

MANDATUM LIFE INSURANCE BALTIC SE

INTERIM REPORT 1-4Q/2014

Business name:	MANDATUM LIFE INSURANCE BALTIC SE
Commercial registry code:	10561490
Address:	Viru väljak 2, 10111 Tallinn
Telephone:	6812 300
Fax:	6812 399
E-mail:	info@mandatumlife.ee
Website:	www.mandatumlife.ee
Beginning of reporting period:	01.01.2014
End of reporting period:	31.12.2014
CEO:	Imre Madison
Auditor:	Ernst & Young Baltic AS

Contents

I. MANAGEMENT REPORT IN 1-4Q 2014	3
1. MANAGEMENT OF THE COMPANY	3
2. BUSINESS RESULTS OF THE COMPANY	3
3. PERSONNEL OF THE COMPANY	4
4. SALES AND DEVELOPMENT ACTIVITIES	4
5. OTHER ACTIVITIES	4
II. SIGNATURES OF THE MANAGEMENT BOARD	6
III. STATEMENT OF FINANCIAL POSITION	7
IV. STATEMENT OF COMPREHENSIVE INCOME	8
V. QUARTERLY STATEMENT OF COMPREHENSIVE INCOME	9
VI. STATEMENT OF CASH FLOWS	10
VII. STATEMENT OF CHANGES IN OWNER'S EQUITY	11
VIII. NOTES	12
1. BASIS OF PREPARATION	12
2. PROPERTY, PLANT AND EQUIPMENT	12
3. INTANGIBLE ASSETS	12
4. RELATED PARTY DISCLOSURES	12

I. Management report in 1-4Q 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 to its private and corporate clients in the Baltic States.

1. Management of the Company

The Company's Management Board consisted of five members at the end 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, compliance and procurement matters; Ilona Stare, responsible for Latvian sales and the Latvian Branch Manager; Rasa Kasperaviciute, responsible for policy administration, IT-management, risk management, product development, insurance technical and financial matters; and Timo Pursiala, responsible for business control and investment management matters.

The Company's Lithuanian Branch Manager is Dormantas Zajancauskas. The Chief Actuary of Mandatum Life is Rasa Povilaviciute. The Company's Internal Auditor is Arlet Rebane.

The Company's Supervisory Board consisted of three members at the end of 2014. The acting Chairman of the Supervisory Board is Timo Laitinen, the Senior Vice President of Mandatum Life Finland. Other members of the Supervisory Board are Jukka Pirskanen, the Head of Wealth Management of Mandatum Life Finland and Paula Salonen, the CEO of the Finnish life insurance company Kaleva.

2. Business results of the Company

As at 31 December 2014 Mandatum Life serviced a total of 32,646 life insurance contracts (33,312). The biggest share, 72% of total insurance contracts in force at the end of the fourth quarter of 2014 consisted of unit-linked insurance contracts (total of 23,355 (23,674) contracts). As at 31.12.2014, the Company had 37,396 (37,986) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 40,457 (31,986) thousand euros at the end of 2014.

As at 31.12.2014, the Company's client assets under management (AUM) amounted to 170,051 (159,302) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts which formed 152,913 (142,125) thousand euros and 90% (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 2014 was 10.7% (9.7%).

As from 2006, the Company does not conclude new savings insurance contracts with guaranteed interest nor 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 2014 was 17.5% (16.2%).

As at 31.12.2014, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 26.7% (25.4%), in Latvia 22.9% (23.2%) and in Lithuania 14.3% (12.8%)

In 2014, the Company paid claims in the amount of 27,851 (24,636) 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 2014 was positive, totalling to 910 (784) thousand euros. Investment income of the Company's own capital portfolio was positive, amounting to 333 (302) thousand euros.

As at 31.12.2014, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) reached 26,869 (26,652) thousand euros. The Company's investment portfolio mostly comprised of fixed income instruments, such as government and corporate bonds and money market instruments.

As at 31.12.2014, owner's equity was 10,756 (10,572) thousand euros, of which 3,516 (3,516) thousand euros was formed by share capital.

As at 31.12.2014 the total amount of assets included in the available solvency margin was 10,066 (9,810) thousand euros, the required solvency margin was 2,638 (2,496) thousand euros and the solvency surplus was 7,429 (7,314) thousand euros.

The Company's acquisition expenses and administrative expenses amounted to 5,775 (5,932) thousand euros at the end of 2014. Acquisition expenses accounted for 62% (55%) of all operational expenses at the end of 2014 in the Baltic countries.

