

MANDATUM LIFE INSURANCE BALTIC SE

INTERIM REPORT 1-3Q/2014

Business name: MANDATUM LIFE INSURANCE BALTIC SE

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Beginning of reporting period: 01.01.2014

End of reporting period: 30.09.2014

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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I. Management report in 1-3Q 2014

Mandatum Life Insurance Baltic SE (hereinafter referred to as the Company) belongs to a Finnish financial group Sampo Group. The Company is a fully owned subsidiary of Mandatum Life Insurance Company Ltd.

The Company is domiciled within Estonia with its headquarters in Tallinn and it operates through branches in Latvia and Lithuania.

The Company's core activities include offering investment, wealth management and life insurance solutions through unit-linked life insurance to private and corporate customers in the Baltic states.

1. Management of the Company

The Company's Management Board had five members at the end of the third quarter of 2014. The chairman of the Management Board and the CEO is Imre Madison. Other members of the Management Board are Erkki Sadam, responsible for the Company's legal and procurement matters; Ilona Stare, responsible for Latvian Sales and Latvian Branch Manager; Rasa Kasperaviciute, responsible for policy administration, IT management, risk management, product development, financial management and insurance technical matters; and Timo Pursiala, responsible for business control matters and investment management.

The Lithuanian country manager is Dormantas Zajancauskas. The Company's Chief Actuary is Rasa Povilaviciute. The Company's Internal Auditor is Arlet Rebane.

The Company's Supervisory Board had three members at the end of the third quarter of 2014. Timo Laitinen, the Senior Vice President of Mandatum Life Insurance Company Ltd. is the acting Chairman of the Supervisory Board. The other members of the Supervisory Board are Jukka Pirskanen, the Executive Vice President of Mandatum Life Insurance Company Ltd. and Paula Salonen, the CEO of Kaleva, a Finnish life insurance company.

2. Business results of the Company

As at 30.09.2014, the Company serviced a total of 32 714 (33 871) life insurance contracts. The biggest share of total insurance contracts, 72% of all the insurance contracts in force at the end of the third quarter of 2014 consisted of unit-linked insurance contracts, a total of 23 423 (23 537). As at 30.09.2014, the Company had 36 830 (37 953) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 29 762 (23 576) thousand euros in the three first quarters of 2014.

As at 30.09.2014, the Company's client assets under management (AUM) amounted to 173 140 (155 488) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 159 632 (142 053) thousand euros and 92% (91%) of clients' total AUM as at 30.09.2014.

The Company's market share (based on contractual payments received) of the first nine months of 2014 was 11.7% (9.5). The market share by countries based on contractual payments received for the first nine months of 2014 in Estonia was 14.1% (12), in Latvia 11.7% (6.8) and in Lithuania 10.7% (9.4). Since 2006, the Company no longer concludes new savings insurance contracts with guaranteed interest nor does it provide the opportunity for the clients of second pension pillar to make annuity payments.

The Company's market share (based on contractual payments received from unit-linked investment contracts) of the first nine months of 2014 was 19.9% (16.2). The Company's market share by countries based on contractual payments received from unit-linked investment contracts for the first nine months of 2014 in Estonia was 29.2.0% (24.6), in Latvia 30.3% (20.9) and in Lithuania 15.4% (13.3).

In the first nine months of 2014 the Company paid claims in the amount of 18 160 (18 245) thousand euros. The majority of pay-outs were expiries, partial surrenders and surrenders of unit-linked insurance contracts.

As for the management of investments (technical provision and the Company's own capital portfolios), the Company cooperates with Sampo plc. Net income from investment activities (net of investment expenses) in the

Baltic countries in the first nine months of 2014 was positive, totalling to 734 (502) thousand euros. Investment income of the Company's own capital portfolio in the first nine months of 2014 was positive, amounting to 267 (242) thousand euros.

As of 30.09.2014, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) was 26 767 (26 842) thousand euros. At the end of the first nine months of 2014, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds.

As at 30.09.2014, owner's equity was 10 700 (10 718) thousand euros, of which 3 516 (3 516) thousand euros was formed by share capital.

As at 30.09.2014 the total amount of assets included in the available solvency margin was 10 008 (9 925) thousand euros, the required solvency margin was 2 639 (2 455) thousand euros and the solvency surplus was 7 369 (7 470) thousand euros.

The Company's acquisition and administrative expenses in the first nine months of 2014 amounted 4 322 (4 340) thousand euros. Acquisition expenses accounted for 62% (57%) of all operational expenses in the first nine months of 2014 in the Baltic countries.

In the first nine months of 2014, Mandatum Life Insurance Baltic SE's profit for the period amounted to 128 (-365) thousand euros. The Company's profit in the first nine months quarter of 2014 was affected positively by increased gross written premiums, positive net income from investment activities and controlled operational expenses.

