

MANDATUM LIFE INSURANCE BALTIC SE

INTERIM REPORT 1-4Q/2013

Business name:	MANDATUM LIFE INSURANCE BALTIC SE
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Beginning of reporting period:	01.01.2013
End of reporting period:	31.12.2013
CEO:	Imre Madison
Auditor:	Ernst & Young Baltic AS

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I. Management report in 1-4Q 2013

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 to its private and corporate clients 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 2013. The chairman of the Management Board and the CEO is Imre Madison. Other members of the Management Board are Iлона Stare, responsible for policy administration and IT management and Latvian Branch Manager; Rasa Kasperaviciute, responsible for financial management and insurance technical matters; Erkki Sadam, responsible for the Company's legal and procurement matters, and Timo Pursiala, responsible for business control matters. As Tomas Stonys, the Lithuanian branch manager left the Company, as from 1 October, the Supervisory Board of the Company appointed Dormantas Zajancauskas as the new Lithuanian Branch Manager.

The Company's Chief Actuary is Airi Heinapuu, who is also responsible for the Company's product development and risk management. The Company's Internal Auditor is Arlet Rebane.

The Company's Supervisory Board had three members on as at 31.12.13. 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. As from 18.11.2013, the member of the Supervisory Board Timo Vuorinen left the Company and Paula Salonen was appointed as the new member of the Supervisory Board.

2. Business results of the Company

As at 31.12.2013, the Company serviced a total of 33 826 life insurance contracts in the Baltic countries. The biggest share, 70% of total insurance contracts in force at the end of the fourth quarter of 2013 consisted of unit-linked insurance contracts (total of 23 674 contracts). As at 31.12.2013, the Company had 37 986 insured persons in its contracts portfolio in the Baltics.

The Company's received payments totalled 31 986 thousand euros at the end of 2013.

As at 31.12.2013, the Company's client assets under management (AUM) amounted to 159 302 thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts which formed 145 922 thousand euros and 92% of the Company's clients' total AUM in the Baltic countries.

The Company's market share in the Baltic life insurance market (based on contractual payments received) at the end of the fourth quarter of 2013 was 9.7%. As at 31.12.2013, the market share by countries based on contractual payments received in Estonia was 12.2%, in Latvia 8.3% and in Lithuania 9.3%. As from 2006, the Company does not conclude new savings insurance contracts with guaranteed interest not offer annuity payments for the clients of the second funded pension pillar.

The Company's market share (based on contractual payments received from unit-linked investment contracts) at the end of 2013 was 16.2%. As at 31.12.2013, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 25.4%, in Latvia 23.2% and in Lithuania 12.8%.

In 2013, the Company paid claims in the amount of 24 952 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 2013 was positive, totalling to 784 thousand euros. Investment income of the Company's own capital portfolio in the first three quarters of 2013 was positive, amounting to 302 thousand euros.

As at 31.12.2013, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) reached 26 652 thousand euros. The Company's investment portfolio mostly comprised of Nordic corporate bonds.

As at 31.12.2013, owner's equity was 10 572 thousand euros, of which 3 515 thousand euros was formed by share capital.

As at 31.12.2013 the total amount of assets included in the available solvency margin was 9 810 thousand euros, the required solvency margin was 2 496 thousand euros and the solvency surplus was 7 314 thousand euros.

The Company's operating expenses (which include acquisition expenses, administrative expenses and investment expenses) amounted to 6 057 thousand euros at the end of 2013. Acquisition expenses accounted for 57% of all operational expenses at the end of 2013 in the Baltic countries.

In 2013, Mandatum Life Insurance Baltic SE's loss for the period amounted to 511 thousand euros. The main reason for the loss in the period was the increase of operational expenses and negative net income from investment activities that remained below the guaranteed interest rate promised to the policyholder.

The Company's balance sheet volume amounted to 170 613 thousand euros as at 31.12.2013. Technical provisions from insurance contracts amounted to 13 380 thousand euros at the end of 2013; financial liabilities from investment contracts were 33 037 thousand euros and financial liabilities from insurance contracts formed 112 885 thousand euros.

3. Personnel of the Company

As at 31.12.2013 there were 110 employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 3 377 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 376 thousand euros.