In 2014, the operating loss for the Company in the Baltics was -149 (-813) thousand euros. The result of the Company in 2014 was affected positively by the increase of premiums received, the net result of investment activities and management of operational expenses.

The Company's balance sheet volume amounted to 181,586 (170,613) thousand euros as at 31.12.2014. Technical provisions from insurance contracts amounted to 13,428 (13,380) thousand euros at the end of 2014; financial liabilities from investment contracts and insurance contracts totalled 156,623 (145,922) thousand euros.

3. Personnel of the Company

As at 31.12.2014 there were 96 (110) employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 3,134 (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 281 (376) thousand euros.

4. Sales and development activities

The Company's main sales channel is its own sales unit, comprising of a sales team focused on selling unit-linked insurance & wealth management solutions and a sales team focused on regular saving and life insurance risk solutions. The bank-assurance cooperation was continued with Danske Bank in Estonia and in Lithuania.

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 life insurance risk covers. The importance of different sales channels varies from country to country.

Through these sales channels, the Company provided new and existing corporate and private clients unit-linked and life insurance solutions.

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.

A handwritten signature in black ink, appearing to be 'Imre Madison', written in a cursive style.

Imre Madison
Chairman of the Management Board
In Tallinn, 26 February 2015

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1-4Q of 2014 on pages 7-14.

Imre Madison

Chairman of the Management Board



26.02.2015

Erkki Sadam

Member of the Management Board



26.02.2015

III. Statement of financial position

in thousands of euros	31.12.2014	31.12.2013	Notes
Assets			
Cash and cash equivalents	699	307	
Reinsurance assets	52	53	
Investments other than unit-linked investments	26,264	26,501	
Investments related to unit-linked insurance and investment contracts	152,913	142,126	
Receivables related to insurance activities and other receivables	281	258	
Accrued income and prepaid expenses	555	456	
Deferred tax assets	116	104	
Property, plant and equipment	16	47	VIII.2
Intangible assets	690	761	VIII.3
Total assets	181,586	170,613	
Liabilities and owner's equity			
Insurance and other payables	258	175	
Accrued expenses and deferred income	521	564	
Financial liabilities for insurance contracts	3,710	3,797	
Financial liabilities for unit-linked insurance and investment contracts	152,913	142,125	
Technical provision for insurance contracts	13,428	13,380	
Total liabilities	170,830	160,041	
Share capital	3,516	3,516	
Share premium	3,509	3,509	
Legal reserve	262	262	
Retained earnings	3,469	3,285	
Total owner's equity	10,756	10,572	
Total liabilities and owner's equity	181,586	170,613	

IV. Statement of Comprehensive Income

in thousands of euros	2014	2013
Gross premiums	3,708	3,652
Premiums ceded to reinsurers	-450	-431
Net premiums	3,258	3,221
Investment income	669	693
Fair value gains and losses on investments	414	242
Realised gains and losses on investments	-59	-26
Investment expenses	-114	-125
Net income from investments	910	784
Fee income	2,400	2,279
Reinsurance commission income	195	175
Other income	1,288	1,252
Total other revenue	3,883	3,706
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-1,832	-2,193
Increase of insurance technical provisions net of reinsurance	-67	123
Net insurance claims and change of technical provisions	-1,899	-2,070
Change in value of unit-linked financial liabilities and assets	-74	-90
Change in value of financial liabilities from insurance contracts with guaranteed interest	-120	-130
Acquisition expenses	-3,701	-3,455
Administrative expenses	-2,074	-2,477
Total expenses	-5,775	-5,932
Profit/loss before income tax	183	-511
Income tax	1	0
Profit/loss for the financial year	184	-511
Total comprehensive income/loss for the financial year	184	-511

V. Quarterly Statement of Comprehensive Income

in thousands of euros	9-12/2014	9-12/2013
Gross premiums	961	948
Premiums ceded to reinsurers	-113	-109
Net premiums	848	839
Investment income	169	177
Fair value gains and losses on investments	45	140
Realised gains and losses on investments	-10	-5
Investment expenses	-27	-30
Net income from investments	177	282
Fee income	665	636
Reinsurance commission income	49	44
Other income	322	318
Total other revenue	1,036	998
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-575	-598
Increase of insurance technical provisions net of reinsurance	81	47
Net insurance claims and change of technical provisions	-494	-551
Change in value of unit-linked financial liabilities and assets	-28	-91
Change in value of financial liabilities from insurance contracts with guaranteed interest	-30	-31
Acquisition expenses	-937	-936
Administrative expenses	-517	-656
Total expenses	-1,454	-1,592
Profit / loss before income tax	55	-146
Income tax	1	0
Profit/loss for the reporting period	56	-146
Total comprehensive income for the reporting period	56	-146