The Company's balance sheet volume amounted to 184 474 (166 799) thousand euros as at 30.09.2014. Technical provisions from insurance contracts amounted to 13 508 (13 435) thousand euros at the end of the first nine months of 2014; financial liabilities from investment contracts were 40 246 (32 654) thousand euros and financial liabilities from insurance contracts formed 119 386 (109 399) thousand euros.

3. Personnel of the Company

As at 30.09.2014 there were 95 (112) employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 2 392 (2 522) thousand euros. The Supervisory Board members were not remunerated. The Company paid remuneration (including taxes) to members of the Management Board for carrying out their tasks which amounted to 227 (301) thousand euros.

4. Sales and development activities

In the first nine months of 2014, the Company's main sales channels were its own sales teams, Danske Bank in Estonia and Lithuania, insurance brokers in Latvia and Lithuania and the Company's insurance agents in Lithuania. Additionally, sales-related cooperation continued with If P&C in all three Baltic countries and with insurance brokers in Estonia.

The Company offered unit-linked life insurance and term life insurance solutions to its new and existing private and corporate clients through the above-mentioned sales channels.

5. Other activities

The Company's external auditor was Ernst & Young Baltic AS.

The Company's reinsurer was Mandatum Life Insurance Company Ltd.

The Company's investment risk and operational risk management is performed regularly via the Company's Baltic risk management committees.

The Company belongs to the Estonian, Latvian and Lithuanian Insurance Associations and is the founding member of the Estonian Service Industry Association.




Imre Madison
Chairman of the Management Board

In Tallinn, 27 November 2014

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1-3Q of 2014 on pages 7-14.

Imre Madison Chairman of the Management Board  27.11.2014

Erkki Sadam Member of the Management Board  27.11.2014

III. Statement of financial position

in thousands of euros	30.09.2014	31.12.2013	Notes
Assets			
Cash and cash equivalents	425	307	
Reinsurers' share of insurance liabilities	49	53	
Financial assets			
- Financial instruments	182 347	168 627	
- Receivables related to insurance activities and other	347	258	
Accrued income and prepaid expenses	490	456	
Deferred tax assets	104	104	
Property, plant and equipment	20	47	VIII.2
Intangible assets	692	761	VIII.3
Total assets	184 474	170 613	
Liabilities and owner's equity			
Insurance payables	175	175	
Accrued expenses and deferred income	459	564	
Financial liabilities for insurance contracts	119 386	112 885	
Financial liabilities for investment contracts	40 246	33 037	
Technical provision for insurance contracts	13 508	13 380	
Total liabilities	173 774	160 041	
Share capital	3 516	3 516	
Share premium	3 509	3 509	
Legal reserve	262	262	
Retained profits	3 413	3 285	
Total owner's equity	10 700	10 572	
Total liabilities and owner's equity	184 474	170 613	

IV. Statement of Comprehensive Income

in thousands of euros	1-9/2014	1-9/2013
Gross premiums	2 747	2 703
Premiums ceded to reinsurers	-337	-321
Net premiums	2 410	2 382
Investment income	500	516
Fair value gains and losses	369	102
Realised gains and losses	-48	-21
Investment expenses	-87	-95
Net income from investments	734	502
Fee income	1 735	1 642
Reinsurance commission income	145	131
Other income	967	934
Total other revenue	2 847	2 707
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-1 258	-1 595
Increase of insurance technical provisions net of reinsurance	-147	76
Net insurance claims and change of technical provisions	-1 405	-1 519
Change in value of unit-linked financial liabilities and assets	-46	1
Change in value of financial liabilities from insurance contracts with guaranteed interest	-90	-99
Acquisition expenses	-2 765	-2 519
Administrative expenses	-1 557	-1 821
Total expenses	-4 322	-4 340
Profit before income tax	128	-366
Income tax	0	0
Profit/loss for the reporting period	128	-366
Other comprehensive income		
Exchange differences	0	1
Total comprehensive income for the reporting period	128	-365

V. Quarterly Statement of Comprehensive Income

in thousands of euros	6-9/2014	6-9/2013
Gross premiums	914	893
Premiums ceded to reinsurers	-113	-108
Net premiums	801	785
Investment income	161	174
Fair value gains and losses	-13	223
Realised gains and losses	-9	-1
Investment expenses	-28	-31
Net income from investments	111	365
Fee income	576	532
Reinsurance commission income	56	48
Other income	331	303
Total other revenue	963	883
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-445	-357
Increase of insurance technical provisions net of reinsurance	2	-87
Net insurance claims and change of technical provisions	-443	-444
Change in value of unit-linked financial liabilities and assets	-38	16
Change in value of financial liabilities from insurance contracts with guaranteed interest	-32	-32
Acquisition expenses	-888	-668
Administrative expenses	-523	-561
Total expenses	-1 411	-1 229
Profit before income tax	-49	344
Income tax	0	0
Profit/loss for the reporting period	-49	344
Other comprehensive income		
Exchange differences	0	0
Total comprehensive income for the reporting period	-49	344