4. Sales and development activities

The Company's main sales channel was its own sales team, which consists of a sales team focused on selling unit-linked insurance & wealth management solutions and a sales team focused on regular saving solutions

Additionally, sales-related cooperation was continued with Danske Bank in Estonia and Lithuania, with If P&C in all three Baltic countries and with insurance brokers in Latvia and Lithuania. In the third quarter of 2013 the Company continued its active cooperation with the sales network of Lithuanian insurance agents, which was started at the beginning of the year.

The Company's own sales teams focus on fulfilling the needs that affluent clients and high net worth individuals, entrepreneurs and corporate customers have in relation to investment, wealth management and life insurance solutions.

The bank-assurance cooperation with Danske Bank was continued based on the agency agreement concluded in 2007. Danske Bank delivers mainly life insurance risk business to the Company. Other sales channels such as If P&C and insurance brokers represent a minor share of the total contractual payments received but their importance is growing in the sales of the Company's risk covers. The Company launched a new sales cooperation with tied insurance agent networks in Lithuania in 2013. The importance of different sales channels varies from country to country. However, the Company's own sales teams are the core sales channels in all the Baltic countries.

In October 2013 four new accident and sickness-related complementary insurances were launched in Estonia. So far the Company provided accident and sickness-related complementary insurances only in Latvia and Lithuania. The features and price level of the Company's risk products makes Mandatum Life one of the leading provider of life insurance solutions in the Baltics. The Company won several group insurance risk tenders in the Baltics in 2013.

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, 21 February 2014

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1-4Q of 2013 on pages 7-13.

Imre Madison

Chairman of the Management Board



21.02.2014

Erkki Sadam

Member of the Management Board



21.02.2014

III. Statement of financial position

in thousands of euros	31.12.2013	31.12.2012	Notes
Assets			
Cash and cash equivalents	307	306	
Deferred tax assets	104	104	
Reinsurers' share of insurance liabilities	53	56	
Financial assets			
- Financial instruments	168 627	162 726	
- Receivables related to insurance activities and other	258	339	
Accrued income and prepaid expenses	456	492	
Property, plant and equipment	47	86	0
Intangible assets	761	837	Error! Reference source not found.
Total assets	170 613	164 946	
Liabilities and owner's equity			
Insurance payables	175	276	
Accrued expenses and deferred income	564	557	
Financial liabilities for insurance contracts	112 885	111 544	
Financial liabilities for investment contracts	33 037	27 964	
Technical provision for insurance contracts	13 380	13 522	
Total liabilities	160 041	153 863	
Share capital	3 516	3 516	
Share premium	3 509	3 509	
Legal reserve	262	217	
Retained profits	3 285	3 841	
Total owner's equity	10 572	11 083	
Total liabilities and owner's equity	170 613	164 946	

IV. Statement of Comprehensive Income

in thousands of euros	1-12/13	1-12/12
Gross premiums	3 652	3 805
Premiums ceded to reinsurers	-431	-427
Net premiums	3 221	3 378
Investment income	693	765
Fair value gains and losses	242	1 240
Realised gains and losses	-26	-14
Net income from investments	909	1 991
Fee income	2 279	2 249
Reinsurance commission income	175	178
Other income	1 252	1 195
Total other revenue	3 706	3 622
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-2 193	-3 112
Increase of insurance technical provisions net of reinsurance	123	904
Net insurance claims and change of technical provisions	-2 070	-2 208
Change in value of unit-linked financial liabilities and assets	-90	-87
Change in value of financial liabilities from insurance contracts with guaranteed interest	-130	-138
Acquisition expenses	-3 455	-3 075
Administrative expenses	-2 477	-2 553
Investment expenses	-125	-139
Total expenses	-6 057	-5 767
Profit / loss before income tax	-511	791
Income tax	0	104
Profit/loss for the financial year	-511	895
Other comprehensive income		
Exchange differences	0	1
Total comprehensive income for the reporting period	-511	896

V. Quarterly Statement of Comprehensive Income

in thousands of euros	10-12/13	10-12/12
Gross premiums	948	959
Premiums ceded to reinsurers	-109	-107
Net premiums	839	852
Investment income	177	184
Fair value gains and losses	140	242
Realised gains and losses	-5	0
Net income from investments	312	426
Fee income	636	610
Reinsurance commission income	44	45
Other income	318	303
Total other revenue	998	958
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-598	-1 472
Increase of insurance technical provisions net of reinsurance	47	921
Net insurance claims and change of technical provisions	-551	-551
Change in value of unit-linked financial liabilities and assets	-91	-71
Change in value of financial liabilities from insurance contracts with guaranteed interest	-31	-33
Acquisition expenses	-936	-891
Administrative expenses	-656	-706
Investment expenses	-30	-35
Total expenses	-1 622	-1 632
Profit / loss before income tax	-146	-51
Income tax	0	104
Profit/loss for the reporting period	-146	53
Other comprehensive income		
Exchange differences	0	1
Total comprehensive income for the reporting period	-146	54