VI. Statement of Cash Flows

in thousands of euros	1-12/2014	1-12/2013	Notes
Cash flow from operating activities			
Premiums received	3,703	3657	
Financial liability inflow	36,743	28,231	
Paid claims and claims handling expenses related to pay-outs	-1,905	-2,287	
Financial liability outflow	-26,334	-22,947	
Inflow from reinsurance	310	271	
Reinsurance payments	-465	-438	
Expenses	-5,641	-5,732	
Other revenue and other expenses	1,207	1,301	
Purchases of shares and investment fund units	-47,252	-36,135	
Proceeds from the sale of shares and investment fund units	38,960	32,261	
Purchases of bonds and other fixed income securities	-10,680	-11,463	
Proceeds from the sale of bonds and other fixed income securities	11,260	12,748	
Interest received	681	751	
Dividends received	3	3	
Investment expenses	-114	-125	
Net cash provided by operating activities	476	97	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-84	-96	VIII.2VIII.3
Net cash provided by investing activities	-84	-96	
TOTAL CASH FLOW net	392	1	
Cash and cash equivalents at the beginning of the period	307	306	
Change in cash and cash equivalents	392	1	
Cash and cash equivalents at the end of the period	699	307	

VII. Statement of changes in owner's equity

in thousands of euros	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
As at 31.12.2012	3,516	3,509	217	3,841	11,083
Loss for the year 2013	0	0	0	-511	-511
Total comprehensive loss for the year 2013	0	0	0	-511	-511
Increase of legal reserve	0	0	45	-45	0
As at 31.12.2013	3,516	3,509	262	3,285	10,572
Profit for the financial year	0	0	0	184	184
Total comprehensive income for the year 2014	0	0	0	184	184
As at 31.12.2014	3,516	3,509	262	3,469	10,756

VIII. Notes

1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1-4 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

<i>in thousands of euros</i>	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	-23	21	-2
Depreciation charges	0	-29	-29
As at 31.12.2014	357	-341	16

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 31.12.2012	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	84	0	84
Write-offs	-1	1	0
Depreciation charges	0	-155	-155
As at 31.12.2014	1,804	-1,114	690

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.

In 2014 the members of the Management Board received a total of 281 (376) thousand euros pursuant to service contracts, payroll tax included. Additionally the members of the Management Board received a total of 16 (24) thousand euros according to the Company's long-term motivational pay scheme, payroll taxes included.

ASSETS <i>in thousands of euros</i>	31.12.2014	31.12.2013
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	31	12
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Limited (parent company)	258	244
Financial assets		
Financial assets designated as being at fair value through profit and loss		
Mandatum Life Insurance Company Limited (parent company)	79,797	74,412
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	38	25
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (subsidiary of Sampo plc.)	15	6
Mandatum Life Insurance Company Limited (parent company)	201	104
LIABILITIES <i>in thousands of euros</i>	31.12.2014	31.12.2013
Insurance payables		
Mandatum Life Insurance Company Limited (parent company)	153	109
Accrued expenses and deferred income		
Sampo plc. (parent company of Sampo plc group)	13	16
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	4	2
INCOME STATEMENT <i>in thousands of euros</i>	1-12/2014	1-12/2013
Ceded premiums		
Mandatum Life Insurance Company Limited (parent company)	450	430
Reinsurance commissions		
Mandatum Life Insurance Company Limited (parent company)	195	175
Other income		
Mandatum Life Insurance Company Limited (parent company)	649	564
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Limited (parent company)	71	91
Expenses		
Commission fees to brokers		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	1	3
Transport expenses		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	11	12
Nordea Bank Finland Plc (associated company to Sampo plc)	19	20
Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	69	70

If P&C Insurance Company Ltd (subsidiary of Sampo plc)	34	35
Sampo plc (parent company of Sampo plc group)	62	64
Nordea Bank Finland Plc (associated company to Sampo plc)	11	2
Change in financial assets designated at fair value through profit and loss		
Mandatum Life Insurance Company Ltd (parent company)	582	3,336