calculation basis load income is an item meant to cover the operating expenses. All expense loading components are included in the load income. Operating expenses do not include reinsurance commissions.

Expense ratio,% of total balance sheet

$$\frac{\text{(Operating expenses before change in deferred acquisition costs + claims settlement expenses)}}{\text{Balance sheet at 1 Jan}} \times 100$$

Return on investments at fair values

Investment income at fair values in proportion to invested capital is calculated using the so-called modified Dietz method, under which invested capital is calculated by adding to the opening fair value the cash flows in the period, weighted by the relative share of the lenght of whole period that remains from the transaction date or from the middle of the transaction month to the end of the period.

Return on assets, % (at fair values)

$$\frac{\begin{array}{l}\text{Operating profit} \\ \text{+ interest and expenses on liabilities} \\ \text{+ guaranteed interest on technical provisions} \\ \text{+ change in fair value reserve before tax} \\ \text{+ change in valuation differences on investments, off balance sheet}\end{array}}{\begin{array}{l}\text{balance sheet total} \\ \text{- liabilities for unit-linked insurance and investment contracts} \\ \text{+ valuation differences on investments, off balance sheet} \\ \text{(average at 1 Jan, and 31 Dec in the denominator)}\end{array}} \times 100$$

Solvency margin, %, IFRS

Solvency capital to the liabilities of insurance- and investment contacts less 75% of the liabilities of unit linked insurance- and investment contracts (%).

Market share

$$\frac{\text{Gross premiums written}}{\text{gross premiums written by all life insurance companies}}$$

Auditor’s report

To the Annual General Meeting of Mandatum Life Insurance Company Limited

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Mandatum Life Insurance Company Limited for the financial period 1.1.–31.12.2015. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act, the Insurance Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company’s financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, February 29, 2016

Ernst & Young Oy
Authorized Public Accountant Firm

Tomi Englund
Authorized Public Accountant

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