

MANDATUM LIFE INSURANCE BALTIC SE

INTERIM REPORT 1Q/2014

Business name: MANDATUM LIFE INSURANCE BALTIC SE

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Beginning of reporting period: 01.01.2014

End of reporting period: 31.03.2014

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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I. Management report in the 1Q of 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 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 first 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 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 first 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 31.03.2014, the Company serviced a total of 33 643 (34 141 as at 31.03.2013) life insurance contracts. The biggest share of total insurance contracts, 69% of all the insurance contracts in force at the end of the first quarter of 2014 consisted of unit-linked insurance contracts (total of 23 529 (23 622) contracts). As at 31.03.2014, the Company had 37 781 (37 691) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 8 247 (6 863) thousand euros in the first quarter of 2014.

As at 31.03.2014, the Company's client assets under management (AUM) amounted to 159 055 (154 490) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 145 685 (141 213) thousand euros and 92% (91%) of clients' total AUM as at 31.03.2014.

The Company's market share (based on contractual payments received) of the first quarter of 2014 was 10.4% (9.8%). As at 31.03.2014, the market share by countries based on contractual payments received in Estonia was 14.1% (9.0%), in Latvia 8.8% (8.2%), and in Lithuania 9.2% (10.7%). 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 quarter of 2014 was 17.9% (16.7%). As at 31.03.2014, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 29.5% (16.8%), in Latvia 25.2% (25.5%) and in Lithuania 13.3% (15.2%).

In the first quarter of 2014 the Company paid claims in the amount of 7 726 (7 157) 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 quarter of 2014 was positive, totalling to 314 (150) thousand euros. Investment income of the Company's own capital portfolio in the first quarter of 2014 was positive, amounting to 113 (67) thousand euros.

As at 31.03.2014, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) was 26 694 (27 301) thousand euros. At the end of the first quarter of 2014, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds.

As at 31.03.2014, owner's equity was 10 665 (10 907) thousand euros, of which 3 516 (3 516) thousand euros was formed by share capital.

As at 31.03.2014 the total amount of assets included in the available solvency margin was 9 935 (10 097) thousand euros, the required solvency margin was 2 498 (2 419) thousand euros and the solvency surplus was 7 437 (7 678) thousand euros.

The Company's operating expenses (which include acquisition expenses, administrative expenses and investment expenses) in the first quarter of 2014 amounted to 1 465 (1 455) thousand euros. Acquisition expenses accounted for 61% (53%) of all operational expenses in the first quarter of 2014 in the Baltic countries.

In the first quarter of 2014, Mandatum Life Insurance Baltic SE's profit for the period amounted to 93 (-176) thousand euros. The Company's profit in the first 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 170 544 (166 074) thousand euros as at 31.03.2014. Technical provisions from insurance contracts amounted to 13 370 (13 277) thousand euros at the end of the first quarter of 2014; financial liabilities from investment contracts were 34 611 (29 904) thousand euros and financial liabilities from insurance contracts formed 111 074 (111 309) thousand euros.

3. Personnel of the Company

As at 31.03.2014 there were 104 (118) employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 817 (838) 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 74 (107) thousand euros.

4. Sales and development activities

In the first quarter of 2014, the Company's main sales channel was its own sales team. Additionally, sales-related cooperation was continued with Danske Bank in Estonia and Lithuania, with If P&C and with insurance brokers in all three Baltic countries, and with the sales network of Lithuanian insurance agents.

In the first quarter of 2014, the Company continued active sales of unit-linked and term life insurance products by offering additional discounts in all sales channels.

In the first quarter of 2014, the Company implemented common customer relation management software in all three Baltic countries.

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 May 2014

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1Q of 2014 on pages 7-12.