VI. Statement of Cash Flows

in thousands of euros	1-9/2014	1-9/2013	Notes
Cash flow from operating activities			
Premiums received	2 748	2 699	
Financial liability inflow	26 985	17 918	
Paid claims and claims handling expenses related to pay-outs	-1 315	-1 663	
Financial liability outflow	-16 925	-15 738	
Reinsurance payments	-80	-74	
Expenses	-4 234	-4 276	
Other revenue and other expenses	914	961	
Purchases of shares and investment fund units	-33 749	-24 366	
Proceeds from the sale of shares and investment fund units	25 010	23 291	
Purchases of bonds and other fixed income securities	-9 781	-7 757	
Proceeds from the sale of bonds and other fixed income securities	10 160	8 634	
Interest received	517	548	
Dividends received	3	3	
Investment expenses	-87	-95	
Net cash provided by operating activities	166	85	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-48	-81	VIII.2/VIII.3
Net cash provided by investing activities	-48	-81	
TOTAL CASH FLOW	118	4	
Cash and cash equivalents at the beginning of the period	307	306	
Change in cash and cash equivalents	118	4	
Cash and cash equivalents at the end of the period	425	310	

VII. Statement of changes in owner's equity

in thousands of euros	Share capital	Share premium	Legal reserve	Unrealised foreign exchange rate	Retained earnings	Total equity
As at 31.12.2012	3 516	3 509	217	0	3 841	11 083
Loss for the financial year 2012	0	0	0	0	-511	-511
Total comprehensive loss for the year 2012	0	0	0	0	-511	-511
Increase of legal reserve	0	0	45	0	-45	0
As at 31.12.2013	3 516	3 509	262	0	3 285	10 572
Profit for the reporting period	0	0	0	0	128	128
Total comprehensive income for the reporting period	0	0	0	0	128	128
As at 30.09.2014	3 516	3 509	262	0	3 413	10 700

VIII. Notes

1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1-3 Quarters 2014 is prepared in accordance with IAS 34 "Interim Financial Reporting".

The Company's Annual Accounts for 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS). In preparing the interim financial statements, the same accounting policies and management estimates of computation are applied as in the financial statements for 2013. The annual financial statements are available on our website at www.mandatumlife.ee. The accounting principles are therefore not described in this Interim Report.

All amounts in the notes are presented in thousands of euros, unless stated otherwise.

2. Property, plant and equipment

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2012	383	-297	86
Additions	4	0	4
Write-offs	-7	7	0
Depreciation charges	0	-43	-43
As at 31.12.2013	380	-333	47
Write-offs	-24	22	-2
Depreciation charges	0	-25	-25
As at 30.09.2014	356	-336	20

Equipment comprises of IT, office equipment and furniture.

3. Intangible assets

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2012	1 635	-798	837
Additions	92	0	92
Foreign exchange adjustments	-6	1	-5
Depreciation charges	0	-163	-163
As at 31.12.2013	1 721	-960	761
Additions	48	0	48
Depreciation charges	0	-117	-117
As at 30.09.2014	1 769	-1 077	692

4. *Related party disclosures*

The associated parties are considered to be the parent company Mandatum Life Insurance Company Ltd, other Sampo Group's companies, and members of the Management and the Supervisory Board. As at 30.09.2014, Sampo plc held 21.2% of Nordea Bank's share capital, therefore Nordea Bank is considered as an associated company to Sampo plc.

Members of the Management Board received a total of 227 (301) thousand euros in the 1-3Q 2014 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS in thousands of euros	30.09.2014	31.12.2013
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	5	12
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Limited (parent company)	216	244
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Limited (parent company)	89 528	74 412
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	147	25
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	4	6
Mandatum Life Insurance Company Limited (parent company)	178	104
LIABILITIES in thousands of euros	30.09.2014	31.12.2013
Insurance payables		
Mandatum Life Insurance Company Limited (parent company)	139	109
Accrued expenses and deferred income		
Sampo plc (parent company)	16	16
If P&C Insurance Company Ltd (a consolidation group enterprise)	0	2
INCOME STATEMENT in thousands of euros	1-9/2014	1-9/2013
Ceded premiums		
Mandatum Life Insurance Company Limited (parent company)	337	321
Reinsurance commissions		
Mandatum Life Insurance Company Limited (parent company)	145	131
Other income		
Mandatum Life Insurance Company Limited (parent company)	487	236
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Limited (parent company)	54	68
Expenses		
Intermediary commissions		
If P&C Insurance Company Ltd (konsolideerimisgrupi ettevõtte)	1	3
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	8	9
Nordea Bank Finland Plc (associated company to Sampo plc)	14	15

Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	51	52
If P&C Insurance Company Ltd (a consolidation group enterprise)	27	28
Sampo plc (parent company)	47	43
Nordea Bank Finland Plc (associated company to Sampo plc)	4	2