VI. Statement of Cash Flows

in thousands of euros	1-12/2013	1-12/2012	Notes
Cash flow from operating activities			
Premiums received	3 657	3 814	
Financial liability inflow	28 231	29 723	
Paid claims and claims handling expenses related to pay-outs	-2 287	-3 174	
Financial liability outflow	-22 947	-19 510	
Reinsurance payments	-166	-159	
Expenses	-5 732	-5 286	
Other revenue and other expenses	1 301	1 120	
Purchases of shares and investment fund units	-36 135	-37 661	
Proceeds from the sale of shares and investment fund units	32 261	29 490	
Purchases of bonds and other fixed income securities	-11 463	-17 199	
Proceeds from the sale of bonds and other fixed income securities	12 748	17 945	
Interest received	751	759	
Dividends received	3	2	
Investment expenses	-125	-139	
Net cash provided by operating activities	97	-275	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-96	-146	0Error! Reference source not found.
Net cash provided by investing activities	-96	-146	
TOTAL CASH FLOW	1	-421	
Cash and cash equivalents at the beginning of the period	306	727	
Change in cash and cash equivalents	1	-421	
Cash and cash equivalents at the end of the period	307	306	

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 31.12.2011	3 516	3 509	204	-1	2 959	10 187
Profit for the financial year 2012	0	0	0	0	895	895
Other comprehensive income	0	0	0	1	0	1
Total comprehensive income for the year 2012	0	0	0	1	895	896
Increase of legal reserve	0	0	13	0	-13	0
As at 31.12.2012	3 516	3 509	217	0	3 841	11 083
Loss for the financial year	0	0	0	0	-511	-511
Total comprehensive loss for 2013	0	0	0	1	-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

VIII. Notes

1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1-3 Quarters 2013 is prepared in accordance with IAS 34 "Interim Financial Reporting".

The Company's Annual Accounts for 2012 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 2012. 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

<i>in thousands of euros</i>	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2011	383	-244	139
Depreciation charges	0	-53	-53
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

Equipment comprises of IT, office equipment and furniture.

3. Intangible assets

<i>in thousands of euros</i>	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2011	1521	-654	867
Additions	146	0	146
Write-offs	-32	32	0
Depreciation charges	0	-176	-176
As at 31.12.2012	1 635	-798	837
Additions	92	0	92
Foreign exchange adjustments	-6	1	-5
Write-offs	0	-163	-163
As at 31.12.2013	1 721	-960	761

4. Related party disclosures

The associated parties are considered to be the parent company Mandatum Life Insurance Company Ltd, other Sampo Group's companies, and members of the Management and the Supervisory Board. As at 31.12.2013,

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 376 thousand euros in the 1-4Q 2013 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS <i>in thousands of euros</i>	31.12.2013	31.12.2012
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	12	14
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Limited (parent company)	244	241
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Limited (parent company)	74 412	66 057
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	25	56
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	6	5
Mandatum Life Insurance Company Limited (parent company)	104	171
LIABILITIES <i>in thousands of euros</i>	31.12.2013	31.12.2012
Insurance payables		
Mandatum Life Insurance Company Limited (parent company)	109	107
Accrued expenses and deferred income		
If P&C Insurance Company Ltd (a consolidation group enterprise)	2	2
INCOME STATEMENT <i>in thousands of euros</i>	1-12/2013	1-12/2012
Ceded premiums		
Mandatum Life Insurance Company Limited (parent company)	430	427
Reinsurance commissions		
Mandatum Life Insurance Company Limited (parent company)	175	178
Other income		
Mandatum Life Insurance Company Limited (parent company)	564	533
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Limited (parent company)	91	81
Expenses		
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	12	16
Nordea Bank Finland Plc (associated company to Sampo plc)	20	34
Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	70	34
If P&C Insurance Company Ltd (a consolidation group enterprise)	35	31
Sampo plc.	64	67