Imre Madison Chairman of the Management Board



27.05.2014

Erkki Sadam Member of the Management Board



27.05.2014

III. Statement of financial position

in thousands of euros	31.03.2014	31.12.2013	Notes
Assets			
Cash and cash equivalents	1 013	307	
Reinsurers' share of insurance liabilities	52	53	
Financial assets			
- Financial instruments	167 924	168 627	
- Receivables related to insurance activities and other	167	258	
Accrued income and prepaid expenses	519	456	
Deferred tax assets	104	104	
Property, plant and equipment	36	47	VII.2
Intangible assets	729	761	VII.3
Total assets	170 544	170 613	
Liabilities and owner's equity			
Insurance payables	396	175	
Accrued expenses and deferred income	428	564	
Financial liabilities for insurance contracts	111 074	112 885	
Financial liabilities for investment contracts	34 611	33 037	
Technical provision for insurance contracts	13 370	13 380	
Total liabilities	159 879	160 041	
Share capital	3 516	3 516	
Share premium	3 509	3 509	
Legal reserve	262	262	
Retained profits	3 378	3 285	
Total owner's equity	10 665	10 572	
Total liabilities and owner's equity	170 544	170 613	

IV. Statement of Comprehensive Income

in thousands of euros	1-3/2014	1-3/2013
Gross premiums	910	889
Premiums ceded to reinsurers	-111	-105
Net premiums	799	784
Investment income	170	171
Fair value gains and losses	174	30
Realised gains and losses	0	-18
Investment expenses	-30	-33
Net income from investments	314	150
Fee income	571	537
Reinsurance commission income	46	39
Other income	314	321
Total other revenue	931	897
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-455	-760
Increase of insurance technical provisions net of reinsurance	8	242
Net insurance claims and change of technical provisions	-447	-518
Change in value of unit-linked financial liabilities and assets	-11	1
Change in value of financial liabilities from insurance contracts with guaranteed interest	-28	-35
Acquisition expenses	-925	-821
Administrative expenses	-540	-634
Total expenses	-1 465	-1 455
Profit before income tax	93	-176
Income tax	0	0
Profit/loss for the financial year	93	-176
Other comprehensive income		
Exchange differences	0	0
Total comprehensive income for the financial year	93	-176

V. Statement of cash flows

in thousands of euros	1-3/2014	1-3/2013	Notes
Cash flow from operating activities			
Premiums received	914	893	
Financial liability inflow	7 556	5 842	
Paid claims and claims handling expenses related to pay-outs	-477	-780	
Financial liability outflow	-7 277	-6 449	
Reinsurance payments	82	80	
Expenses	-1 575	-1 471	
Other revenue and other expenses	288	329	
Purchases of shares and investment fund units	-11 462	-8 170	
Proceeds from the sale of shares and investment fund units	11 849	9 019	
Purchases of bonds and other fixed income securities	-2 295	-2 668	
Proceeds from the sale of bonds and other fixed income securities	2 900	3 205	
Interest received	241	287	
Investment expenses	-30	-33	
Net cash provided by operating activities	714	84	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-8	-19	VII.2VII.3
Net cash provided by investing activities	-8	-19	
TOTAL CASH FLOW	706	65	
Cash and cash equivalents at the beginning of the period	307	306	
Change in cash and cash equivalents	706	65	
Cash and cash equivalents at the end of the period	1 013	371	

VI. 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 2013	0	0	0	0	-511	-511
Total comprehensive loss for the year 2013	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 financial year	0	0	0	0	93	93
Total comprehensive income for the financial year	0	0	0	0	93	93
As at 31.03.2014	3 516	3 509	262	0	3 378	10 665

VII. Notes

1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1st Quarter 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 31.03.2013	380	-333	47
Write-offs	-7	6	-1
Depreciation charges	0	-10	-10
As at 31.03.2014	373	-337	36

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	7	0	7
Write-offs	0	-39	-39
As at 31.03.2014	1 728	-999	729

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 31.03.2014, 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 74 (107) thousand euros in the 1Q 2014 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS in thousands of euros	31.03.2014	31.12.2013
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	1	12
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Limited (parent company)	120	244
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Limited (parent company)	80 321	74 412
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	42	25
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	5	6
Mandatum Life Insurance Company Limited (parent company)	191	104
LIABILITIES in thousands of euros	31.03.2014	31.12.2013
Insurance payables		
Mandatum Life Insurance Company Limited (parent company)	112	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	1-3/2014	1-3/2013
Ceded premiums		
Mandatum Life Insurance Company Limited (parent company)	112	105
Reinsurance commissions		
Mandatum Life Insurance Company Limited (parent company)	46	39
Other income		
Mandatum Life Insurance Company Limited (parent company)	149	133
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Limited (parent company)	21	31
Expenses		
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	3	3
Nordea Bank Finland Plc (associated company to Sampo plc)	3	5
Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	17	18
If P&C Insurance Company Ltd (a consolidation group enterprise)	7	11